

**TO THE COUNCIL OF THE
CITY OF LOS ANGELES**

Your

TRADE, COMMERCE, AND TOURISM

Committee

reports as follows:

ADMINISTRATIVE EXEMPTION and TRADE, COMMERCE, AND TOURISM COMMITTEE REPORT relative to a proposed Foreign Trade Zone (FTZ) Subzone Operating Agreement with Sony Electronics for the operation of a warehouse and distribution center.

Recommendations for Council action:

1. FIND that approving Port Agreement No. 2647 between the City of Los Angeles and Sony Electronics Inc., is exempt from the requirements of the California Environmental Quality Act (CEQA) under Article III, Section 1(14) of the City's CEQA Guidelines.
2. APPROVE Port Agreement No. 2647 an FTZ agreement for a ten-year term with the option to extend for two additional five-year terms, with Sony Electronics Inc., for the operation of a warehouse and distribution center at FTZ 202, at 2201 East Carson Street, Carson, California.
3. CONCUR with the action taken by the Board of Harbor Commissioners at its meeting held April 3, 2008, approving Port Agreement No. 2647 between the City of Los Angeles and Sony Electronics Inc. for the operation of a warehouse and distribution center.

Fiscal Impact Statement: The City Administrative Officer (CAO) reports that this action will not impact the General Fund. Approval of the proposed agreement includes a one-time administrative fee of \$20,000 and administrative fees of \$10,000 per year, for a total compensation of \$120,000 for the first ten-year term and up to \$220,000 over the proposed 20-year life of the agreement. Fees will be deposited in the Harbor Revenue Fund.

Community Impact Statement Submitted: None

TIME LIMIT FILE – DECEMBER 1, 2008

(LAST DAY FOR COUNCIL ACTION – NOVEMBER 26, 2008)

Summary:

In a report to the Mayor dated August 1, 2008 (attached to the Council file), the CAO states that the Harbor Department requests approval of a proposed FTZ Subzone Operating Agreement with Sony Electronics Inc., for the operation of a warehouse and distribution site in the City of Carson. The Board of Harbor Commissioners approved the agreement at its meeting held April 3, 2008 and the CAO concurs with the Board's approval of this agreement.

The CAO reports that FTZ operators create secure areas where imported merchandise may enter the United States and be stored, bought, sold, or undergo some manufacturing or assembly without being subject to United States Customs until the items enter into national commerce. The secure

area is located in or near the port of entry for United States Customs, but legally considered to be outside the Customs territory for the purpose of tariff laws and Customs entry procedures. It is the United States version of what is known internationally as a free-trade zone. The operation of an FTZ is conducted on a public utility basis, which opens its services to the public, with published tariff rates. The goal of the program is to stimulate economic growth and development in the United States, facilitate efficient cargo transit and support the local, State and national economy. The FTZ program does not generate a profit for the Port, but is provided by the Port as a service to its customers to promote international trade in the United States.

According to the CAO, in 2006, the Federal FTZ established the Subzone E (Sites 1-5) with Sony to handle domestic and imported electronics and household appliances and merchandise for sale in both domestic and foreign markets. A Subzone is designated for the operation of a specific company. Since Sony wants to operate these facilities for its own purposes, they are considered as a Subzone only. Sony can use the sites or contract out the other sites and operations to multiple warehouse operators on an as-needed basis. Currently, Sony must request approval and enter into an Agreement with the Port. Sony is requesting a proposed Agreement to activate FTZ Subzone E, Site No.1, to manage a combination of general warehouse operations, distribution and office facilities.

At the Trade, Commerce, and Tourism Committee meeting held October 15, 2008, the Committee recommended that Council concur with the Board of Harbor Commissioners' approval of the proposed FTZ Subzone Operating Agreement with Sony Electronics. This matter is now forwarded to the Council for its consideration.

Respectfully submitted,

TRADE, COMMERCE AND TOURISM COMMITTEE

<u>MEMBER</u>	<u>VOTE</u>
HAHN:	YES
ROSENDAHL:	YES
LABONGE:	ABSENT

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Not Official Until Council Acts