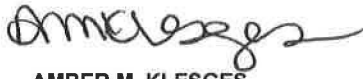


RECOMMENDATION APPROVED;  
RESOLUTION NO. 15-7748 ADOPTED; AND  
AGREEMENT NO. 15-2369-B APPROVED  
BY THE BOARD OF HARBOR COMMISSIONERS

January 22, 2015



AMBER M. KLESGES  
Board Secretary



Executive Director's  
Report to the  
Board of Harbor Commissioners

**DATE: JANUARY 13, 2015**

**FROM: BUSINESS AND TRADE DEVELOPMENT**

**SUBJECT: RESOLUTION NO. 15-7748 APPROVAL OF FIRST ~~SECOND~~ AMENDMENT TO FOREIGN-TRADE ZONE DEVELOPER AGREEMENT NO. 2369 BETWEEN THE CITY OF LOS ANGELES HARBOR DEPARTMENT AND INDUSTRIAL DEVELOPMENTS INTERNATIONAL, INC., FTZ 202, SITE 20**

**SUMMARY:**

The City of Los Angeles Harbor Department (Harbor Department), as the Foreign-Trade Zone (FTZ) grantee, establishes developer agreements with FTZ site owners to oversee their FTZ developments. The Harbor Department received a request from Industrial Developments International, Inc., (IDI) to execute its ~~first~~ *second* renewal option to extend the term of FTZ Developer Agreement 2369 (Agreement) at FTZ 202, Site 20, located in Mira Loma, California. IDI is a real estate investment firm whose principal address is located in Foothill Ranch, California. The original term of the Agreement is five years with three, five-year renewal options. The original Agreement commenced on March 1, 2010 and is set to expire on February 28, 2015.

Any change made to an original developer agreement, including existing renewal options, requires an amendment to the agreement. Upon approval, the proposed ~~First~~ *Second* Amendment will extend the Agreement for five years through February 28, 2019. Also, IDI recently notified the Harbor Department that the company name had been changed to Industrial Developments International, LLC. This amendment also reflects this change. All remaining terms and conditions of the Agreement shall remain in full force and effect.

**RECOMMENDATION:**

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

1. Approve the proposed ~~First~~ *Second* Amendment to Foreign-Trade Zone Developer Agreement No. 2369 between the City of Los Angeles Harbor Department and Industrial Development International, Inc. to extend the Agreement for five years and company name change to Industrial Developments International, LLC.;

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SUBJECT: ~~FIRST~~ *SECOND* AMENDMENT DEVELOPER AGREEMENT WITH INDUSTRIAL DEVELOPMENTS INTERNATIONAL, INC. SITE 20

2. Approve the proposed ~~First~~ *Second* Amendment to Foreign-Trade Zone Developer Agreement No. 2369 between the City of Los Angeles Harbor Department and Industrial Development International, Inc. ;
3. Direct the Board Secretary to transmit the proposed ~~First~~ *Second* Amendment to Foreign-Trade Zone Developer Agreement No. 2369 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. Upon approval by the City Council, authorize the Executive Director to execute and the Board Secretary to attest to the proposed ~~First~~ *Second* Amendments to Foreign-Trade Zone Operating Agreement No. 2369; and
5. Adopt Resolution No. 14-7748.

**DISCUSSION:**

Background and Context – The Foreign-Trade Zone Act of 1934, as amended, (19 U.S.C. 831a-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.

Need for Amendment – The Harbor Department, as the grantee, is required by the FTZ Board to have a developer agreement with FTZ site owners. The Harbor Department received a request from IDI to exercise its ~~first~~ *second* renewal option to extend the term of its Developer Agreement at FTZ 202, Site 20 (Transmittal 1). In addition, IDI recently notified the Harbor Department that the company name had been changed to Industrial Development International, LLC. The new name necessitates an updated amendment. (Transmittal 2).

Need for Approval – IDI is requesting approval from the Harbor Department to execute the proposed Amendment to extend Agreement No. 2369 for a term of five years in order to continue maintaining FTZ status for this property. FTZ status would be lost without an approved amendment to the Developer Agreement for the renewal as required by the FTZ Board. This is an administrative requirement for the Harbor Department.

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**SUBJECT: ~~FIRST~~ SECOND AMENDMENT DEVELOPER AGREEMENT WITH INDUSTRIAL DEVELOPMENTS INTERNATIONAL, INC. SITE 20**

If IDI does not obtain approval as a developer to maintain FTZ status of this site from the Harbor Department, it will not be able to offer additional incentives to attract new business to the Los Angeles economic area. Its tenants potentially have the choice of going to another FTZ in California such as Long Beach, San Diego, Palmdale, or even going out of state. Since FTZ facilities exist in every state, IDI's tenants could potentially shift its employees to other FTZ facilities if this Amendment to its Development Agreement is not approved.

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

**ENVIRONMENTAL ASSESSMENT:**

The proposed action is approval of the Amendment to the Developer Agreement with IDI, as the landowner of FTZ 202, Site 20, to extend the term of the Agreement. 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 one-time fee of \$2,500 to the Harbor Department. When the site is activated, each site operator will pay the Harbor Department a \$5,000 one-time activation fee and a \$7,750 annual fee (per FTZ Tariff No. 2). 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 2014 approximately \$20,000 was spent on outside FTZ-related consulting services whereas \$320,000 in revenues was collected from all FTZ operators.

Approving the proposed Amendment with IDI 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 an operator allows more efficient operations and allows IDI to remain competitive.

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SECOND

SUBJECT: ~~FIRST~~ AMENDMENT DEVELOPER AGREEMENT WITH INDUSTRIAL DEVELOPMENTS INTERNATIONAL, INC. SITE 20

**CITY ATTORNEY:**

The Office of the City Attorney has prepared and approved the proposed ~~First~~ <sup>Second</sup> Amendments as to form and legality.

**TRANSMITTALS:**

1. Proposed ~~First~~ <sup>Second</sup> Amendment to FTZ Operating Agreement No. 2369 with Industrial Development International Inc., FTZ 202, Site 20
2. FTZ 202, Site 20 Map

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



MICHAEL DIBERNARDO  
Director of Business Development

APPROVED:



EUGENE D. SEROKA  
Executive Director

M. Morimoto