

RECOMMENDATION APPROVED;
RESOLUTION NO. 18-8243 ADOPTED; AND
AGREEMENT NO. 18-3563 APPROVED
BY THE BOARD OF HARBOR COMMISSIONERS



Executive Director's
Report to the

Board of Harbor Commissioners

February 15, 2018

Amber M. Klesges

AMBER M. KLESGES
Board Secretary

2-15-18
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DATE: JANUARY 30, 2018

FROM: CARGO MARKETING

SUBJECT: RESOLUTION NO. 188243 - APPROVAL OF FOREIGN TRADE
ZONE GENERAL PURPOSE OPERATING AGREEMENT BETWEEN
THE CITY OF LOS ANGELES HARBOR DEPARTMENT AND FEDEX
TRADE NETWORKS TRANSPORT AND BROKERAGE, INC. FTZ 202,
SITE 52

SUMMARY:

Staff requests the approval of a Foreign-Trade Zone (FTZ) Operating Agreement between the City of Los Angeles Harbor Department (Harbor Department) and FedEx Trade Networks Transport and Brokerage, Inc. (FedEx) to operate its warehouse within FTZ 202, Site 52, located at 17120 South Main Street, Gardena, California 90248. On September 12, 2017, the Foreign-Trade Zones Board approved a minor boundary modification of Foreign-Trade Zone 202 under the alternative framework to establish a usage-driven Site 52 for the sole use of FedEx. The Harbor Department, as the FTZ grantee, establishes a General Purpose Operating Agreement with FTZ site operators to oversee their FTZ operations.

Site 52 consists of one warehouse totaling approximately 145,250 square feet and office space on 7.35 acres located approximately 10 miles from the Port of Los Angeles. FedEx will be operating its warehouse under FTZ procedures as a Multi-usage site. The proposed FTZ Operating Agreement (Agreement) is for a term of five years with three, five-year renewal options.

RECOMMENDATION:

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

1. Find that the Director of Environmental Management has determined that the proposed action is categorically exempt from the requirements of the California Environmental Quality Act (CEQA) under Article III Class 1 (14), of the Los Angeles City CEQA Guidelines;
2. Approve the proposed Foreign-Trade Zone Operating Agreement between the City of Los Angeles Harbor Department and FedEx Trade Networks Transport and Brokerage, Inc.;

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3. Direct the Board Secretary to transmit the proposed Foreign-Trade Zone Operating Agreement 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;
4. Authorize the Executive Director to execute and the Board Secretary to attest to the proposed Foreign-Trade Zone Operating Agreement; and
5. Adopt Resolution No. 18-8243.

DISCUSSION:

Background and Context – The FTZ 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 an FTZ is a restricted access site located in the U.S. Customs and Border Protection (CBP) territories. The importer may defer payment of duties and other fees until the merchandise is brought into the U.S. 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. The term of this proposed FTZ Operating Agreement is five years with three five year extensions (Transmittal 1). FedEx is a U.S. company with its head office located in Memphis, Tennessee, employing approximately 190 full-time and part-time employees working within the FTZ activated area. FedEx will operate its FTZ warehouse at 17120 South Main Street, Gardena, California FTZ 202, Site 52. This facility consists of approximately 145,250 square feet of warehouse and office space on 7.35 acres (Transmittal 2) and is within the FTZ 202 service area (Transmittal 3).

FedEx shall follow the rules and procedures as outlined in the Department of Homeland Security's FTZ manual, such as providing a secured area within the FTZ. FedEx agrees to keep its warehouse open to support the PierPass Program and shall notify truck drivers, truck brokers, and trucking companies that trucks serving the container terminals must confine their routes to the designated Wilmington Truck Route.

Need for Approval – FedEx is requesting approval from the Harbor Department to execute the proposed FTZ Operating agreement to operate Site 52 as a Multi-usage FTZ warehouse. FedEx plans to provide FTZ warehouse and distribution services to its importer/exporter customers.

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Harbor Department Fiscal Requirements –This proposed agreement will not require funding by the Harbor Department. FedEx will pay an annual fee of \$7,750 to the Harbor Department for the term of the proposed Agreement.

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of a proposed FTZ Operating Agreement with FedEx, to operate its site within the FTZ 202 service area at Site 52, located in Gardena, California which an activity is involving the issuance of a permit to use an existing facility involving negligible or no expansion of use. Therefore, the Director of Environmental Management has determined that the proposed action is categorically exempt from the requirements of the California Environmental Quality Act (CEQA) in accordance with Article III Class 1 (14) of the Los Angeles City CEQA Guidelines.

FINANCIAL IMPACT:

If the proposed Agreement is approved, the Harbor Department will receive \$7,750 annually from FedEx per FTZ Tariff No. 2. 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 2017, approximately \$35,750 was spent on outside FTZ related consulting services, while \$337,172 in revenue was collected from the Harbor Department FTZ operators.

CITY ATTORNEY:

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

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TRANSMITTALS:


1. Proposed FTZ Operating Agreement for FedEx. FTZ 202, Site 52
2. FTZ 202, Site 52 Map
3. FTZ 202, Service Area Map

FIS Approval: *MB* (initials)
CA Approval: *MB* (initials)


ERIC CARIS
Director of Cargo Marketing


MICHAEL DiBERNARDO
Deputy Executive Director

APPROVED:


EUGENE D. SEROKA
Executive Director