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3.30.23

RECOMMENDATION APPROVED;
RESOLUTION 23-10143 ADOPTED AND;
AGREEMENT 23-3539-A APPROVED
BY THE BOARD OF HARBOR COMMISSIONERS

March 30, 2023
AM KLESGES
AMBER M. KLESGES
Board Secretary



DATE: MARCH 23, 2023

FROM: CARGO MARKETING

SUBJECT: RESOLUTION NO. 23-10143 - APPROVAL OF FIRST
AMENDMENT TO FOREIGN-TRADE ZONE OPERATING AGREEMENT
NO. 17-3539 BETWEEN THE CITY OF LOS ANGELES HARBOR
DEPARTMENT AND BOARDRIDERS, INC., FTZ 202, SITE 20

SUMMARY:

Staff requests approval of a First Amendment to Foreign-Trade Zone (FTZ) Operating Agreement No. 17-3539 between the City of Los Angeles Harbor Department (Harbor Department) and Boardriders, Inc. (Boardriders) to continue operating its facility within FTZ 202, Site 20, located at 11310 Cantu Galleano Ranch Road, Mira Loma, CA 91752. The Harbor Department, as the FTZ Grantee, establishes Operating Agreements with FTZ site operators to oversee their FTZ operations.

Boardriders' current FTZ Operating Agreement No. 17-3539 expired on March 1, 2023. The First Amendment will extend the term of the Operating Agreement by five years. Boardriders 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 20 consists of a 12.6 acre site that includes a warehouse and office space located 64 miles from the Port of Los Angeles. Boardriders will operate its facility under FTZ procedures as a single-usage site. If the proposed amendment is approved, the Harbor Department will receive \$10,000 annually from Boardriders (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 First Amendment to Foreign-Trade Zone Operating Agreement No. 17-3539 between the City of Los Angeles Harbor Department and Boardriders, Inc;

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3. Direct the Board Secretary to transmit the proposed First Amendment to Foreign-Trade Zone Operating Agreement No. 17-3539 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. 17-3539; and
5. Adopt Resolution No. 23-10143.

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 by five years to February 28, 2028. Boardriders is a U.S. company with its head office located in Huntington Beach, CA, and employs eight full-time employees at this FTZ site. This 12.6 acre property includes a warehouse and office (Transmittal 2) and is within the FTZ 202 service area (Transmittal 3).

Boardriders 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 – Boardriders is requesting approval from the Harbor Department to execute the proposed First Amendment to continue to operate Site 20 as a single-usage FTZ facility. Boardriders handles the logistics, handling, storage, inventory and quality control of surf-inspired apparel and footwear. Some of their brands are; Quiksilver, Billabong, RVCA and ROXY. Occasionally, products may be re-exported.

If Boardriders 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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BOARDRIDERS, INC, FTZ 202, SITE 20

ENVIRONMENTAL ASSESSMENT:

The proposed action is the approval of a First Amendment to FTZ Operating Agreement No. 17-3539 between the City of Los Angeles Harbor Department and Boardriders, 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 Boardriders (per FTZ Tariff No. 2).

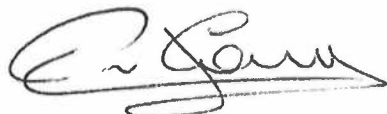
Approval of the FTZ Operating Agreement is not anticipated to result in additional, incremental FTZ-related consulting service expenses being incurred by the Harbor Department. During Fiscal Year (FY) 2022, revenues of \$289,336 were collected from Harbor Department FTZ operators relative to FY 2022 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 First Amendment as to form and legality.

TRANSMITTALS:

1. Proposed First Amendment to FTZ Operating Agreement with Boardriders, Inc, FTZ 202, Site 20
2. FTZ 202, Site 20 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:



EUGENE D. SEROKA
Executive Director

MV: AA