

SECOND AMENDMENT
TO FOREIGN TRADE ZONE OPERATING AGREEMENT NO. 08-2729
BETWEEN THE CITY OF LOS ANGELES AND
HOWARD HARTRY, INC.

THIS SECOND AMENDMENT to Agreement No. 08-2729 is made between the CITY OF LOS ANGELES, a municipal corporation (hereinafter called "City"), acting by and through its Board of Harbor Commissioners (hereafter called "Board"), and HOWARD HARTRY INC. (hereafter called "Operator").

WHEREAS, City and Operator wish to extend the Term of Agreement No. 08-2729 for an additional five (5) years; and

NOW, THEREFORE, BE IT RESOLVED, that Agreement No. 08-2729 between the City of Los Angeles and Howard Hartry Inc., be hereby amended as follows:

1. ARTICLE II, Section 2.03 Term of Agreement, the initial term of this Agreement shall be extended an additional five (5) years beginning on May 1, 2014 and ending on April 30, 2019.

Except as amended herein, all remaining terms and conditions of Agreement No. 08-2729 shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have executed this Second Amendment to Agreement No. 08-2729 on the date to the left of their respective signatures.

Dated: _____, 2014

THE CITY OF LOS ANGELES, by its
Board of Harbor Commissioners

By _____
Executive Director

Attest _____
Board Secretary

Dated: January 6, 2014

HOWARD HARTRY INC.

By Michael A. Roldan

MICHAEL A. ROLDAN, VICE PRES.
(Print/Type Name and Title)

Attest Robert L. Hartley

ROBERT L. HARTLEY PRES.
(Print/Type Name and Title)

APPROVED AS TO FORM AND LEGALITY

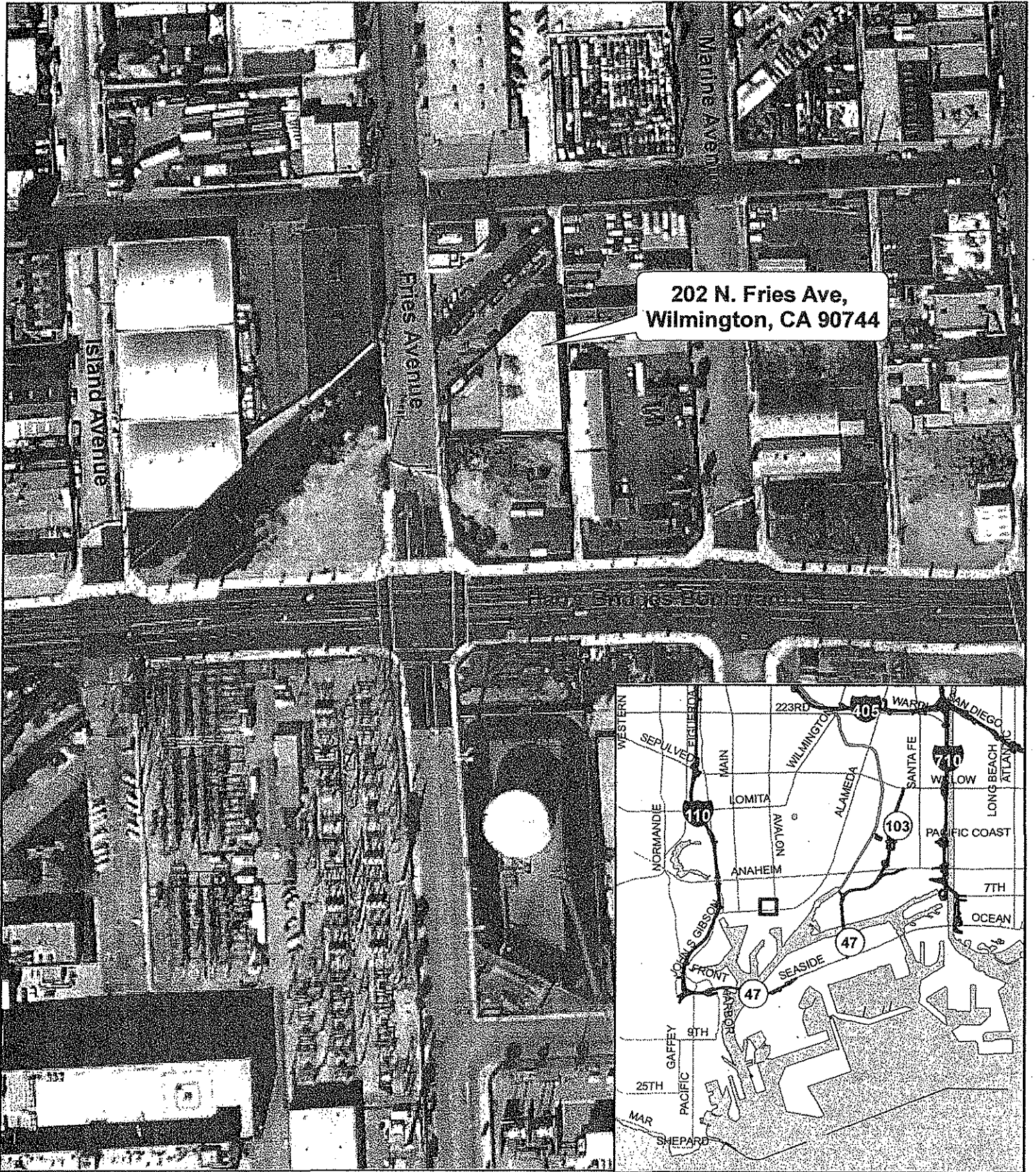
February 4, 2014

MICHAEL N. FEUER, City Attorney

JANNA B. SIDLEY, General Counsel

By [Signature]
HELEN J. SOK, Deputy City Attorney

FTZ 202 Site 27 Howard Hartry Inc.



202 N. Fries Ave,
Wilmington, CA 90744



Harbor Department
Planning & Economic Development
Map Produced 11/2013



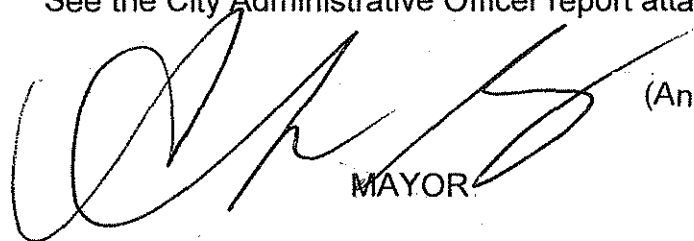
0150-08800-0002

TRANSMITTAL

TO Gary Lee Moore, Interim Executive Director Harbor Department	DATE APR 14 2014	COUNCIL FILE NO.
FROM The Mayor	COUNCIL DISTRICT 15	

PROPOSED SECOND AMENDMENT TO FOREIGN TRADE ZONE OPERATOR AGREEMENT NO. 08-2729 WITH HOWARD HARTRY INC., FTZ 202, SITE NO. 27

Transmitted for further processing for Council consideration.
See the City Administrative Officer report attached.


(Ana Guerrero)
MAYOR

MAS:ABN:10140151t

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REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: April 9, 2014

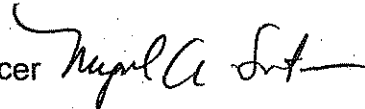
CAO File No. 0150-08800-0002

Council File No.

Council District: 15

To: The Mayor

From: Miguel A. Santana, City Administrative Officer



Reference: Correspondence from the Harbor Department dated March 25, 2014; referred by the Mayor for report on March 27, 2014

Subject: **PROPOSED SECOND AMENDMENT TO FOREIGN TRADE ZONE OPERATOR AGREEMENT NO. 08-2729 WITH HOWARD HARTRY INC., FTZ 202, SITE NO. 27**

SUMMARY

The Harbor Department (Port) Board of Harbor Commissioners (Board) requests approval of Resolution No. 14-7631 authorizing the proposed Second Amendment to Foreign Trade Zone (FTZ) Operating Agreement No. 08-2729 with Howard Hartry Inc. (Howard Hartry), in FTZ No. 202, Site No. 27, located in the City of Wilmington. In May 2009, the original FTZ Agreement with Howard Hartry was for a five-year term, with three subsequent five-year renewal options, for a contract term up to a total of 20 years. According to the Port, the original term is scheduled to expire on April 30, 2014 (C.F. 12-1175). In addition, the Board authorized the Port to reorganize and renumber the existing FTZ Operating sites for consistency because of increasing expansion of FTZ sites. As a result, the Port changed the FTZ site number for Howard Hartry from FTZ Site 1C to FTZ Site No. 27. Board approval is required to exercise any renewal options and changes to the Agreement. Upon approval, the proposed Second Amendment will extend the Agreement by an additional five years, through April 30, 2019. All remaining terms and condition of the Agreement will remain in effect.

Howard Hartry will continue to operate FTZ Site under federal FTZ Operating rules and regulations. The United States (USA) Government's Federal FTZ Board designated the Port as the Grantee/Administrator of FTZ 202 region for the City of Los Angeles and the surrounding region. A definition of an FTZ is a secure area located in or near the port of entry for US Customs and Border Protection Agency (Customs), but legally considered to be outside the Customs territory for the purpose of tariff laws and Customs entry procedures. All activities are performed in accordance with Federal FTZ procedures. The goal of the FTZ program and Port 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 does not generate a direct profit for the Port, but is provided by the Port as a service to its customers to promote international trade and commerce in the region and USA. See the Attachment for an overview of FTZ policies and guidelines for this Agreement.

The Port states that Howard Hartry is headquartered in San Pedro and is an international freight forwarder and provides customs broker and international logistic services. The FTZ Operator plans to continue to operate and manage FTZ operations, including general warehousing, distribution and office facilities at FTZ Site No. 27 to receive, store, and manage inventory and distribute consumer products, apparel, accessories, and other merchandise for sale in the domestic and, occasionally, the international market. The area used by Howard Hartry includes approximately 11,800 square feet of warehouse and office space on approximately 0.25 acres of land. Howard Hartry employs approximately six full-time employees.

Howard Hartry has already paid a one-time application or activation fee of \$5,000 and an administrative fee of \$25,000 for the original five-year term to the Port as FTZ Operator fees. The Port subsequently increased the annual administrative fee, and Howard Hartry will be required to pay an annual fee of \$7,750 per year or \$38,750 for one five-year contract term, with renewal options, subject to ratification by the Board, for two additional contract terms, for up to a total 20-year contract term fee of \$146,250. The FTZ Operator agreements will require no direct use of Port funds. Although there will be no additional direct cost, the Port states that it spends funds on indirect or outside expenses for FTZ-related administrative services. During the 2013 calendar year, the Port states that it spent approximately \$60,000 for FTZ-related expenses and collected approximately \$264,000 in revenue and fees from all the FTZ operators.

The Port states that Howard Hartry has committed to use the Pier Pass program, which reduces daytime truck traffic operations and allows open operations in the evenings. Howard Hartry will notify truck drivers, brokers and companies that trucks serving the FTZ site and Port's container terminals must confine their routes to the designated Wilmington truck route. The Port states that if the proposed Agreement is not approved, Howard Hartry has the option to move its facilities to another FTZ region in California, such as Long Beach or San Diego, Palmdale or another state. The Port states that approval of the Agreement is in the best interest of the City and Port economically.

The proposed Agreement is in compliance 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 cumulative contract term exceeds three years. The Port Director of Environmental Management has determined that this is an administrative action and is therefore exempt from the requirements of the California Environmental Quality Act (CEQA) in accordance with Article III, Section 1 (14) of the Los Angeles City CEQA guidelines.

RECOMMENDATION

That the Mayor approve Harbor Department (Port) Resolution No. 14-7631 authorizing the proposed Second Amendment to Foreign Trade Zone (FTZ) Operating Agreement No. 08-2729 with Howard Hartry Inc., in FTZ No. 202, Site No. 27, located in the City of Wilmington, and extending the Agreement by an additional five years, through April 30, 2019, and return the document to the Port for further processing, including Council consideration.

FISCAL IMPACT STATEMENT

The proposed Second Amendment to the FTZ Operator Agreement with Howard Hartry Inc. will have no impact on the City General Fund. Howard Hartry has already paid a one-time application or

activation fee of \$5,000 and an administrative fee of \$25,000 for the original five-year term to the Port as FTZ Operator fees. The Port subsequently increased the annual administrative fee, and Howard Hartry will be required to pay an annual fee of \$7,750 per year or \$38,750 for one five-year contract term, with renewal options, subject to ratification by the Board, for two additional contract terms, for up to a total 20-year contract term fee of \$146,250, if the contract is renewed. All Funds will be deposited in the Harbor Revenue Fund.

TIME LIMIT FOR COUNCIL ACTION

Pursuant to Charter Section 373, "Long Term Contract Approved by Council," and the Los Angeles Administrative Code Section 10.5, "Limitation and Power to Make Contracts," unless the Council takes action disapproving a contract that is longer than three years within 60 days after submission to Council, the contract will be deemed approved.

MAS:ABN:10140151

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 the each term or by submitting a 180-day prior written notice.