

RECOMMENDATION APPROVED;
RESOLUTION NO. 18-8397 ADOPTED; AND
AGREEMENT 18-2722-C APPROVED
BY THE BOARD OF HARBOR COMMISSIONERS

December 18, 2018



AMBER M. KLESGES
Board Secretary



Executive Director's
Report to the
Board of Harbor Commissioners

DATE: NOVEMBER 27, 2018

FROM: CARGO MARKETING

SUBJECT: RESOLUTION NO. 18-8397 - APPROVAL OF A THIRD AMENDMENT TO FOREIGN TRADE ZONE GENERAL PURPOSE OPERATING AGREEMENT NO. 08-2722 BETWEEN THE CITY OF LOS ANGELES HARBOR DEPARTMENT AND CEVA FREIGHT LLC, FTZ 202, SITE 30

SUMMARY:

Staff requests approval of a Third Amendment (Third Amendment) to Foreign-Trade Zone (FTZ) Operating Agreement No. 08-2722 between the City of Los Angeles Harbor Department (Harbor Department) and CEVA Freight LLC (CEVA) to continue operating its warehouse within FTZ 202, Site 30, located at 19600 S. Western Ave Torrance, California 90501. The Harbor Department, as the FTZ grantee, establishes General Purpose Operating Agreements with FTZ site operators to oversee their FTZ operations.

CEVA's current FTZ Operating Agreement No. 08-2722 will expire on January 31, 2019. The term of the agreement is five-years with three, five-year renewal options. CEVA requests to continue operating its warehouse as an FTZ warehouse. The Harbor Department needs to execute the Third Amendment to extend the Agreement, as required by the FTZ Board.

Site 30 consists of 305,400 square feet of warehouse and office space on 7.1 acres located approximately 10 miles from the Port of Los Angeles. CEVA will operate its warehouse under FTZ procedures as a multi-usage site. This proposed Third Amendment will not require funding by the Harbor Department. If the proposed amendment is approved, the Harbor Department will receive \$7,750 annually from CEVA (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;

SUBJECT: GENERAL PURPOSE OPERATING AGREEMENT WITH CEVA
FREIGHT LLC, FTZ 202, SITE 30

2. Approve the proposed Third Amendment to Foreign-Trade Zone Operating Agreement No. 08-2722 between the City of Los Angeles Harbor Department and CEVA Freight LLC;
3. Direct the Board Secretary to transmit the proposed Third Amendment of Foreign-Trade Zone Operating Agreement No. 08-2722 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;
4. Authorize the Executive Director to execute and the Board Secretary to attest to the proposed Third Amendment of Foreign-Trade Zone Operating Agreement No. 08-2722; and
5. Adopt Resolution No. 18.8397.

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. The Harbor Department, as the grantee, is required by the FTZ Board to have an Operating Agreement with FTZ site operators.

Need for Agreement – This proposed Third Amendment (Transmittal 1) will extend the term of this Agreement to January 31, 2024. CEVA is a U.S. company with its head office located in Houston, Texas, employing approximately 300 full-time and part-time employees working within the FTZ warehouse. CEVA has continually operated its FTZ warehouse at 19600 S. Western Ave Torrance, California, FTZ 202, since 2008. This facility consists of approximately 305,400 square feet of warehouse and office space on 7.1 acres (Transmittal 2) and is within the FTZ 202 service area (Transmittal 3).

Need for Approval – CEVA is requesting approval from the Harbor Department to execute the proposed Third Amendment to operate Site 30 as a multi-usage FTZ warehouse for a term of five years. CEVA receives, stores, re-labels, repackages, as well as manages inventory, and distributes various imported products which will be distributed for U.S. consumption. Occasionally, products are re-exported from this warehouse.

If CEVA 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

DATE: NOVEMBER 27, 2018

PAGE 3 OF 4

**SUBJECT: GENERAL PURPOSE OPERATING AGREEMENT WITH CEVA
FREIGHT LLC, FTZ 202, SITE 30**

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

CEVA 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.

ENVIRONMENTAL ASSESSMENT:

The proposed action is the approval of the Third Amendment to an FTZ Operating Agreement with CEVA to operate its site within the City of Torrance, which is an administrative activity. Therefore, the Director of Environmental Management has determined that the proposed activity is administratively exempt from the requirements of CEQA in accordance with Article II Section 2(f) of the Los Angeles City CEQA Guidelines.

FINANCIAL IMPACT:

If the proposed Third Amendment is approved, the Harbor Department will receive \$7,750 annually from CEVA (per FTZ Tariff No. 2).

Approval of the Third Amendment is not anticipated to result in additional, incremental FTZ-related consulting service expenses being incurred by the Harbor Department. During Fiscal Year (FY) 2018, unaudited revenues of \$344,746 were collected from Harbor Department FTZ operators relative to FY 2018 unaudited expenses of \$36,575 incurred by the Harbor Department for FTZ-related consulting services.

DATE: NOVEMBER 27, 2018

PAGE 4 OF 4

SUBJECT: GENERAL PURPOSE OPERATING AGREEMENT WITH CEVA
FREIGHT LLC, FTZ 202, SITE 30

CITY ATTORNEY:

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

TRANSMITTALS:

1. Proposed Third Amendment of FTZ Operating Agreement for CEVA Freight LLC, FTZ 202, Site 30
2. FTZ 202, Site 30 Map
3. FTZ 202, Service Area Map



ERIC CARIS
Director of Cargo Marketing

FIS Approval: 
CA Approval: 



For MICHAEL DiBERNARDO
Deputy Executive Director

APPROVED:


EUGENE D. SEROKA
Executive Director