

0150-10371-0000

TRANSMITTAL

TO
Eugene D. Seroka, Executive Director
Harbor Department

DATE
MAR 26 2015

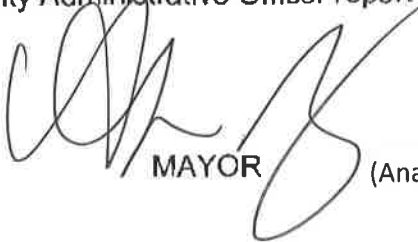
COUNCIL FILE NO.

FROM
The Mayor

COUNCIL DISTRICT
15

**PROPOSED FIRST AMENDMENT TO FOREIGN TRADE DEVELOPER AGREEMENT
NO. 10-2824 WITH CARSON DOMINGUEZ PROPERTIES, FTZ 202, SITE NO. 4**

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


MAYOR (Ana Guerrero)

MAS:ABN:10170077t

REPORT FROM

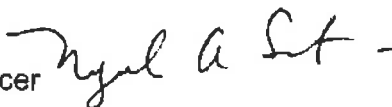
OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: March 25, 2015

CAO File No. 0150-10371-0000
Council File No.
Council District: 15

To: The Mayor

From: Miguel A. Santana, City Administrative Officer



Reference: Correspondence from the Harbor Department dated February 27, 2015; referred by the Mayor for report on March 3, 2015

Subject: **PROPOSED FIRST AMENDMENT TO FOREIGN TRADE DEVELOPER AGREEMENT NO. 10-2824 WITH CARSON DOMINGUEZ PROPERTIES, FTZ 202, SITE NO. 4**

SUMMARY

The Harbor Department (Port) Board of Harbor Commissioners (Board) requests approval of Resolution No. 15-7762 authorizing the proposed First Amendment of Foreign Trade Zone (FTZ) Developer Agreement (Agreement) No. 10-2824 with Carson Dominguez Properties, L.P. (Carson Dominguez), in FTZ No. 202, Site No. 4, located in the City of Carson. Carson Dominguez is a real estate investment firm whose principal address is in the City of Newport Beach. The Federal FTZ Board designated the Port as the Grantee/Administrator of FTZ No. 202 for the City of Los Angeles (City) and the surrounding region. Carson Dominguez leases portions of FTZ Site No. 4 properties under the auspices of the Federal FTZ Board to qualified FTZ operating companies to use as office, warehousing and distributing facilities for processing goods and services. The original Agreement with Carson Dominguez was approved for a term of five years, from May 2010 through April 2015, with renewal options for three subsequent five-year terms, for a total contract term up to 20 years. The proposed Amendment will authorize the execution of the first contract renewal option for an additional five-year term, from May 2015 to April 2020.

The Federal FTZ Board regulations require that the Port enter into a FTZ Developer Agreement with a new land owner or lessee. The Port states that any change made to the original Agreement requires an Amendment. All remaining terms and conditions of the Agreement will remain in full force and effect, with the exception of the incorporation of updated City's contractual provisions.

The FTZ Developer Agreements are with contractors who have applied for FTZ Developer status with the Federal FTZ Board and been approved by United States (U.S.) Customs and Border Protection Agency (Customs) to develop and market this property as a FTZ site. Carson Dominguez will operate FTZ Site No. 4 under the Federal FTZ Operating rules and regulations. The U.S. Federal FTZ Board designated the Port as the Grantee/Administrator of FTZ 202 region for the City and the surrounding region. A definition of 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. 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 U.S., 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 the operating agreements are in one of two categories, either FTZ Operator's or Developer's Agreements. The FTZ Developer's Agreement with Carson Dominguez includes leasing and marketing the land for general activities such as warehouse operations, distribution centers and office space to registered FTZ operators. Carson Dominguez paid the Port a one-time application fee of \$2,500 to obtain approval from the Federal FTZ Board. As an FTZ Developer, Carson Dominguez is not obligated to pay an annual administrative fee to the Port as it would if it was an FTZ operator. Carson Dominguez would be unable to keep its FTZ status, if the Port did not approve the proposed Amendment. Although there will be no direct expenditure of Port funds for the FTZ site, the Port states that it spends funds on indirect or outside expenses for FTZ-related consulting services. In 2014, the Port spent approximately \$20,000 and collected approximately \$320,000 in revenue and fees from all FTZ operators.

The Port stated in a previous report that Carson Dominguez FTZ Site No. 4 consists of approximately 170 acres of land. These facilities and operations will be under the general supervision of the Federal FTZ Board and U.S. Customs and required to operate within U.S. law. Carson Dominguez will continue to market and lease offices, distribution and warehouse spaces to registered FTZ operators who will pay under separate direct agreements with the Port. All FTZ operator agreements approved for land owned or operated by the FTZ Developers will be submitted to the Board, Council and Mayor under separate direct agreements for consideration and approval. The FTZ operators will be required to pay the Port a one-time activation fee of \$5,000 and an administrative fee of \$7,750 per year for a total of \$38,750 for the first five-year term and a maximum of \$160,000 over the proposed 20-year life of the Agreement.

The Port states that Carson Dominguez has committed to use the Pier Pass program to reduce daytime truck traffic and is willing to open in the evenings. Carson Dominguez states that it will have its FTZ operators notify truck drivers, brokers and companies that trucks serving the 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, Carson Dominguez has the option to move its facilities to another FTZ in California, such as Long Beach or San Diego or another state.

The proposed Agreement is in compliance with City requirements and has been approved as to form by the City Attorney. In accordance with 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 proposed action is an administrative action to approve an Agreement to an FTZ Developer Agreement with Carson Dominguez. According to the Port Director of Environmental Management, this action is 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. 15-7762 authorizing the proposed First Amendment of Foreign Trade Zone (FTZ) Developer Agreement No. 10-2824 with Carson Dominguez Properties, L.P., in FTZ No. 202, Site No. 4, located in the City of Carson, consisting of an additional five-year term, from May 2015 through April 2020, and return the document to the Port for further processing, including Council consideration.

FISCAL IMPACT STATEMENT

The proposed First Amendment to the Foreign Trade Zone (FTZ) Developer Agreement No. 10-2823 with Carson Dominguez Properties, L.P. (Carson Dominguez), in FTZ No. 202, Site No. 4. Carson Dominguez has paid an initial fee of \$2,500 to the Port, a one-time activation fee of \$5,000 and an administrative fee of \$7,750 per year for a total of \$38,750 for each five-year term and a maximum of \$160,000 over the proposed 20-year life of the Agreement. Approval of the agreement provides tax and operating benefits to Carson Dominguez and economic development in the region. The proposed Amendment will have no impact on the City General Funds and any 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:10150077

Attachment

ATTACHMENT

OVERVIEW OF FOREIGN TRADE ZONES, DEVELOPER AGREEMENT

The Federal Foreign Trade Zone (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 Developer Agreements are entered into with various companies that 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 1943; 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 US instead of offshore. The goal of the FTZ program and Port 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 is 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. 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 are under the supervision of the Federal FTZ Board and Customs and required to operate within U.S. law.

The FTZ Developers are not obligated to pay an annual administrative fee to the Port as it would if it was an FTZ Operator. The FTZ Developer leases the land to eligible FTZ Operators for warehousing, distribution and office facilities. The standard FTZ Operating Agreement includes payment to the Port of a one-time application/activation fee of \$5,000 and an annual administrative operating fee of \$7,750 per year for a total of \$43,750 for the first five-year term. Upon approval by the Board of Harbor Commissioners (Board), the Port will be paid up to \$38,750 for each of three five-year renewal options, for an additional \$116,250, and a total contractual amount of approximately \$160,000 over 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 five-year term. The proposed Agreement 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 Developer can terminate the proposed Agreement at the end of each term or by submitting a 180-day prior written notice.