

**DATE: AUGUST 5, 2015**

**FROM: CARGO MARKETING**

**SUBJECT: RESOLUTION NO. \_\_\_\_\_ – APPROVAL OF SECOND AMENDMENT TO FOREIGN-TRADE ZONE DEVELOPER AGREEMENT NO. 2401 BETWEEN THE CITY OF LOS ANGELES HARBOR DEPARTMENT AND 11850 RIVERSIDE LLC FTZ 202, SITE 20**

**SUMMARY:**

The City of Los Angeles Harbor Department (Harbor Department), as the Foreign-Trade Zone (FTZ) grantee, establishes Developer Agreements with FTZ site owners to oversee their FTZ developments. The Harbor Department received a request from 11850 Riverside LLC (Riverside) to execute its second renewal option to extend the term of FTZ Developer Agreement 2401 (Agreement) at FTZ 202, Site 20, located in Mira Loma, California. Riverside is a real estate investment firm whose principal address is located in Newport Beach, California. The original term of the Agreement is five years with three, five-year renewal options. The First Amendment was approved to extend the original Agreement to October 31, 2015.

Any changes made to the original developer agreement, including existing renewal options, require an amendment to the agreement. Upon approval, the proposed Second Amendment (Amendment) will extend the Agreement for five years through October 31, 2020. Also, as part of the changes, all updated City of Los Angeles contractual provisions will be incorporated into Agreement. All remaining terms and conditions of the Agreement 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 Developer Agreement No. 2401 between the City of Los Angeles Harbor Department and 11850 Riverside LLC to extend the Agreement for five years;
2. Direct the Board Secretary to transmit the proposed Second Amendment to Foreign-Trade Zone Developer Agreement No. 2401 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;

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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 Developer Agreement No. 2401; and
4. Adopt Resolution No. \_\_\_\_\_.

**DISCUSSION:**

Background and Context – The Foreign-Trade Zone Act of 1934, as amended, (19 U.S.C. 831a-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 territories. The importer may defer payment of duties and other fees until the merchandise is brought into U.S. commerce for consumption.

Need for Amendment – The Harbor Department, as the grantee, is required by the FTZ Board to have a Developer Agreement with FTZ site owners. The Harbor Department received a request from Riverside to exercise its second renewal option to extend the term of the Agreement at FTZ 202, Site 20 (Transmittal 1, 2, and 3). This Amendment will include an updated Section IV Indemnification and Insurance language.

Need for Approval – Riverside is requesting approval from the Harbor Department to execute the proposed Amendment to extend this Agreement for a term of five years in order to maintain FTZ status for this property. FTZ status would be lost without an approved Amendment to the Agreement for the renewal as required by the FTZ Board. This is an administrative requirement for the Harbor Department.

If Riverside does not obtain approval as a developer to maintain FTZ status of this site from the Harbor Department, it will not be able to offer additional incentives to attract new business to the Los Angeles economic area. Its tenants potentially have the choice of going to another FTZ in California such as Long Beach, San Diego, Palmdale, or even going out of state. Since FTZ facilities exist in every state, Riverside's tenants could potentially shift its employees to other FTZ facilities if this Amendment is not approved.

Harbor Department Fiscal Requirements – This proposed Amendment will not require funding by the Harbor Department.

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**ENVIRONMENTAL ASSESSMENT:**

The proposed action is approval of the Amendment to the Agreement with Riverside, as the landowner of FTZ 202, Site 20, to extend the term. 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 the proposed action is exempt from the California Environmental Quality Act (CEQA) in accordance with Article III Class 1(14) of the Los Angeles City CEQA Guidelines.

**ECONOMIC BENEFITS:**

This board action will have no employment effect in the five county region.

**FINANCIAL IMPACT:**

Riverside has paid the Harbor Department an initial one-time activation FTZ designation activation fee of \$2,500. When the site is activated, each site operator will pay the Harbor Department a \$5,000 one-time activation fee and a \$7,750 annual fee (per FTZ Tariff No. 2). No Harbor Department funds are required for the actions granted by this Board item.

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 2014 approximately \$20,000 was spent on outside FTZ-related consulting services whereas \$320,000 in revenues was collected from all FTZ operators.

Approving the proposed Amendment with Riverside 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 an operator allows more efficient operations and allows Riverside to remain competitive.

**CITY ATTORNEY:**

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

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**TRANSMITTALS:**

1. Proposed Second Amendment to FTZ Operating Agreement No. 2401 with 11850 Riverside LLC. FTZ 202, Site 20
2. FTZ 202, Service area map
3. Site 20 Map

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



ERIC CARIS  
Director of Cargo Marketing



MICHAEL DiBERNARDO  
Deputy Executive Director

APPROVED:



*FOR* EUGENE D. SEROKA  
Executive Director

M. Morimoto