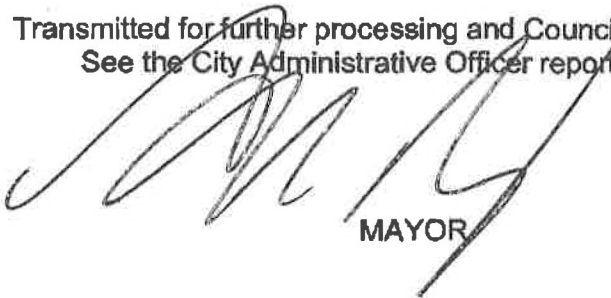


TRANSMITTAL			0220-05597-0000
TO Eugene D. Seroka, Executive Director Harbor Department		DATE APR 26 2019	COUNCIL FILE NO.
FROM The Mayor			COUNCIL DISTRICT 15
<p>PROPOSED FOREIGN TRADE ZONE OPERATING AGREEMENT NO. 19-3636 WITH QUIK PICK EXPRESS, LLC, FTZ 202, SITE 10G</p> <p>Transmitted for further processing and Council consideration. See the City Administrative Officer report attached.</p> <div style="text-align: right;"> Ana Guerrero MAYOR</div>			

RHL:ABN:101901081

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: April 22, 2019

CAO File No. 0220-05597-0000

Council File No.

Council District: 15

To: The Mayor

From: Richard H. Llewellyn, Jr., City Administrative Officer

Reference: Correspondence from the Harbor Department dated March 22, 2019; referred by the Mayor for report on April 11, 2019

Subject: **PROPOSED FOREIGN TRADE ZONE OPERATING AGREEMENT NO. 19-3636 WITH QUIK PICK EXPRESS, LLC, FTZ 202, SITE 10G**

RECOMMENDATIONS

That the Mayor:

1. Approve Harbor Department (Port) Resolution 19-8439 authorizing a proposed Foreign Trade Zone Operating Agreement No. 19-3636 with Quik Pick Express, LLC, FTZ 202 region, Site No. 10G; and,
2. Return the document to the Port for further processing, including Council consideration.

SUMMARY

The Harbor Department (Port) Board of Harbor Commissioners (Board) requests approval of Resolution No. 19-8439 (Resolution) authorizing a proposed Foreign Trade Zone (FTZ) Operating Agreement (Agreement) No. 19-3636 with Quik Pick Express, LLC (Quik Pick), to continue operating its office and warehouse facilities in FTZ 202, Site No. 10G (Site). There are five separated FTZ Sites located in the City of Carson, approximately nine miles from the Port of Los Angeles (POLA). The five FTZ Sites which the facilities and warehouse are located at: 1) 1021 E. 233rd Street; 2) 1058 E. 230th Street; 3) 1128 E. 230th Street; 4) 22418 Bonita Street; and, 5) 23610 S. Banning Blvd. The proposed Agreement will allow Quik Pick to operate within the same FTZ site for a term of five years, with three subsequent five-year renewal options, for a contract term up to 20 years, contingent upon Board approval. According to the Port, the proposed five sites are within a 325.5 acres site owned by Watson Land Company, in FTZ 202. Board and Council approval are required to exercise any contract changes and renewal options.

All FTZ activities are performed in accordance with Federal FTZ rules and regulations. The Port, as the FTZ grantee, establishes contract agreements with the FTZ site operators in the POLA to oversee their respective FTZ operations. The FTZ Site for Quik Pick includes approximately 508,509 square feet for the five warehouse and office facilities and employs approximately 69 full-time and part-time employees. Quik Pick operates its facility as multi-usage site, which designates operators to provide FTZ services to the public.

Quik Pick will pay the Port a one-time application fee of \$5,000 and an annual administrative fee from the beginning of the FTZ Agreement. Quik Pick will pay the Port an annual administrative fee of \$7,750 per year or a total of \$38,750 for each of the proposed five-year contract terms, which will total \$160,000, for up to a 20-year contract term, including the \$5,000 fee. Quik Pick additional renewal options will be subject to approval by the Board every five years.

The Port states that the FTZ sites do not generate a direct profit to the POLA. The Port provides the FTZ sites as a service to its tenants and customers to promote international trade and commerce in the region. However, the Port states that it has incurred expenses of approximately \$36,575 for outside FTZ-related consulting services and collected approximately \$344,746 in revenue from all FTZ operators in 2018.

Quik Pick is a United States (U.S.) company with headquarters in Carson. Quik Pick operates the FTZ Site under Federal FTZ Operating rules and regulations. The definition of a FTZ is a restricted access site located in U.S. Customs and Border Protection territories. The importer (Quik Pick) may defer payment of duties and other fees until the merchandise is brought into the U.S. for consumption. The Federal FTZ Board designated the Port as the Grantee/Administrator of FTZ 202 region for the City of Los Angeles and the surrounding region. The Port states that Quik Pick has the option to move its FTZ facility to another FTZ region in California, such as Long Beach or San Diego or another state. See the Attachment for an additional overview of FTZ policies and guidelines for this Agreement.

The Port states that Quik Pick has committed to use the Pier Pass program, which reduces daytime truck traffic operations and allows open operations in the evenings. Quik Pick will notify truck drivers, brokers and companies that trucks serving the FTZ site and Port container terminals must confine their routes to the designated Wilmington truck routes.

The Port states that the proposed Agreement complies with City requirements and has been approved as to form by the City Attorney. Pursuant to Charter Section 373 and the Los Angeles Administrative Code Section 10.5, Council approval is required because the contract term exceeds three years. The Port Director of Environmental Management has determined that the proposed Amendment is an administrative action and is therefore exempt from the requirements of the CEQA in accordance with Article II, Section 2(f) of the Los Angeles City CEQA guidelines.

FISCAL IMPACT STATEMENT

Harbor Department (Port) proposed FTZ Operating Agreement with Quik Pick Express (Quik Pick), Site No. 10G, will authorize Quik Pick to operate and manage FTZ office and warehouse facilities within FTZ 202, at five different location sites. Quik Pick will pay the Port an annual administrative fee of \$7,750 per year or \$38,750 for a five-year contract term, up to a 20-year term. There will be no impact on the City General Fund and funds will be deposited in the Harbor Revenue Fund.

RHL:ABN:10190108

Attachment

ATTACHMENT

OVERVIEW OF FOREIGN TRADE ZONES, OPERATING AGREEMENT

The Federal 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. The following is an overview of FTZ policies and guidelines.

The FTZ Operating Agreements are entered into with various companies who 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 1934, 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 U.S. instead of offshore. The goal of the Port and FTZ program 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 are 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. In this case, the published rates applicable are the Port Tariff (No. 1) rates, terms and conditions. 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 under the supervision of the Federal FTZ Board and Customs and required to operate within U.S. law.

The FTZ Operator is normally required to pay a one-time application fee of \$5,000 and an annual administrative operating fee of \$7,750 per year for an initial term of five years, with three subsequent five-year renewal options, in the same amount, for a contract term up to a total of 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 one-year term. The proposed Agreement with the FTZ Operator 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 Operator can terminate the proposed Agreement at the end of each term or by submitting a 180-day prior written notice.