



Eric Garcetti
Board of Harbor
Commissioners
Geraldine Knatz, Ph.D.

Mayor, City of Los Angeles
David Arian Vice President
Patricia Castellanos
Douglas P. Krause
Anthony Pirozzi, Jr.
Sung Won Sohn, Ph.D.
Executive Director

November 19, 2013

Honorable Members of the
City Council of the
City of Los Angeles

CD No. 15

Attention: Mr. Michael Espinosa, City Clerk's Office

SUBJECT: RESOLUTION NO. 13-7554 – SECOND AMENDMENT TO FOREIGN-TRADE ZONE GENERAL PURPOSE OPERATING AGREEMENT NO. 08-2722 BETWEEN THE CITY OF LOS ANGELES HARBOR DEPARTMENT AND CEVA FREIGHT LLC, FTZ 202, SITE 30

Pursuant to Section 373 of the City Charter and Section 10.5 of the Los Angeles Administrative Code, enclosed for your approval is proposed Second Amendment to Foreign-Trade Zone General Purpose Operating Agreement No. 08-2722 between the City of Los Angeles Harbor Department and CEVA Freight, LLC. FTZ General Purpose Operating Agreement No. 13-2722-B was approved at the September 19, 2013 meeting of the Board of Harbor Commissioners.

RECOMMENDATION:

1. The City Council approve proposed Foreign-Trade Zone General Purpose Operating Agreement No. 13-2722-B between the City of Los Angeles Harbor Department and CEVA Freight, LLC;
2. Adopt the determination by the Los Angeles Harbor Department that the proposed action is exempt from the requirements of the California Environmental Quality Act (CEQA) under Article III, Section 1(14) of the Los Angeles City CEQA Guidelines; and
3. Return to the Board of Harbor Commissioners for further processing.

Respectfully Submitted,

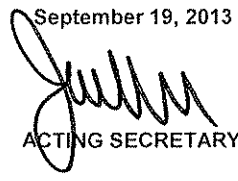

JULIE W. HUERTA
Acting Commission Secretary

cc: Trade, Commerce, & Tourism Committee
Councilman Rosendahl, encs.
Councilman LaBonge, encs.
Councilman Buscaino, encs.
Mandy Morales, Mayor's Office, encs.

Alvin Newman, CAO, encs.
Lisa Schechter, CD4, encs
Aaron Gross, Government Affairs, encs.
Christine Yee Hollis, CLA, encs.

9/19/13
2

RECOMMENDATION APPROVED;
RESOLUTION NO. 13-7554 ADOPTED; AND
AGREEMENT NO. 13-2722-B APPROVED
BY THE BOARD OF HARBOR COMMISSIONERS

September 19, 2013

ACTING SECRETARY



Executive Director's
Report to the
Board of Harbor Commissioners

DATE: SEPTEMBER 10, 2013

FROM: BUSINESS AND TRADE DEVELOPMENT

SUBJECT: RESOLUTION NO. 13-7554 APPROVAL OF SECOND AMENDMENT TO FOREIGN-TRADE ZONE GENERAL PURPOSE OPERATING AGREEMENT NO. 08-2722 BETWEEN THE CITY OF LOS ANGELES HARBOR DEPARTMENT AND CEVA FREIGHT LLC, FTZ 202, SITE 30

SUMMARY:

The City of Los Angeles Harbor Department (Harbor Department), as the Foreign-Trade Zone (FTZ) grantee, establishes General Purpose Operating Agreements with FTZ operators to oversee their FTZ operations. The Harbor Department received a request from CEVA Freight LLC (CEVA), Site 30, located in Torrance, California, to exercise their first renewal option to extend the term of their FTZ Operating Agreement No. 08-2722 (Agreement No. 08-2722) at FTZ 202, Site 30. CEVA is headquartered in Houston, Texas, an international freight forwarder, founded in 1984 to provide international logistics services. First Amendment was a name change from Eagle Global Logistics to CEVA Freight LLC. The original term of the agreement is five years with three, five-year renewal options. The original agreement commenced February 1, 2009, and is set to expire on January 31, 2014.

Any change made to an original operating agreement, including existing renewal options, requires an amendment to the agreement. Upon approval, the proposed Second Amendment (Amendment) will extend Agreement No. 08-2722 for five years through to January 31, 2019. Also, as part of the changes, all updated City of Los Angeles contractual provisions will be incorporated into Agreement No. 08-2722. All remaining terms and conditions of Agreement No. 08-2722 shall remain in full force and effect.

RECOMMENDATION:

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

1. Approve the proposed Second Amendment to Foreign-Trade Zone Operating Agreement No. 08-2722 between the City of Los Angeles Harbor Department and CEVA Freight LLC;

DATE: SEPTEMBER 10, 2013

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SUBJECT: GENERAL PURPOSE OPERATING AGREEMENT WITH CEVA
FREIGHT LLC, FTZ 202, SITE 30

2. Direct the Board Secretary to transmit the proposed Second Amendment to Foreign-Trade Zone Operating Agreement No. 08-2722 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;
3. Upon approval by the City Council, authorize the Executive Director to execute and the Board Secretary to attest to the proposed Second Amendment to Foreign-Trade Zone Operating Agreement No. 08-2722; and
4. Adopt Resolution No. 13-754

DISCUSSION:

Background and Context – The Foreign-Trade Zone 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 a FTZ is a restricted access site located in the U.S. Customs and Border Protection Agency territories. The importer may defer payment of duties and other fees until the merchandise is brought into U.S. commerce 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. CEVA, a U.S. company, located in Torrance, California employs approximately 325 full-time employees. CEVA has continually operated a FTZ warehouse at FTZ 202, Site 30 since 2009. Site 30 facilities consist of approximately 305,400 square feet of warehouse and office space on 7.1 acres (Transmittal 2). CEVA will continue to operate their warehouses under FTZ procedures. CEVA agrees to keep its warehouses 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 – CEVA is requesting approval from the Harbor Department to execute the proposed Second Amendment (Transmittal 1) to extend Agreement No. 08-2722 for a term of five years in order to continue operating this site as a FTZ warehouse. CEVA receives, stores, manages inventory, and distributes consumer products, apparel, accessories, and other merchandise for sale nationally. Occasionally, the products are re-exported from the warehouse.

DATE: SEPTEMBER 10, 2013

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**SUBJECT: GENERAL PURPOSE OPERATING AGREEMENT WITH CEVA
FREIGHT LLC, FTZ 202, SITE 30**

If CEVA does not obtain approval as an operator with FTZ status from the Harbor Department, they potentially have the choice of going to another FTZ in California such as Long Beach, San Diego, Palmdale, etc., or even going out of state. Since FTZ facilities exist in every state, CEVA can potentially shift its employees to work elsewhere as a result of seeking FTZ status in another location.

Harbor Department Fiscal Requirements – This proposed Second Amendment will not require funding by the Harbor Department. CEVA will pay an annual fee of \$7,500 to the Harbor Department for each year of the five-year term of the proposed Second Amendment for a total of \$37,500.

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of the proposed Second Amendment to Agreement No. 08-2722 between the Harbor Department and CEVA. The proposed Second Amendment would extend the existing operating agreement with no changes to operations. 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 that the proposed action is exempt from the requirements of the California Environmental Quality Act (CEQA) under Article III, Section 1 (14) of the Los Angeles City CEQA Guidelines.

ECONOMIC BENEFITS:

This Board action will have no employment impact.

FINANCIAL IMPACT:

The Harbor Department to date has received \$25,000 in operator fees from CEVA for the original five-year term. If the proposed Second Amendment is approved for the first extension, the Harbor Department will receive from CEVA \$7,750 annually (per FTZ Tariff No. 2) for five years.

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 2012, approximately \$80,000 was spent on outside FTZ related consulting services while \$159,000 in revenues was collected from all of the Harbor Department's FTZ operators.

DATE: SEPTEMBER 10, 2013

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SUBJECT: GENERAL PURPOSE OPERATING AGREEMENT WITH CEVA
FREIGHT LLC, FTZ 202, SITE 30

Approving the proposed Second Amendment with CEVA 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 CEVA allows more efficient operations and allows CEVA to remain competitive.

CITY ATTORNEY:

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

TRANSMITTALS:

1. Proposed Second Amendment to FTZ Operating Agreement No. 08-2722 with CEVA Freight LLC, FTZ 202, Site 30
2. CEVA Freight LLC, FTZ 202, Site 30 map

FIS Approval:  (initials)
CA Approval:  (initials)


MICHAEL DiBERNARDO
Director of Business Development


KATHRYN McDERMOTT
Deputy Executive Director

APPROVED:


GERALDINE KNATZ, Ph.D.
Executive Director

M. Morimoto

SECOND AMENDMENT TO OPERATING AGREEMENT NO. 08-2722
BETWEEN THE CITY OF LOS ANGELES
AND
CEVA FREIGHT LLC.

THIS SECOND AMENDMENT to Operating Agreement No. 08-2722 is made between the CITY OF LOS ANGELES, a municipal corporation ("City"), acting by and through its Board of Harbor Commissioners ("Board"), and CEVA FREIGHT LLC. ("Operator").

WHEREAS, City and Operator entered in Operating Agreement No. 08-2722 ("Agreement") on February 12, 2009; and

WHEREAS, on January 11, 2012, Operator entered into the First Amendment whereby its name was changed from Eagle Global Logistics to CEVA Freight LLC.; and

WHEREAS, City and Operator further desires to modify the Agreement; and

NOW, THEREFORE, BE IT RESOLVED, that Operating Agreement No. 08-2722 between the City of Los Angeles and CEVA Freight LLC, be hereby amended as follows:

1. ARTICLE II. AUTHORITY GRANTED/ACCEPTED, TERM AND AGREEMENT, Section 2.03 Term of Agreement, Subsection A, Term and Renewal, the initial term of this Agreement shall be extended an additional five (5) years beginning on February 1, 2014 and ending on January 31, 2019.

2. The second "Whereas" set forth in the Recitals section of the Agreement is hereby deleted in its entirety and replaced with the following:

"WHEREAS, the operator desires to make use of foreign-trade zone status and wishes to continue to operate Foreign Trade Zone 202 Site 30, located at 19600 Western Avenue, Torrance, CA 90501, as depicted and more fully described in Exhibit "A-1", attached hereto and made a part hereof ("Zone Site"), which is within the boundaries of Foreign Trade Zone No. 202."

3. ARTICLE XVI. MISCELLANEOUS PROVISIONS, Section 16.11 Notice to the Parties is hereby amended to change the department specification following the words "Masashi Morimoto" to the following:

"ATTN: Masashi Morimoto, Business and Trade Development"

4. ARTICLE VI. ADMINISTRATION AND OPERATION OF ZONE shall include the following section and language:

"6.04 Wilmington Truck Route

It is recognized by both parties that the Operator does not directly control the trucks serving the Port. However, the Operator shall notify truck drivers, truck brokers and trucking companies that trucks serving FTZ warehouses and originating in the Port of Los Angeles must confine their route to the designated Wilmington Truck Route of Alameda Street and "B" Street; Figueroa Street from "B" Street to "C" Street; and Anaheim

Street east of Alameda Street. A copy of the Wilmington Truck Route is attached as Exhibit E, which may be modified from time to time at the sole discretion of the Executive Director with written notice to Operator."

Except as amended herein, all remaining terms and conditions of Agreement No. 08-2722 shall remain in full force and effect.

IN WITNESS THEREOF, the parties hereto have executed this Second Amendment to Agreement No. 08-2722 on the date to the left of their signatures.

Dated: _____

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

By *Guadalupe Kravitz*
Executive Director

Attest: *Arlo J. [Signature]*
Board Secretary

Dated: 8/19/13

CEVA FREIGHT LLC.

By: *Uma Hollowood*
Uma Hollowood - Zone Manager
(Print/type name and title)

Attest: *[Signature]*

Steve Arthur NP of Ops
(Print/type name and title)

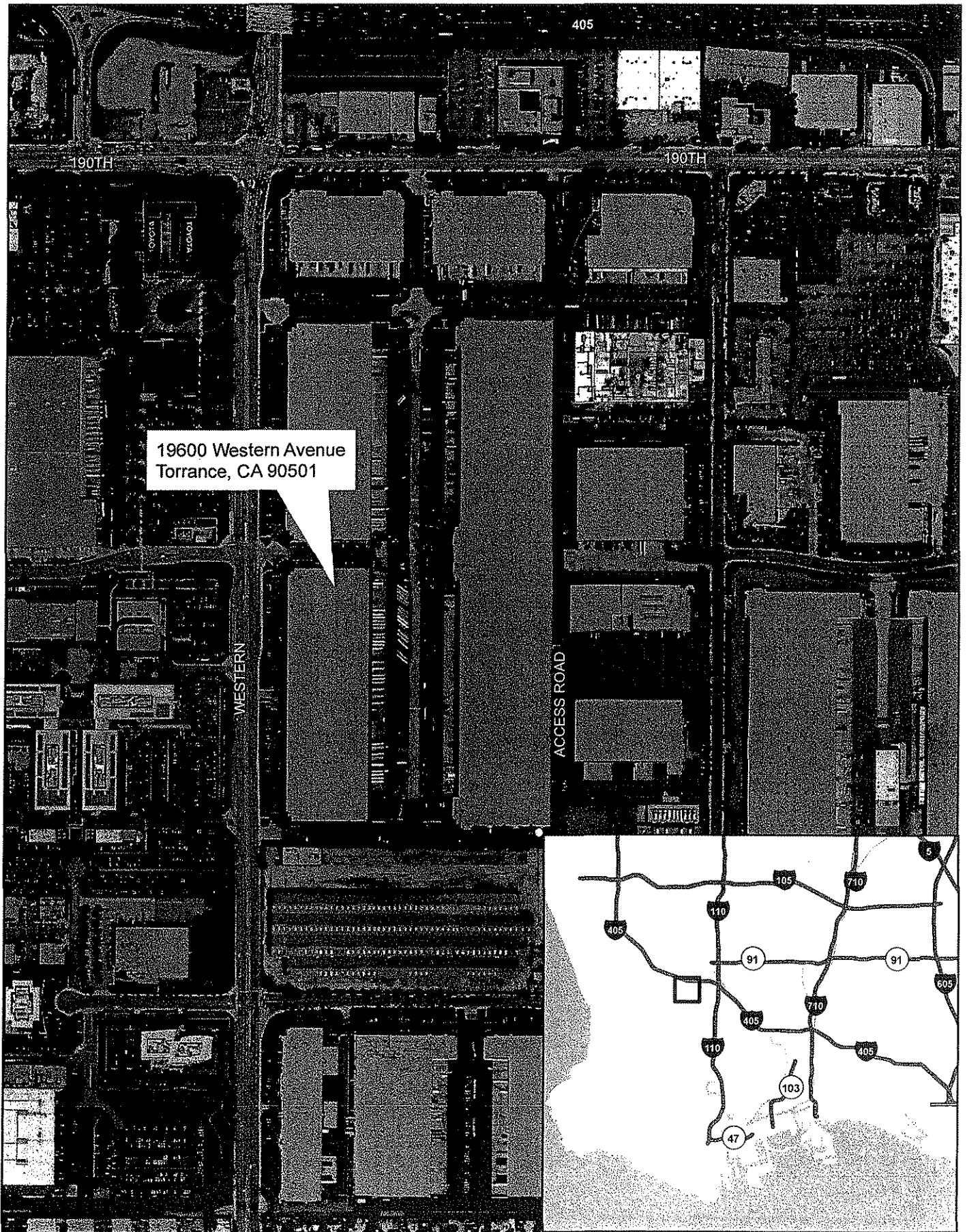
APPROVED AS TO FORM AND LEGALITY

8/21, 2013
MICHAEL N. FEUER, City Attorney
JANNA B. SIDLEY, General Counsel

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

HJS/jpr
07/23/13
Attachments

CEVA FREIGHT LLC. SITE 30



19600 Western Avenue
Torrance, CA 90501



Exhibit A-1



Harbor Department
Planning & Economic Development
Map Produced 6/2013

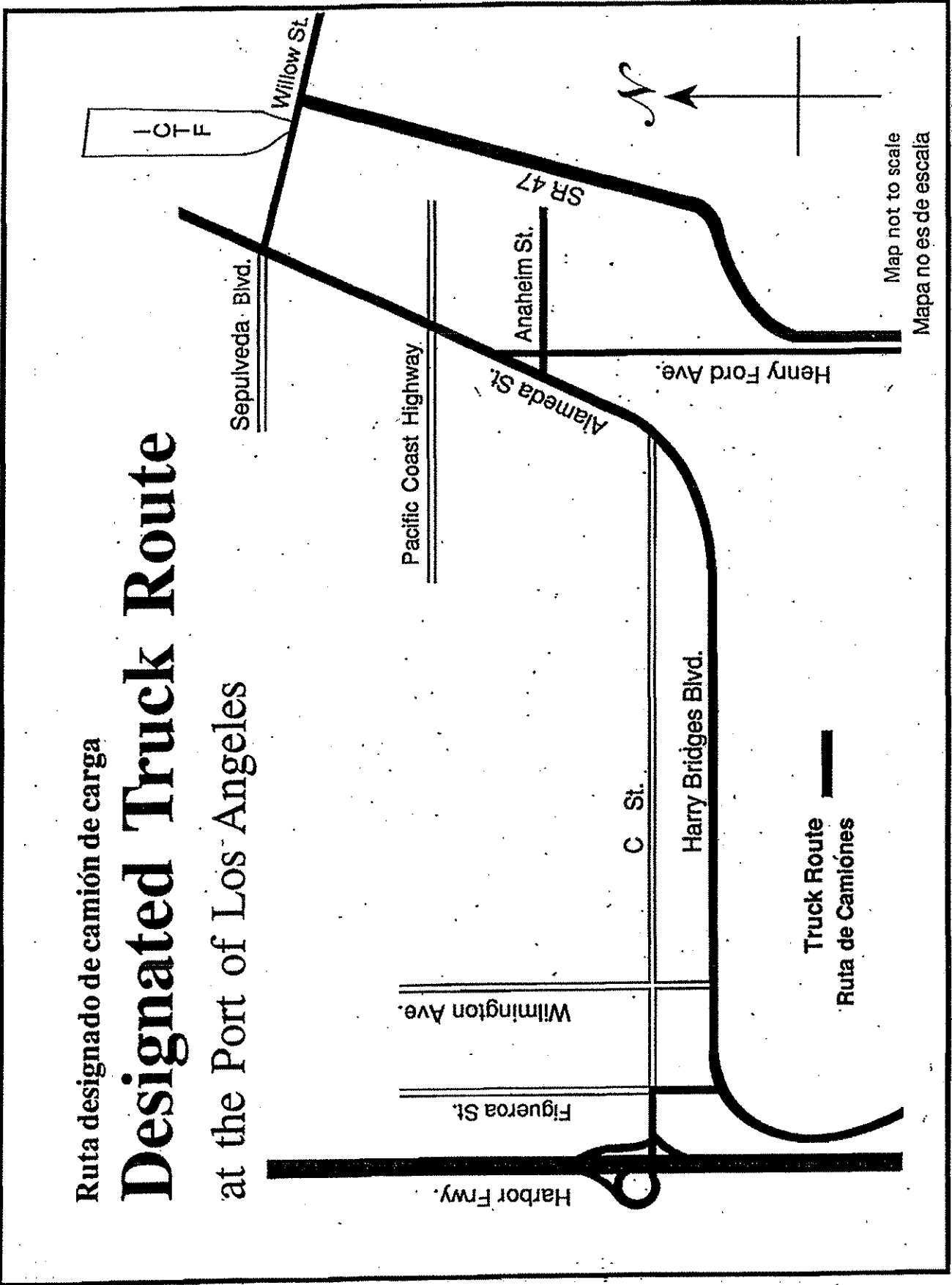


TRUCKS ENTERING AND LEAVING THE PORT MUST USE THE ROUTE SHOWN BELOW.
CAMIONES ENTRANDO Y SALIENDO EL PORTO DEVEN DE USAR LA RUTA INDICADO ABAJO.

Ruta designado de camión de carga

Designated Truck Route

at the Port of Los Angeles



0150-08763-0002

TRANSMITTAL

TO Geraldine Knatz, Ph.D., Executive Director Harbor Department	DATE NOV 15 2013	COUNCIL FILE NO.
FROM The Mayor	COUNCIL DISTRICT 15	

PROPOSED SECOND AMENDMENT TO FOREIGN TRADE ZONE OPERATING AGREEMENT NO. 08-2722 WITH CEVA FREIGHT LLC, FTZ 202, SITE NO. 30

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


(Ana Guerrero)
MAYOR

MAS:ABN:10140092t

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: November 8, 2013

CAO File No. 0150-08763-0002

Council File No.

Council District: 15

To: The Mayor

From: Miguel A. Santana, City Administrative Officer



Reference: Correspondence from the Harbor Department dated September 24, 2013; referred by the Mayor for report dated September 27, 2013

Subject: **PROPOSED SECOND AMENDMENT TO FOREIGN TRADE ZONE OPERATING AGREEMENT NO. 08-2722 WITH CEVA FREIGHT LLC, FTZ 202, SITE NO. 30**

SUMMARY

The Harbor Department (Port) Board of Harbor Commissioners (Board) requests approval of Resolution No. 13-7554 authorizing the proposed Second Amendment to Foreign Trade Zone (FTZ) Operating Agreement (Agreement) No. 08-2722 with CEVA Freight LLC (CEVA), in FTZ No. 202, Site No. 30, located in Torrance, California. CEVA is an international freight forwarder and logistics services provider, with headquarters in Houston, Texas. In 2008, the Board approved the original operating Agreement with CEVA for an initial term of five years, with three subsequent five-year renewal options, for a contract term up to a total of 20 years. The initial five-year term is from February 2009 to January 2014. The First Amendment was a name change from Eagle Global Logistics to its current name of CEVA. The proposed Second Amendment will extend the Agreement by an additional five years, to January 2019, with two five-year renewal options remaining on the existing contract, and incorporate all the updated contractual provisions. The Agreement will maintain the existing terms and conditions, except as amended. Board approval is required to exercise any renewal options and changes to the Agreement.

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 FTZ Agreement will authorize CEVA to continue to provide general warehousing and distribution facilities to receive, store, and manage inventory and distribute consumer products, apparel, accessories, and other merchandise for sale in the domestic market. The area used by CEVA includes approximately 305,400 square feet of warehouse space on approximately 7.1 acres of land. CEVA employs approximately 325 full-time employees.

CEVA has already paid a one-time application/activation fee of \$5,000 and paid an administrative fee of \$5,000 per year and \$25,000 for the first five-year term. The Port increased the annual cost for all FTZ Operators subsequent to the approval of the Agreement and CEVA will be responsible to pay an annual administrative fee of \$7,750 per year, \$38,750 for one five-year contract term and a total 20-year contract term fee of \$146,250, with the renewal options for three additional contract terms. 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 2012 calendar year, the Port states that it spent approximately \$80,000 and collected approximately \$159,000 in revenue and fees from all FTZ operators.

The Port states that CEVA continues to commit to use the Pier Pass program, which reduces daytime truck traffic operations and allows open operations in the evenings. CEVA 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, CEVA has the option to move its facilities to another FTZ region in California, such as Long Beach or San Diego, or another state. The Port states that approval of the Agreement is in the best interest of the City and Port economically.

The proposed Amendment 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. 13-7554 authorizing the proposed Second Amendment to Foreign Trade Zone (FTZ) Operating Agreement No. 08-2722 with CEVA Freight LLC, in FTZ No. 202, Site No. 30, located in Torrance, and return the document to the Port for further processing, including Council consideration.

FISCAL IMPACT STATEMENT

The proposed Second Amendment to FTZ Operator Agreement with CEVA Freight LLC, in FTZ Site No. 30, will extend the Agreement by a five-year term, from January 2014 to January 2019. The Port has received a one-time application fee of \$5,000 and an administrative fee of \$25,000 for the initial five-year contract term. Due to a fee changes, compensation from the FTZ fees increased to \$7,750 each year during each of the three remaining five-year contract terms, for a total of \$116,250 for the three optional five-year terms and a total fee of \$146,250 over the 20-year contract term, if the

contract is approved for three five-year renewal options. There will be no impact on the City General Fund. 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:10140092

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. Below 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 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, 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.