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RECOMMENDATION APPROVED;
RESOLUTION 18-8294 ADOPTED; AND
AGREEMENT 18-3114-B APPROVED;
BY THE BOARD OF HARBOR COMMISSIONERS



THE PORT
OF LOS ANGELES
Executive Director's
Report to the

Board of Harbor Commissioners

June 7, 2018

AMBER M. KLESGES
Board Secretary

DATE: MAY 22, 2018

FROM: CARGO MARKETING

SUBJECT: RESOLUTION NO. 18-8294 - APPROVAL OF SECOND AMENDMENT TO THE FOREIGN-TRADE ZONE GENERAL PURPOSE OPERATING AGREEMENT NO. 13-3114 BETWEEN THE CITY OF LOS ANGELES HARBOR DEPARTMENT AND GEODIS USA, INC. FTZ 202, SITE 11C

SUMMARY:

Staff requests the approval of a Second Amendment to the Foreign-Trade Zone (FTZ) Operating Agreement No. 13-3114 between the City of Los Angeles Harbor Department (Harbor Department) and Geodis USA, Inc. (Geodis) to continue operating its warehouse within FTZ 202, Site 11C, located at 2155 E. 220th Street, Carson, California. The Harbor Department, as the FTZ grantee, establishes a FTZ Operating Agreement with FTZ site operators to oversee their FTZ operations.

Site 11C is 169,630 square feet of property, which includes warehouse and office space on 4.495 acres located approximately 10 miles north from the Port of Los Angeles. Geodis will be operating its warehouses under FTZ procedures as a Multi-User Zone Site. The proposed Second Amendment of the FTZ Operating Agreement (Agreement) is for a term of five years beginning on September 1, 2018, and ending on August 31, 2023. If the proposed Second Amendment is approved, the Harbor Department will receive \$ 7,750 from Geodis (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 categorically 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 Second Amendment to Foreign-Trade Zone Operating Agreement No. 13-3114 between the City of Los Angeles Harbor Department and Geodis USA, Inc.;
3. Direct the Board Secretary to transmit the proposed Second Amendment to Foreign-Trade Zone Operating Agreement No. 13-3114 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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INC. FTZ 202, SITE 11C

4. Authorize the Executive Director to execute and the Board Secretary to attest to the proposed Second Amendment to Foreign-Trade Zone Operating Agreement No. 13-3114; and
5. Adopt Resolution No. 18-0294

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. The Harbor Department, as the FTZ grantee, establishes a FTZ Operating Agreement with FTZ site operators to oversee their FTZ operations.

Need for Agreement – The proposed Second Amendment has a term of five years beginning September 1, 2018, and ending August 31, 2023 (Transmittal 1). Geodis is a U.S. company with its head office located in Philadelphia, Pennsylvania, employing approximately 336 full-time and part-time employees working within the FTZ activated area. Geodis will operate its FTZ 202, Site 11C, which is located at 2155 E. 220th Street, Carson, California. Site 11C consists of a warehouse totaling approximately 169,630 square feet of warehouse and office space on 4.495 acres (Transmittal 2) and is within the FTZ 202 service area (Transmittal 3). This property is owned by Watson Land Company. Geodis 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.

Need for Approval – Geodis is requesting approval from the Harbor Department to execute the proposed Second Amendment to FTZ Operating Agreement to continue operating Site 11C as a multi-usage FTZ warehouse. Geodis provides FTZ warehouse and distribution services for U.S. Consumption. Occasionally, products may re-export from this warehouse.

If a company 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, a company can potentially shift its employees to work elsewhere as a result of seeking FTZ status in another location.

Geodis 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.

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INC. FTZ 202, SITE 11C**

Harbor Department Fiscal Requirements – This proposed Second Amendment will not require funding by the Harbor Department. Geodis will pay an annual fee of \$7,750 to the Harbor Department for the term of the proposed Second Amendment.

ENVIRONMENTAL ASSESSMENT:

The proposed action is the approval of an FTZ Operating Agreement with Geodis, to operate its site within the FTZ 202 service area at Site 11C, located in Carson, California, which is an activity involving the issuance of a permit to use an existing facility involving negligible or no expansion of use. Therefore, the Director of Environmental Management has determined that the proposed action is categorically exempt from the requirements of the CEQA in accordance with Article III Class 1 (14) of the Los Angeles City CEQA Guidelines.

FINANCIAL IMPACT:

If the proposed Second Amendment is approved, the Harbor Department will receive \$7,750 annually from Geodis per FTZ Tariff No. 2. 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 fiscal year 2017, approximately \$88,550 was spent on outside FTZ related consulting services, while \$337,172 in revenue was collected from the Harbor Department's FTZ operators.

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CITY ATTORNEY:

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

TRANSMITTALS:

1. Proposed Second Amendment to FTZ Operating Agreement No. 13-3114 for Geodis.
FTZ 202, Site 11C
2. FTZ 202, Site 11C Map
3. FTZ 202, Service Area Map



ERIC CARIS
Director of Cargo Marketing

FIS Approval: 
CA Approval: 



MICHAEL DiBERNARDO
Deputy Executive Director

APPROVED:



EUGENE D. SEROKA
Executive Director

ES:MD:EC:ms
Author: Masa Morimoto