



Executive Director's
Report to the
Board of Harbor Commissioners

DATE: JUNE 19, 2018

FROM: CARGO MARKETING

SUBJECT: RESOLUTION NO. _____ - APPROVAL OF FIRST AMENDMENT TO FOREIGN-TRADE ZONE GENERAL PURPOSE OPERATING AGREEMENT NO. 13-3117 BETWEEN THE CITY OF LOS ANGELES HARBOR DEPARTMENT AND NNR GLOBAL LOGISTICS USA INC., FTZ 202, SITE 29

SUMMARY:

Staff requests the approval of a First Amendment to Foreign-Trade Zone (FTZ) Operating Agreement No. 13-3117 (Agreement) between the City of Los Angeles Harbor Department (Harbor Department) and NNR Global Logistics USA Inc. (NNR) to continue operating its warehouse within FTZ 202, Site 29, located at 21023 South Main Street, Carson, California. The Harbor Department, as the FTZ grantee, establishes General Purpose Operating Agreements with FTZ site owners to oversee their FTZ operations.

NNR'S current FTZ Operating Agreement No. 13-3117 will expire on September 30, 2018. The term of the agreement is five-years with three, five-year renewal options. NNR as a result requests to continue operating its warehouse as a FTZ warehouse. The Harbor Department needs to execute a First Amendment to extend the Agreement, as required by the FTZ Board.

Site 29 consists of 82,690 square feet of warehouse and office space on 1.92 acres located approximately 10 miles from the Port of Los Angeles. NNR will operate its warehouse under FTZ procedures as a multi-usage site. This proposed First Amendment will not require funding by the Harbor Department. If the proposed amendment is approved, the Harbor Department will receive \$7,750 annually from NNR (per FTZ Tariff No. 2).

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 administratively exempt from the requirements of the California Environmental Quality Act (CEQA) under Article II Section 2 (f), of the Los Angeles City CEQA Guidelines;

SUBJECT: FIRST AMENDMENT TO GENERAL PURPOSE OPERATING AGREEMENT WITH NNR GLOBAL LOGISTICS USA, INC., FTZ 202, SITE 29

2. Approve the proposed First Amendment to Foreign-Trade Zone Operating Agreement No. 13-3117 between the City of Los Angeles Harbor Department and NNR Global Logistics USA Inc.;
3. Direct the Board Secretary to transmit the proposed First Amendment to Foreign-Trade Zone Operating Agreement No. 13-3117 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 First Amendment to Foreign-Trade Zone Operating Agreement No. 13-3117; and
5. Adopt Resolution No. _____.

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. The Harbor Department, as the grantee, is required by the FTZ Board to have an Operating Agreement with FTZ site operators.

Need for Agreement – This proposed First Amendment (Transmittal 1) will extend the term of this Agreement to September 30, 2023. NNR is a U.S. company with its headquarters located in Itasca, IL, employing approximately 39 full-time and part-time employees working within the FTZ activated area. NNR has continually operated its FTZ warehouse at 21023 South Main Street, Carson, California, FTZ 202, Site 29, since 2013. This facility consists of approximately 82,690 square feet of warehouse and office space on 1.92 acres (Transmittal 2) and is within the FTZ 202 service area (Transmittal 3).

Need for Approval – NNR is requesting approval from the Harbor Department to execute the proposed Amendment to operate Site 29 as a multi-usage FTZ warehouse for a term of five years to continue operating this site as a FTZ warehouse. NNR receives, stores, re-labels, repackages, manages inventory, and distributes various imported products which will be distributed for U.S. consumption. Occasionally, products are re-exported from this warehouse.

If a company 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

DATE: JUNE 19, 2018

PAGE 3 OF 4

SUBJECT: FIRST AMENDMENT TO GENERAL PURPOSE OPERATING AGREEMENT WITH NNR GLOBAL LOGISTICS USA, INC., FTZ 202, SITE 29

exist in every state, a company can potentially shift its employees to work elsewhere as a result of seeking FTZ status in another location.

NNR 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.

Upon approval of the First Amendment, NNR will have two additional five-year renewal options available. Each subsequent renewal option requires Board approval.

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of a proposed First Amendment with NNR, to operate its site within the FTZ 202 service area at Site 29, located in Carson, California, which is an administrative activity. Therefore, the Director of Environmental Management has determined that the proposed action is administratively exempt from the requirements of the CEQA in accordance with Article II Section 2 (f) of the Los Angeles City CEQA Guidelines.

FINANCIAL IMPACT:

If the proposed First Amendment is approved, the Harbor Department will receive \$7,750 annually from NNR (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 Fiscal Year 2017, approximately \$36,025 was spent on outside FTZ related consulting services, while \$337,172 in revenue was collected from the Harbor Department FTZ operators.

DATE: JUNE 19, 2018

PAGE 4 OF 4

SUBJECT: FIRST AMENDMENT TO GENERAL PURPOSE OPERATING AGREEMENT WITH NNR GLOBAL LOGISTICS USA, INC., FTZ 202, SITE 29

CITY ATTORNEY:

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

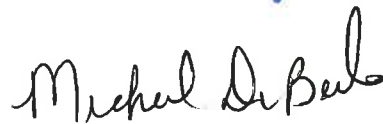
TRANSMITTALS:

1. Proposed First Amendment of FTZ Operating Agreement for NNR Global Logistics USA Inc., FTZ 202, Site 29
2. FTZ 202, Site 29 Map
3. FTZ 202, Service Area Map



ERIC CARIS
Director of Cargo Marketing

FIS Approval: MB
CA Approval: gml



MICHAEL DiBERNARDO
Deputy Executive Director

APPROVED:



EUGENE D. SEROKA
Executive Director

ES:MD:EC:ms
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