



425 S. Palos Verdes Street Post Office Box 151 San Pedro, CA 90733-0151 TEL/TDD 310 SEA-PORT www.portoflosangeles.org

Antonio R. Villaraigosa Mayor, City of Los Angeles

Board of Harbor  
Commissioners

Cindy Miscikowski  
President

David Arian  
Vice President

Robin M. Kramer

Douglas P. Krause

Sung Won Sohn, Ph.D.

Geraldine Knatz, Ph.D. Executive Director

June 27, 2012

Honorable Members of the  
City Council of the  
City of Los Angeles

CD No. 15

Attention: Mr. Michael Espinosa, City Clerk's Office

**SUBJECT: RESOLUTION NO. 12-2537-A - FIRST AMENDMENT FOR FOREIGN-TRADE ZONE DEVELOPER AGREEMENT NO. 2537-A BETWEEN THE CITY OF LOS ANGELES HARBOR DEPARTMENT AND AMB PROPERTY, LP, SITE 7**

Pursuant to Section 373 of the City Charter, enclosed for your approval is a First Amendment to Agreement No. 2537 between the City of Los Angeles Harbor Department and AMB Property, LP, Site 7. The First Amendment, assigned Harbor Department Agreement No. 12-2537-A, was approved at the May 17, 2012 meeting of the Board of Harbor Commissioners.

**RECOMMENDATION:**

1. The City Council approve the proposed First Amendment to Agreement No. 2537 between the City of Los Angeles Harbor Department and AMB Property, LP, Site 7.;
2. Adopt the determination by the Los Angeles Harbor Department that the proposed action is exempt under the California Environmental Quality Act (CEQA) in accordance with Article III, Class 1(14) of the Los Angeles City CEQA Guidelines; and
3. Return to the Board of Harbor Commissioners for further processing.

Respectfully submitted,

KORLA G. TONDREAULT  
Commission Secretary

cc: Trade, Commerce & Tourism Committee  
Councilman Rosendahl, encs.  
Councilman LaBonge, encs.  
Councilman Buscaino, encs.  
Christine Yee Hollis, CLA, encs.

Alvin Newman, CAO, encs.  
Lisa Schechter, CD4, encs.  
Aaron Gross Government Affairs, encs.  
Robert Henry, encs.  
Mandy Morales, Mayor's office, encs.

RECOMMENDATION APPROVED;  
RESOLUTION NO. 12-7302 ADOPTED;  
AND AGREEMENT NO. 12-2537-A  
BY THE BOARD OF HARBOR COMMISSIONERS



Executive Director's  
Report to the  
Board of Harbor Commissioners

May 17, 2012

*Korla H. Tondruault*  
SECRETARY

**DATE:** MAY 9, 2012

**FROM:** BUSINESS & TRADE DEVELOPMENT

**SUBJECT:** RESOLUTION NO. 12-7302 APPROVAL OF FIRST AMENDMENT FOR FOREIGN-TRADE ZONE DEVELOPER AGREEMENT NO. 2537 BETWEEN THE CITY OF LOS ANGELES HARBOR DEPARTMENT AND AMB PROPERTY, LP, SITE 7

**SUMMARY:**

On August 1, 2007, the City of Los Angeles Harbor Department (Harbor Department) entered into FTZ Developer Agreement No. 2537 (Agreement No. 2537) with AMB Property, LP (AMB) to develop and maintain Foreign-Trade Zone (FTZ) 202, Site 7. The original term of the agreement is five years with three, five-year renewal options. Agreement No. 2537 commenced August 1, 2007 and is set to expire on July 31, 2012. The Harbor Department received a request from AMB to exercise their first renewal option to extend their FTZ Developer Agreement No. 2537 at FTZ 202, Site 7 located in Torrance, California through to July 31, 2017. In addition, AMB has officially merged with Prologis Targeted U.S. Logistics, L.P. (Prologis). This newly merged company, Prologis, will be responsible to manage FTZ 202, Site 7.

Any change made to an original developer agreement between the Harbor Department and developers requires an amendment to the agreement. The proposed First Amendment will approve the name change and extension. Except as amended, all remaining terms and conditions of Agreement No. 2537 shall remain in full force and effect.

**RECOMMENDATION:**

It is recommended that the Board of Harbor Commissioners (Board):

1. Approve the proposed First Amendment to Agreement No. 2537 between the City of Los Angeles Harbor Department and AMB Property, LP;
2. Direct the Board Secretary to transmit the proposed First Amendment 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;



DATE: MAY 9, 2012

PAGE 2 OF 4

SUBJECT: FIRST AMENDMENT TO FTZ DEVELOPER AGREEMENT BETWEEN HARBOR DEPARTMENT AND AMB PROPERTY, L.P. SITE 7

3. Upon approval by the City Council, authorize the Executive Director to execute and the Board Secretary to attest to the proposed First Amendment to FTZ Developer Agreement No. 2537; and
4. Adopt Resolution No. 12-7302.

**DISCUSSION:**

Background – The Foreign-Trade Zone 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 U.S. commerce for consumption.

On July 14, 2011, the Board approved an application to the FTZ Board to change FTZ management framework from a Traditional Site Framework (TSF) to an Alternative Site Framework (ASF). On January 19, 2012, the Harbor Department has filed an ASF application with the FTZ Board. The ASF is for grantees that choose to participate for designation and managing general purpose FTZ sites in an efficient manner. All of our current and future FTZ general purpose operators will benefit under the ASF's new streamlined process with quicker approval periods and simplified application requirements.

Need for Agreement – Site Developer, formerly known as AMB, has officially changed their name to Prologis and is requesting to exercise the first renewal option to extend the agreement for another full term. The company name change and extension requires an amendment to Agreement No. 2537 (Transmittal 1) for FTZ 202, Site 7 (Transmittal 2).

Need for Approval – AMB is requesting approval for both the agreement extension and amendment for the company name change. This is an administrative requirement for the Harbor Department.

Harbor Department Fiscal Requirements – This proposed First Amendment will not require funding by the Harbor Department.

**DATE: MAY 9, 2012**

**PAGE 3 OF 4**

**SUBJECT: FIRST AMENDMENT TO FTZ DEVELOPER AGREEMENT BETWEEN HARBOR DEPARTMENT AND AMB PROPERTY, L.P. SITE 7**

**ENVIRONMENTAL ASSESSMENT:**

The proposed action is approval of an amendment to a FTZ Developer Agreement with AMB to extend the agreement for five years. As an activity involving the amendment of an agreement to use an existing facility involving negligible or no expansion of use, the Director of Environmental Management has determined the proposed action is exempt from the California Environmental Quality Act (CEQA) in accordance with Article III, Class 1(14) of the Los Angeles City CEQA Guidelines.

**ECONOMIC BENEFITS:**

This Board action will have no employment impact.

**FINANCIAL IMPACT:**

The applicant has paid an initial application fee of \$2,500 to the Harbor Department. When the site is activated, each site operator will pay the Harbor Department a \$5,000 activation fee and a \$5,000 annual fee. No Harbor Department funds are required for the actions granted by this Board item.

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 2011, approximately \$80,000 was spent on outside FTZ-related consulting services whereas \$149,000 in revenues was collected from all FTZ operators.

Approving the proposed First Amendment FTZ Developer Agreement with AMB creates an entity that confers among other advantages, tax and operating benefits to the operator, and provides a tool for economic development. As the Harbor Department is a designated grantee of FTZs under the State of California enabling legislation, granting FTZ status to operator allows more efficient operations and allows AMB to remain competitive.

If AMB does not obtain approval as a site Developer with FTZ status from the Harbor Department, their tenants potentially have the choice of going to another FTZ in California such as Long Beach, San Diego, Palmdale, etc., or even going out of this state. Since FTZ facilities exist in every state, AMB tenants can potentially shift its employees to work elsewhere as a result of seeking FTZ status in another location.



DATE: MAY 9, 2012

PAGE 4 OF 4

SUBJECT: FIRST AMENDMENT TO FTZ DEVELOPER AGREEMENT BETWEEN HARBOR DEPARTMENT AND AMB PROPERTY, L.P. SITE 7

CITY ATTORNEY:

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

TRANSMITTALS:

1. Proposed First Amendment of FTZ Developer Agmt No. 2537, FTZ 202, Site 7
2. AMB, FTZ 202, Site 7 site map

FIS Approval: WV (initials)

CA Approval: JL (initials)

  
KRAIG JONDLE  
Director of Business & Trade Development

  
FOR KATHRYN McDERMOTT  
Deputy Executive Director

APPROVED:

  
GERALDINE KNATZ, Ph.D.  
Executive Director

M. Morimoto

FIRST AMENDMENT TO AGREEMENT NO. 2537  
BETWEEN THE CITY OF LOS ANGELES AND  
AMB PROPERTY, L.P.

THIS FIRST AMENDMENT to Agreement No. 2537 is made between the CITY OF LOS ANGELES, a municipal corporation (hereinafter called "City"), acting by and through its Board of Harbor Commissioners (hereafter called "Board"), and AMB PROPERTY, L.P. (hereafter called "Developer").

WHEREAS, Former Developer wish to change its company name and contact name; and

WHEREAS, City and Developer wish to extend the Term of Agreement No. 2537 an additional five (5) years; and

WHEREAS, City and Developer also agree to delete and add new Sections and language to Agreement No. 2537;

NOW, THEREFORE, BE IT RESOLVED, that Agreement No. 2537 between the City of Los Angeles and AMB PROPERTY L.P. be hereby amended as follows:

1. Former Developer AMB PROPERTY, L.P. is now PROLOGIS TARGETED U.S. LOGISTICS FUND, L.P.
2. Section II. MARKETING OF ZONE SITE, the following language shall be added as the third paragraph:  

"In conjunction with marketing the Zone Site, the Developer shall provide to potential operators and users information about the PierPASS Program. Developer shall, to the extent reasonable and feasible, encourage operators and users of the Zone Site to utilize the PierPASS Program."
3. Section III. TERM AND RENEWAL, the initial term of this Agreement shall be extended an additional five (5) years beginning on August 1, 2012 and ending on July 31, 2017.
4. Section IX. NOTICE, the new contact name for Developer correspondence will be sent to: Mr. Rob Antrobius, Senior Vice President
5. Section XIII. MINORITY, WOMEN AND OTHER BUSINESS ENTERPRISE (MBE/WBE/OBE) OUTREACH PROGRAM is deleted in its entirety and shall be replaced with the following:

"XIII. SMALL BUSINESS DEVELOPMENT PROGRAM

It is the policy of the Department to provide Small Business Enterprises (SBE) and Minority-Owned, Women-Owned and all Other Business Enterprises (MBE/WBE/OBE) an equal opportunity to participate in the performance of all City contracts in all areas where such contracts afford such participation opportunities. Developer shall assist the City in



implementing this policy and shall use its best efforts to afford the opportunity for SBE's, MBEs, WBEs, and OBEs to achieve participation in subcontracts where such participation opportunities present themselves and attempt to ensure that all available business enterprises, including SBE's, MBEs, WBEs, and OBEs, have equal participation opportunity which might be presented under this Agreement."

6. STATE TIDELANDS GRANTS has been changed from Section XV to Section XVI.

7. Section XV shall now read as follows:

"XV. EQUAL BENEFITS POLICY

The Board of Harbor Commissioners of the City of Los Angeles adopted Resolution No. 6328 on January 12, 2005, agreeing to adopt the provisions of Los Angeles City Ordinance 172,908, as amended, relating to Equal Benefits (Section 10.8.2 et seq. of the Los Angeles Administrative Code) as a policy of the Harbor Department. Developer shall comply with the policy whenever applicable. Violation of the policy shall entitle the City to terminate any agreement with Developer and pursue any or all other legal remedies that may be available."

8. The following new Sections have been added to and shall be included as part of Agreement No. 2537:

"XVII. WILMINGTON TRUCK ROUTE

It is recognized by both parties that the Developer does not directly control the trucks serving the Port. However, the Developer shall notify truck drivers, truck brokers and trucking companies that trucks serving FTZ warehouses and originating in the Port of Los Angeles that they must confine their route to the designated Wilmington Truck Route of Alameda Street and "B" Street; Figueroa Street from "B" Street to "C" Street; and Anaheim Street east of Alameda Street. A copy of the Wilmington Truck Route is attached as Exhibit C, which may be modified from time to time at the sole discretion of the Executive Director with written notice to Developer.

"XVIII. CONFLICT OF INTEREST

It is hereby understood and agreed that the parties to this Agreement have read and are aware of the provisions of Section 1090 et seq. and Section 87100 et seq. of the California Government Code relating to conflict of interest of public officers and employees, as well as the Los Angeles Municipal Code (LAMC) Municipal Ethics and Conflict of Interest provisions of Section 49.5.1 et seq. and the Conflict of Interest Codes of the City and Department. All parties hereto agree that they are unaware of any financial or economic interest of any public officer or employee of City relating to this Agreement. Notwithstanding any other provision of this Agreement, it is further understood and agreed that if such financial interest does exist at the inception of this Agreement, City may immediately terminate this Agreement by giving written notice thereof."

9. SECTION XVI. MISCELLANEOUS is re-numbered and is now SECTION XIX.

Except as amended herein, all remaining terms and conditions of Agreement No. 2537 shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have executed this First Amendment to Agreement No. 2537 on the date to the left of their respective signatures.

THE CITY OF LOS ANGELES, by its  
Board of Harbor Commissioners


Dated: \_\_\_\_\_, 2012

By \_\_\_\_\_  
Executive Director

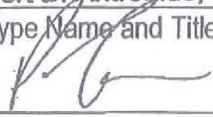
Attest \_\_\_\_\_  
Board Secretary

PROLOGIS TARGETED U.S. LOGISTICS  
FUND, L.P.

Dated: MAY 9, 2012


By 

Robert B. Antrobus, Sr. Vice President  
(Print/Type Name and Title)

Attest 

Pat Welsh, Vice President  
(Print/Type Name and Title)

APPROVED AS TO FORM AND LEGALITY

, 2012

CARMEN A. TRUTANICH, City Attorney

THOMAS A. RUSSELL, General Counsel

By   
CHRISTOPHER B. BOBO, Assistant City Attorney

CBB:aeb  
05/01/12  
Attachments



# FTZ Site 202 - Site 7 Prologis Targeted U.S. Logistics



0 500 1,000 2,000  
Feet

Harbor Department  
Planning and Economic Development  
Map Produced 04/2012



0150-08229-0002

**TRANSMITTAL**

TO Geraldine Knatz, Ph.D., Executive Director Harbor Department	DATE JUN 25 2012	COUNCIL FILE NO.
FROM The Mayor	COUNCIL DISTRICT 15	

**PROPOSED FIRST AMENDMENT TO FOREIGN TRADE ZONE (FTZ)  
DEVELOPER AGREEMENT NO. 2537 WITH AMB PROPERTY, L.P., SITE NO. 7**

Transmitted for further processing and Council consideration.  
See the City Administrative Officer report attached.

  
Matthew Karatz  
(COPY)  
MAYOR

MAS:ABN:10120155t



REPORT FROM

## OFFICE OF THE CITY ADMINISTRATIVE OFFICER

---

Date: June 20, 2012

CAO File No. 0150-08229-0002

Council File No.

Council District: 15

To: The Mayor

From: Miguel A. Santana, City Administrative Officer *MSK*  
*MSK*

Reference: Transmittal from the Harbor Department dated May 22, 2012; referred by the Mayor for report o May 25, 2012

Subject: **PROPOSED FIRST AMENDMENT TO FOREIGN TRADE ZONE (FTZ) DEVELOPER AGREEMENT NO. 2537 WITH AMB PROPERTY, L.P., SITE NO. 7**

---

### SUMMARY

The Harbor Department (Port) Board of Harbor Commissioners (Board) requests approval of Resolution No. 12-7302 authorizing the proposed First Amendment to Foreign Trade Zone (FTZ) Developer Agreement No. 2537 with AMB Property, L.P., (Contractor) to continue to manage and develop FTZ Site No. 7 in Torrance, California. The original FTZ Agreement was for five years with three possible five-year renewal options, for a total of up to 20 years. The original five-year term began on August 1, 2007 and expires on July 31, 2012. The proposed Amendment will authorize a second five-year term from August 1, 2012 through July 31, 2017, leaving the Contractor with two five-year renewal options, contingent upon approval by the Board and Council.

In addition, the Port states that AMB Property has merged with another company, Prologis Targeted U. S. Logistics, L.P. (Prologis), and will be known under its new name. All the original terms and conditions in the Agreement for FTZ No. 7 will remain the same, with the exception of the amended name change and some revised language in the proposed Amendment.

The FTZ Developer Agreements are with contractors who have applied for FTZ Developer status with the Federal FTZ Board and have been approved by for United States (USA) Customs and Border Protection Agency (Customs) to develop and market the property as a FTZ site. The USA Government's Federal FTZ Board previously designated the Port as the Grantee/Administrator of FTZ 202 for the City of Los Angeles and the surrounding region. All activities are performed in accordance with Federal FTZ procedures. A definition of an FTZ is a secure area located in or near the Customs' port of entry, but legally considered to be outside the Customs territory for the purpose of tariff laws and Customs entry procedures. The goal of the FTZ program and Port is to stimulate economic growth and development, facilitate efficient cargo transit and support the local, State and national economy. The FTZ does not generate a direct profit for the Port, but is provided by the Port as a service to its customers to promote international trade and commerce in the region and USA.



The Contractor will lease space on FTZ Site No. 7 to interested companies for use as general warehouse and storage operations, distribution centers and office spaces. FTZ Site No. 7 consists of approximately 17.5 acres of land. The Contractor will lease office, distribution and warehouse spaces to registered FTZ operators who will pay under separate direct agreements with the Port. All FTZ operator agreements, approved to use land operated by the FTZ Developers, will be submitted to the Mayor and Council under separate consideration and approval.

The Contractor has paid the Port a one-time application fee of \$2,500 to obtain approval from the Federal FTZ Board. As an FTZ Developer, the Contractor is not obligated to pay an annual administrative fee to the Port as it would if it was an FTZ operator. Any proposed FTZ operators will be required to pay the Port a one-time activation fee of \$5,000 and an administrative fee of \$5,000 per year for a total of \$25,000 for the first five-year term and a maximum of \$100,000 over the proposed 20-year life of the Agreement. The FTZ Developer and operator agreements will require no direct use of Port funds. Although there is no additional direct cost, the Port states that it spends funds on indirect or outside expenses for FTZ-related consulting services. In 2011, the Port spent approximately \$80,000 and collected approximately \$149,000 in revenue and fees from all its FTZ operators. The Port states that if the proposed Agreement is not approved, the Contractor has the option to move its facilities to another FTZ in California, such as Long Beach or San Diego or another state. See the Attachment for an overview of FTZ policies and guidelines for this Agreement.

The Port states that the Contractor has committed to use and market the Pier Pass program to potential operators and users to reduce daytime truck traffic and opening operations in the evenings. The Contractor will notify truck drivers, brokers and companies that trucks serving the FTZ site and Port's container terminals must confine their routes to the designated Wilmington truck route.

The proposed Amendment is in compliance with City requirements and has been approved as to form by the City Attorney. In accordance with Charter Section 373 and the Los Angeles Administrative Code Section 10.5, Council approval is required because the cumulative contract term exceeds three years. The proposed action is an administrative action to approve an Amendment to an FTZ Developer Agreement with the Contractor. According to the Port Director of Environmental Management, this action is exempt from the requirements of the California Environmental Quality Act (CEQA) in accordance with Article III, Section 1 (14) of the Los Angeles City CEQA guidelines.

## **RECOMMENDATION**

That the Mayor approve Harbor Department (Port) Resolution No. 12-7302 authorizing the proposed First Amendment to Foreign Trade Zone (FTZ) Developer Agreement No. 2537 with AMB Property, L.P., for the continued development of Los Angeles FTZ Site No. 7 in Torrance, California, consisting of a revised term of five years with two five-year renewal options and return the document to the Port for further processing, including Council consideration.

## **FISCAL IMPACT STATEMENT**

The proposed First Amendment of Foreign Trade Zone (FTZ) Developer Agreement No. 2537 with AMB Property, L.P., (Contractor) is for the development of a site within the Los Angeles FTZ Site No.



7 in Torrance, California. The Contractor has paid an initial fee of \$2,500 to the Port for the continued development of FTZ Site No. 14 during the initial five-year term of the contract. AMB Property has merged with another company and is now known as Prologis Targeted U. S. Logistics, L.P., and will be responsible to manage FTZ Site No. 7. All the original terms and conditions in the Agreement and proposed Amendment will remain the same. There will be no additional payment to the Port. The proposed Agreement with the Contractor will have no impact on the City General Fund.

#### **TIME LIMIT FOR COUNCIL ACTION**

Pursuant to Charter Section 373, "Long Term Contract Approved by Council," and the Los Angeles Administrative Code Section 10.5, "Limitation and Power to Make Contracts," unless the Council takes action disapproving a contract that is longer than three years within 60 days after submission to Council, the contract will be deemed approved.

*MAS:ABN:10120155*

Attachment

## ATTACHMENT

### OVERVIEW OF FOREIGN TRADE ZONES, DEVELOPER AGREEMENT

The Federal Foreign Trade Zone (FTZ) Board designated the Harbor Department (Port) as the Grantee/Administrator of FTZ No. 202 for the City of Los Angeles and the surrounding region. Below is an overview of FTZ policies and guidelines.

The FTZ Developer Agreements are entered into with various companies that have applied for FTZ status with the Federal FTZ Board and have been approved by the United States (U.S.) Department of Homeland Security Customs and Border Protection (Customs) to activate a site. Authority is granted by the Federal FTZ Board under the amended FTZ Act of 1943, which is administered through Federal FTZ and Customs Regulations. The FTZ Act was established to support U.S. commerce and create jobs by reducing import duties or excise taxes by deferring payment of duty thereby making it appealing for companies to perform work on their products in the US instead of offshore. The goal of the FTZ program and Port is to stimulate economic growth and development in the U.S., facilitate efficient cargo transit and support the local, State and national economy.

An FTZ is a secure area located in or near the port of entry for Customs, but legally considered to be outside the Customs territory for the purpose of tariff laws and Customs entry procedures. It is the U.S. version of what is known internationally as free-trade zones. An FTZ is sponsored by qualified public or private companies, which may operate the facilities themselves or contract for the operation with public or private firms. The operations are conducted on a public use basis, which opens its services to the public, with published tariff rates. These spaces and operations will be under the supervision of the Federal FTZ Board and Customs and will be required to operate within U.S. law.

The Port FTZ No. 202 is a multi-zone FTZ currently operating 23 sites with 15 contracted FTZ general purpose operators and five Subzone operators. The sites include facilities in the Port area, Los Angeles International Airport, nearby industrial parks and other outlying locations. The FTZ does not generate a profit for the Port, but is provided as a service to its customers to promote international trade in the U.S. These operations will be monitored by the Port, but are under the supervision of the Federal FTZ Board and Customs and required to operate within U.S. law.

The FTZ Developers are not obligated to pay an annual administrative fee to the Port as it would if it was an FTZ Operator. The FTZ Developer leases the land to eligible FTZ Operators for warehousing, distribution and office facilities. The standard FTZ Operating Agreement includes payment to the Port of a one-time application/activation fee (normally \$5,000) and an annual administrative operating fee of \$5,000 per year for a total of \$30,000 for the first five-year term. Upon approval by the Board of Harbor Commissioners (Board), the Port will be paid up to \$25,000 for each of three five-year renewal options, for an additional \$75,000, and a total contractual amount of approximately \$105,000 over 20 years. The proposed Agreement renewal options will be subject to approval by the Board and based upon terms and conditions negotiated prior to the end of each five-year term. The proposed Agreement will become effective the first of the month following Council approval and will remain in effect for an initial term of five years. Either the Port or FTZ Developer can terminate the proposed Agreement at the end of each term or by submitting a 180-day prior written notice.