



**THE PORT
OF LOS ANGELES**

Executive Director's

Report to the

Board of Harbor Commissioners

DATE: NOVEMBER 5, 2019

FROM: CARGO MARKETING

SUBJECT: RESOLUTION NO. _____ - APPROVAL OF THIRD AMENDMENT TO FOREIGN-TRADE ZONE GENERAL PURPOSE OPERATING AGREEMENT NO. 09-2346 BETWEEN THE CITY OF LOS ANGELES HARBOR DEPARTMENT AND CITIZEN WATCH COMPANY OF AMERICA, INC. FTZ 202 SITE 7D

SUMMARY:

Staff requests approval of a Third Amendment (Third Amendment) to Foreign-Trade Zone (FTZ) Operating Agreement No. 09-2346 between the City of Los Angeles Harbor Department (Harbor Department) and Citizen Watch Company of America, Inc. (Citizen) to continue operating its facility within FTZ 202, Site 7D, located at 1000 West 190th Street, Torrance, CA 90502. The Harbor Department, as the FTZ grantee, establishes General Purpose Operating Agreements with FTZ site operators to oversee their FTZ operations.

Citizen's current FTZ Operating Agreement No. 09-2346 will expire on January 4, 2020. The term of the agreement is five years with three, five-year renewal options. Citizen requests to continue operating its warehouse as an FTZ warehouse and exercise its third renewal option. The Harbor Department needs to execute the Third Amendment to extend the Agreement, as required by the FTZ Board.

Site 7D consists of 129,934 square feet of warehouse and office space on 5.69 acres located approximately six miles north of the Port of Los Angeles. Citizen will operate its warehouse under FTZ procedures as a single-usage site. This proposed Third Amendment will not require funding by the Harbor Department. If the proposed amendment is approved, the Harbor Department will receive \$10,000 annually from Citizen (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;

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2. Approve the proposed Third Amendment to Foreign-Trade Zone Operating Agreement No. 09-2346 between the City of Los Angeles Harbor Department and Citizen Watch Company of America, Inc.;
3. Direct the Board Secretary to transmit the proposed Third Amendment to Foreign-Trade Zone Operating Agreement No. 09-2346 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 Third Amendment to Foreign-Trade Zone Operating Agreement No. 09-2346; 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 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 – The proposed Third Amendment (Transmittal 1) will extend the term of this Agreement to January 3, 2025. Citizen is a U.S. company with its head office located in Torrance, California. Citizen employs approximately 100 full-time and part-time employees working within the FTZ warehouse. Citizen has continually operated its FTZ warehouses since 2005. This facility consists of approximately 129,934 square feet of warehouse and office space on 5.69 acres (Transmittal 2) and is within the FTZ 202 service area (Transmittal 3).

Need for Approval – Citizen is requesting approval from the Harbor Department to execute the proposed Third Amendment to continue to operate Site 7D as a single-usage FTZ warehouse for a term of five years. Citizen receives, stores, relabels, repackages, manages inventory, and distributes imported watches which will be distributed for U.S. consumption. Occasionally, products are re-exported from this warehouse.

If Citizen 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

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

Citizen 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.

ENVIRONMENTAL ASSESSMENT:

The proposed action is the approval of a Third Amendment to FTZ Operating Agreement No. 09-2346 with Citizen to operate their site at 1000 West 190th Street, Torrance, 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 CEQA in accordance with Article II Section 2(f) of the Los Angeles City CEQA Guidelines.

FINANCIAL IMPACT:

If the proposed Third Amendment is approved, the Harbor Department will receive \$10,000 annually from Citizen (per FTZ Tariff No. 2).

Approval of the Third Amendment is not anticipated to result in additional, incremental FTZ-related consulting service expenses being incurred by the Harbor Department. During Fiscal Year (FY) 2019, unaudited revenues of \$349,769 were collected from Harbor Department FTZ operators relative to FY 2019 unaudited expenses of \$42,281 incurred by the Harbor Department for FTZ-related consulting services.

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CITY ATTORNEY:

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

TRANSMITTALS:


1. Proposed Third Amendment to FTZ Operating Agreement for Citizen Watch Company of America, Inc. FTZ 202, Site 7D
2. FTZ 202, Site 7D Map
3. FTZ 202, Service Area Map



ERIC CARIS
Director of Cargo Marketing

FIS Approval: MB

CA Approval: Gal



FOR MICHAEL DiBERNARDO
Deputy Executive Director

APPROVED:



EUGENE D. SEROKA
Executive Director

MM:MK:ng