

0150-12484-0000

**TRANSMITTAL**

TO Eugene D. Seroka, Executive Director Harbor Department	DATE 11/20/2023	COUNCIL FILE NO.
FROM The Mayor	COUNCIL DISTRICT 15	

**RESOLUTION NO. 23-10242 AND PROPOSED FOREIGN TRADE ZONE GENERAL  
 PURPOSE OPERATING AGREEMENT NO. 23-9981 BETWEEN THE HARBOR  
 DEPARTMENT AND CUSTOMS AIR WAREHOUSE, LLC, FOR FTZ 202, SITE NO. 10E**

Approved and transmitted for further processing including Council consideration.  
 See the City Administrative Officer report attached.



MAYOR

(Chris Thompson for)

Attachment  
 MWS/PJH/JVW:SHF:amm:10240053

REPORT FROM

## OFFICE OF THE CITY ADMINISTRATIVE OFFICER

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Date: September 29, 2023

CAO File No. 0150-12484-0000

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 September 21, 2023 regarding September 21, 2023 Board Resolution; referred by the Mayor for report on September 21, 2023

Subject: **RESOLUTION NO. 23-10242 AND PROPOSED FOREIGN TRADE ZONE GENERAL PURPOSE OPERATING AGREEMENT NO. 23-9981 BETWEEN THE HARBOR DEPARTMENT AND CUSTOMS AIR WAREHOUSE, LLC, FOR FTZ 202, SITE NO. 10E**

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### RECOMMENDATION

That the Mayor:

1. Approve Los Angeles Harbor Department (Port) Resolution No. 23-10242 which authorizes the proposed Foreign Trade Zone (FTZ) General Purpose Operating Agreement No. 23-9981 between the Port and Customs Air Warehouse, LLC, to operate its facility within FTZ 202, Site No. 10E, for a term of five years with three five-year renewal options commencing on the first day of the month following approval by the City;
2. Adopt the September 21, 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 documents to the Port for further processing, including Council consideration.

### SUMMARY

The Los Angeles Board of Harbor Commissioners (Board) requests approval of its September 21, 2023 Resolution No. 23-10242 (Attachment 1) which authorizes the proposed Foreign Trade Zone (FTZ) Agreement No. 23-9981 (Agreement) with Customs Air Warehouse, LLC (CAW) to operate a warehouse and office at FTZ 202, Site 10E, for a five-year term, with three five-year renewal

options.

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 202 for the City of Los Angeles and the surrounding region.

Approval of the proposed Agreement will result in the Port receiving \$7,750 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 Port.

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, 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 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.

*Prior Agreement* – On June 7, 2012, the Board approved an FTZ General Purpose Operating Agreement No. 12-3064 with CAW to operate at Site 10E for a term of five years, with three five-year renewal options (C.F. 12-1311). The agreement was extended in 2017 by five years through September 30, 2022.

*The Site* – The Agreement authorizes CAW to operate a warehouse and offices on 6.26 acres on Port property at Site 10E located at 907 East 236<sup>th</sup> Street, Carson. The site is operated as a multi-usage FTZ facility where approximately eight full-time employees work within the proposed FTZ warehouse area.

CAW will manage the logistics, handling, storage, inventory, and quality control of general merchandise, as well as the occasional re-export of products at Site 10E. The proposed Agreement allows the firm to operate at Site 10E for a five-year term commencing on the first day of the month following approval by the City, with three five-year renewal options. CAW is a U.S. company with its head office in Carson, California. CAW is also the current operator of Site Nos. 2A and 32 within

FTZ 202 under separate operating agreements with the Port.

CAW 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. The Port indicates that CAW shall notify truck drivers, truck brokers, and trucking companies that the trucks serving the Port of Los Angeles must confine their routes to the designated Wilmington Truck Route which allows overweight container loads to be transported without special authorization. Attachment 2 to the report provides a more detailed overview of FTZ Operating Agreements.

*FTZ Revenues* – During Fiscal Year (FY) 2023, revenues of \$265,818 were collected from the Port FTZ Operators. However, during FY 2023, the Port incurred only \$4,358 in expenses for FTZ consulting services. Approval of the proposed Agreement with CAW will result in an annual payment of \$7,750, which is a fixed rate established by the FTZ Tariff No. 2. Approval of the Agreement requires no direct use of Port funds.

In the event CAW 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**

*California Environmental Quality Act (CEQA)* – On September 21, 2023, the Board determined that the proposed action is administratively exempt from requirements of the 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. 23-9981 with Customs Air Warehouse, LLC will result in the Harbor Department receiving \$7,750 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 comply with the Port's Financial Policies. There is no impact to the City's General Fund.

Attachment 1 – September 21, 2023 Board report, Resolution No. 23-10242 and Agreement (No. 23-9981) with Customs Air Warehouse, LLC  
Attachment 2 – Overview of Foreign Trade Zone (FTZ) and Operating Agreements