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RECOMMENDATION APPROVED;
RESOLUTION 24-10431 ADOPTED AND;
AGREEMENT 24-10053 APPROVED
BY THE BOARD OF HARBOR COMMISSIONERS

September 17, 2024
AM KLESGES
AMBER M. KLESGES
Board Secretary



DATE: SEPTEMBER 11, 2024

FROM: CARGO MARKETING

SUBJECT: RESOLUTION NO. 24-10431 - APPROVAL OF FOREIGN-TRADE ZONE (FTZ) OPERATING AGREEMENT BETWEEN THE CITY OF LOS ANGELES HARBOR DEPARTMENT AND EVOLUTION ENTERPRISES HOLDINGS, INC.

SUMMARY:

Staff requests the approval of a Foreign-Trade Zone (FTZ) Operating Agreement between the City of Los Angeles Harbor Department (Harbor Department) and Evolution Enterprises Holdings, Inc. (Evolution), to operate its facility within FTZ No. 202, Site 35, located at 16518 Valley Blvd., La Puente, CA 91744. Site 35 consists of 3,160 square feet of warehouse and office space on 0.072 acres located approximately 30 miles from the Port of Los Angeles. Evolution will operate its facility under the FTZ procedures as a multi-usage site.

The proposed Agreement is for a term of five years with three, five-year renewal options. If the proposed Agreement is approved, the Harbor Department will receive \$7,750 annually from Evolution (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 Foreign-Trade Zone Operating Agreement between the Harbor Department and Evolution Enterprises Holdings, Inc.;
3. Direct the Board Secretary to transmit the proposed Foreign-Trade Zone Operating Agreement 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;

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4. Authorize the Executive Director to execute and the Board Secretary to attest to the proposed Foreign-Trade Zone Operating Agreement; and
5. Adopt Resolution No. 24-10431.

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 Harbor Department, as the grantee, is required by the FTZ Board to have an Operating Agreement with FTZ site operators. The term of this proposed FTZ Operating Agreement is five years with three, five-year extension options (Transmittal 1). Evolution is a U.S. company with its head office located in La Puente, California, employing approximately two employees working within the FTZ warehouse. Evolution has continually operated its FTZ warehouses at 16518 Valley Blvd., La Puente, California FTZ 202, Site 35, since 2013. This facility consists of approximately 3,160 square feet of warehouse and office space on 0.072 acres (Transmittal 2) and is within the FTZ 202 service area (Transmittal 3).

Evolution shall 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. Evolution shall notify truck drivers, truck brokers, and trucking companies that the trucks serving the Port of Los Angeles confine their routes to the designated Wilmington Truck Route.

Need for Approval – Evolution is requesting approval from the Harbor Department to execute the proposed Agreement to operate Site 35 as a multi-usage FTZ facility. Evolution receives, stores, re-labels, repackages, manages inventory, and distributes various imported products which will be distributed for U.S. consumption. Occasionally, products are re-exported from this facility.

If Evolution 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.

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ENVIRONMENTAL ASSESSMENT:

The proposed action is the approval of the FTZ Agreement with Evolution, which is an administrative activity. Therefore, the 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.

FINANCIAL IMPACT:

If the proposed Agreement is approved, the Harbor Department will receive \$7,750 annually from Evolution (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.

CITY ATTORNEY:

The City Attorney's Office has prepared and approved the proposed Agreement as to form and legality.

TRANSMITTALS:

1. Proposed FTZ Operating Agreement for Evolution Enterprises Holdings, Inc., FTZ 202, Site 35
2. FTZ 202, Site 35 Map
3. FTZ 202, Service Area Map

FIS Approval: *JS*

CA Approval: *JC*



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Deputy Executive Director

APPROVED:

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Executive Director