

RECOMMENDATION APPROVED;  
RESOLUTION NO. 18-8399 ADOPTED; AND  
AGREEMENT 18-3622 APPROVED  
BY THE BOARD OF HARBOR COMMISSIONERS



Executive Director's  
Report to the  
Board of Harbor Commissioners

December 18, 2018

  
AMBER M. KLESGES  
Board Secretary

DATE: NOVEMBER 27, 2018

FROM: CARGO MARKETING

SUBJECT: RESOLUTION NO. 18-8399 - APPROVAL OF FOREIGN-TRADE  
ZONE GENERAL PURPOSE OPERATING AGREEMENT BETWEEN  
THE CITY OF LOS ANGELES HARBOR DEPARTMENT AND TOOLOTS,  
INC., FTZ 202, SITE 53

**SUMMARY:**

Staff requests approval of a Foreign-Trade Zone (FTZ) Operating Agreement between the City of Los Angeles Harbor Department (Harbor Department) and Toolots, Inc. (Toolots) to operate its warehouse within FTZ 202, Site 53, located at 16300 Shoemaker Ave, Cerritos, California 90703. On November 9, 2017, the FTZ Board approved a minor boundary modification of FTZ 202 under the alternative site framework establishing a usage-driven Site 53 for the sole use of Toolots. The Harbor Department, as the FTZ grantee, establishes General Purpose Operating Agreements with FTZ site operators to oversee their FTZ operations.

Site 53 consists of one warehouse totaling approximately 145,520 square feet and office space on 3.34 acres located approximately 20 miles from the Port of Los Angeles. Toolots will be operating its warehouse under FTZ procedures as a single-usage site. The proposed FTZ Operating Agreement (Agreement) is for a term of five years with three, five-year renewal options and will pay an annual fee of \$10,000.

**RECOMMENDATIONS:**

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;
2. Approve the proposed Foreign-Trade Zone Operating Agreement between the City of Los Angeles Harbor Department and Toolots, Inc.;
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 Los Angeles City Charter and Section 10.5 of the Los Angeles Administrative Code;

SUBJECT: FOREIGN-TRADE ZONE GENERAL PURPOSE OPERATING AGREEMENT WITH TOOLOTS, INC., FTZ 202, SITE 53

4. Authorize the Executive Director to execute and the Board Secretary to attest to the proposed Foreign-Trade Zone Operating Agreement; and
5. Adopt Resolution No. 18-8399.

**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.

Need for Agreement – The Harbor Department, as the grantee, is required by the FTZ Board to have an Operating Agreement with FTZ site operators. The term of this proposed FTZ Operating Agreement is five years with three, five-year extensions (Transmittal 1). Toolots is a U.S. company with its head office located in Cerritos, California employing approximately 10 full-time and part-time employees working within the FTZ activated area. Toolots will operate its FTZ warehouse at 16300 Shoemaker Ave., Cerritos, California 90703, FTZ 202, Site 53. This facility consists of approximately 145,520 square feet of warehouse and office space on 3.34 acres (Transmittal 2) and is within the FTZ 202 service area (Transmittal 3).

Toolots 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. Toolots agrees to keep its warehouse 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 – Toolots is requesting approval from the Harbor Department to execute the proposed FTZ Operating Agreement to operate Site 53 as a single-usage FTZ warehouse. Toolots plans to provide FTZ warehouse and distribution services to its importer/exporter customers.

**ENVIRONMENTAL ASSESSMENT:**

The proposed action is approval of a proposed FTZ Operating Agreement with Toolots, to operate its site within the FTZ 202 service area at Site 53, located in Cerritos, California which is an administrative activity. Therefore, the Director of Environmental Management has determined that the proposed action is administratively exempt from the requirements of the CEQA in accordance with Article II Section 2(f) of the Los Angeles City CEQA Guidelines.

DATE: NOVEMBER 27, 2018

PAGE 3 OF 3

SUBJECT: FOREIGN-TRADE ZONE GENERAL PURPOSE OPERATING AGREEMENT WITH TOOLOTS, INC., FTZ 202, SITE 53

**FINANCIAL IMPACT:**

If the proposed Agreement is approved, the Harbor Department will receive \$10,000 annually from Toolots (per FTZ Tariff No. 2).

Approval of the FTZ Operating agreement is not anticipated to result in additional, incremental FTZ-related consulting service expenses being incurred by the Harbor Department. During Fiscal Year 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 consulting services.

**CITY ATTORNEY:**

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

**TRANSMITTALS:**

1. Proposed FTZ Operating Agreement for Toolots, Inc. FTZ 202, Site 53
2. FTZ 202, Site 53 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