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RECOMMENDATION APPROVED;
RESOLUTION NO. 16-7989 ADOPTED; AND
AGREEMENT NO. 16-3416 APPROVED
BY THE BOARD OF HARBOR COMMISSIONERS



September 1, 2016

Amber M. Klesges
AMBER M. KLESGES
Board Secretary

Executive Director's
Report to the
Board of Harbor Commissioners

DATE: AUGUST 17, 2016

FROM: CARGO MARKETING

SUBJECT: RESOLUTION NO. 16-7989 - APPROVAL OF FOREIGN-TRADE ZONE GENERAL PURPOSE OPERATING AGREEMENT BETWEEN THE CITY OF LOS ANGELES HARBOR DEPARTMENT AND ACCESS WORLD (USA) LLC. FTZ 202, SITE 10F

SUMMARY:

Staff requests the approval of the Foreign-Trade Zone (FTZ) operating agreement between the City of Los Angeles Harbor Department (Harbor Department) and Access World (USA) LLC (Access) to activate its warehouse within FTZ 202, Site 10F, located at 989 East 233rd Street, Carson, California 90745. Site 10F is a 103,185 square foot property including a warehouse on 4.495 acres located approximately 7 miles from the Port of Los Angeles. Access will be operating its warehouse under FTZ procedures as a multi-usage site. The Harbor Department, as the FTZ grantee, establishes General Purpose Operating Agreements with FTZ operators to oversee their FTZ operations. The proposed FTZ Operating Agreement (Agreement) is for a term of five-years with three, five-year renewal options. This proposed Agreement will not require funding by the Harbor Department.

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 exempt from the requirements of the California Environmental Quality Act (CEQA) under Article III, Class 1(14), of the Los Angeles City CEQA Guidelines;
2. Approve the proposed Foreign-Trade Zone Operating Agreement between the City of Los Angeles Harbor Department and Access World (USA) LLC;
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, upon approval by the City Council; and
5. Adopt Resolution No. 16-7989.

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 (CBP) 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. Access, a Louisiana limited liability company, with its head office located in Stamford, Connecticut and registered with the California Secretary of State, will employ ten full time employees at this FTZ site. This 4.495 acre property is approximately 103,185 square feet and includes a warehouse and office. The property is owned by Watson Land Company (Transmittal 2).

Access 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. Access agrees to keep its warehouses open to support the PierPass Program and shall notify truck drivers, truck brokers, and trucking companies that the trucks serving the container terminals must confine their routes to the designated Wilmington Truck Route.

Need for Approval – Access is requesting approval from the Harbor Department to execute the proposed Agreement to operate Site 10F as a multi-usage FTZ warehouse. Access receives, stores, re-labels, manages inventory, and distributes imported steel products and general commodities such as forestry products which will be distributed for U.S. consumption. Occasionally, products are re-exported from this warehouse. In March 2016, this site obtained approval from CBP to activate this site as an FTZ Site.

If Access 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, San Diego, Palmdale, etc., or even going out of state. Since FTZ facilities exist in every state, Access can potentially shift its employees to work elsewhere as a result of seeking FTZ status in another location.

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Harbor Department Fiscal Requirements – Access has already paid a one-time \$5,000 activation application fee. An annual fee of \$7,750 (per FTZ Tariff No. 2) will be paid to the Harbor Department for each year of the five-year term of the proposed Agreement for a total of \$38,750.

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of a proposed Agreement with Access to activate its site within the FTZ 202 service area at Site 10F, located in Carson, California (Transmittal 3). As an activity involving the issuance of a permit to use an existing facility involving negligible or no expansion of use, find that the Director of Environmental Management has determined that the proposed action is exempt from the requirements of the California Environmental Quality Act (CEQA) in accordance with Article III Class 1 (14) of the Los Angeles City CEQA Guidelines.

FINANCIAL IMPACT:

Access paid the Harbor Department a one-time \$5,000 activation application fee. If the proposed Agreement is approved, the Harbor Department will receive from Access an annual fee of \$7,750 (per FTZ Tariff No. 2) for each year of the five years. Should the renewal options be exercised subsequent to the completion of the initial term of the Agreement, compensation will also be \$7,750 per year.

Although there is no direct cost to the Harbor Department arising from this proposed Board action, the Harbor Department does incur FTZ related expenses. During calendar year 2015, approximately \$32,500 was spent on outside FTZ related consulting services, while \$322,742 in revenue was collected from the Harbor Department FTZ operators.

Approving the proposed Agreement with Access creates an entity that confers, among other advantages, tax and operating benefits to the operator, and provides a tool for economic development. Granting FTZ status to Access allows more efficient operations and allows Access to remain competitive.

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CITY ATTORNEY:

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

TRANSMITTALS:

1. FTZ 202, Site 10F Map
2. Proposed FTZ Operating Agreement for Access FTZ 202, Site 10F
3. FTZ 202, Service Area Map



ERIC CARIS
Director of Cargo Marketing

FIS Approval: MB (initials)
CA Approval: MB (initials)



MICHAEL DIBERNARDO
Deputy Executive Director

APPROVED:



EUGENE D. SEROKA
Executive Director