

TRANSMITTAL		0150-12406-0000
TO Eugene D. Seroka, Executive Director Harbor Department	DATE 11/03/2023	COUNCIL FILE NO.
FROM The Mayor		COUNCIL DISTRICT 15
<p style="text-align: center;">RESOLUTION NO. 23-10173 AND PROPOSED FIRST AMENDMENT TO FOREIGN TRADE ZONE OPERATING AGREEMENT NO. 18-3563 BETWEEN THE HARBOR DEPARTMENT AND FEDEX TRADE TRANSPORT AND BROKERAGE, INC., FTZ 202, SITE NO. 52</p> <p style="text-align: center;">Approved and transmitted for further processing including Council consideration. See the City Administrative Officer report attached.</p> <div style="text-align: center;">  MAYOR (Chris Thompson for) </div> <p>Attachment MWS/PJH/JVW:SHF:amm:10240002t</p>		

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: August 22, 2023

CAO File No. 0150-12406-0000

Council File No.

Council District: 15

To: The Mayor

From: Matthew W. Szabo, City Administrative Officer

Reference: Correspondence from Los Angeles Board of Harbor Commissioners (Board) dated April 27, 2023 regarding April 27, 2023 Board Resolution; referred by the Mayor for report on April 28, 2023

Subject: **RESOLUTION NO. 23-10173 AND PROPOSED FIRST AMENDMENT TO FOREIGN TRADE ZONE OPERATING AGREEMENT NO. 18-3563 BETWEEN THE HARBOR DEPARTMENT AND FEDEX TRADE TRANSPORT AND BROKERAGE, INC., FTZ 202, SITE NO. 52**

RECOMMENDATION

That the Mayor:

1. Approve Los Angeles Harbor Department (Port) Resolution No. 23-10173 which authorizes the proposed First Amendment to Foreign Trade Zone (FTZ) Operating Agreement No. 18-3563 between the Port and FedEx Trade Transport and Brokerage, Inc., FTZ 202, Site No. 52 to extend the term by five years from May 1, 2023 through April 30, 2028;
2. Adopt the April 27, 2023 Board of Harbor Commissioners finding that the proposed action is administratively exempt from the requirements of the California Environmental Quality Act (CEQA) in accordance with Article II Section 2(f) of the Los Angeles City CEQA Guidelines; and
3. Authorize the Port Executive Director, or designee, to execute the proposed agreement, already approved as to form by the City Attorney, and return the Resolution to the Port for further processing, including Council consideration.

SUMMARY

The Los Angeles Board of Harbor Commissioners (Board) requests approval of its April 27, 2023 Resolution No. 23-10173 (Attachment 1) which authorizes the proposed First Amendment to Foreign Trade Zone (FTZ) Operating Agreement No. 18-3563 with FedEx Trade Transport and Brokerage, Inc. (FedEx) to extend the term by five years from May 1, 2023 through April 30, 2028. Approval of the proposed amendment will result in the Port receiving \$7,750 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 Port.

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 U.S. for consumption. The Federal FTZ Board designated the Los Angeles Harbor Department (Port) as the Grantee/Administrator of FTZ No. 202 for the City of Los Angeles and the surrounding region.

The proposed amendment has been approved as to form by the City Attorney. Pursuant to Charter Section 373, Council approval is required 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 Site 202 is a multi-zone FTZ currently operating more than 28 general purpose sites. The sites include the facilities in the Port area, near Los Angeles International Airport, nearby industrial parks, and other outlying areas. Attachment 2 to this report provides a more detailed overview of FTZ Operating Agreements.

On February 15, 2018, the Board approved FTZ General Purpose Operating Agreement No. 18-3563 with FedEx to operate FTZ No. 202, Site 52 at 17120 South Main Street, Gardena, CA 90248 from March 1, 2018 to April 30, 2023, for a term of five years with three five-year renewal options. FedEx is an American multinational company with its head office located in Memphis, Tennessee, and employs approximately 190 full-time employees at the FTZ site.

The Site - Site 52 consists of a 7.35-acre site including approximately 145,250 square feet of warehousing and office space located 10 miles from the Port of Los Angeles. FedEx operates its facility under FTZ procedures as a multi-usage facility performing the logistics, handling, storage, and inventory of their goods. FedEx 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.

FTZ Revenues – During Fiscal Year (FY) 2022, revenues of \$289,336 were collected from the Port FTZ operators. However, during FY 2022, the Port incurred only \$30,594 in expenses for FTZ consulting services. Approval of the proposed amendment with FedEx will result in an annual payment to the Port of \$7,750, which is a fixed rate established by the FTZ Tariff No. 2.

In the event FedEx does not obtain approval from the Port to continue as an operator with FTZ

status, the company has a choice 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

The City Attorney has reviewed and approved the proposed Amendment 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.

California Environmental Quality Act (CEQA) – On April 27, 2023, the Board determined that the proposed action is administratively and categorically exempt from 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. 18-3563 with FedEx Trade Transport and Brokerage, Inc. will result in the Harbor Department (Port) receiving \$7,750 annually in accordance with FTZ Tariff No. 2. The Port does not anticipate additional, incremental FTZ-related consulting service expenses being incurred by the Port due to the proposed action. The recommendations in this report comply with the Port's Financial Policies. There is no impact on the City's General Fund.

Attachment 1 - April 27, 2023 Harbor Board report, Resolution No. 23-10173

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

MWS/PJH/JVW:SHF:amm:10240002