



**THE PORT
OF LOS ANGELES**
Executive Director's
Report to the

Board of Harbor Commissioners

DATE: SEPTEMBER 10, 2013

FROM: BUSINESS & TRADE DEVELOPMENT

**SUBJECT: RESOLUTION NO. _____ APPROVAL OF FOREIGN-TRADE
ZONE DEVELOPER AGREEMENT BETWEEN THE CITY OF LOS
ANGELES HARBOR DEPARTMENT AND CLPF-REDLANDS
BUSINESS CENTER, L.P., SITE 22**

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 CLPF-Redlands Business Center, L.P. (CLPF) to execute a Developer Agreement for FTZ 202. CLPF is a real estate investment firm whose principal address is located in Dallas, Texas.

CLPF is seeking an agreement with the Harbor Department for FTZ 202, Site 22, located in Redlands, California. Site 22 is located approximately 80 miles northeast of the Port of Los Angeles. Site 22 consists of two parcels of undeveloped land to include a recent acquisition of a 33-acre parcel from McShane Properties. As such, CLPF has invested in the land acquisition of Site 22 to help develop and attract potential FTZ operators to the site. The proposed FTZ Developer Agreement (Agreement) will provide a term of five years with three, five-year renewal options.

RECOMMENDATION:

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

1. Approve the proposed Foreign-Trade Zone Developer Agreement between the City of Los Angeles Harbor Department and CLPF-Redlands Business Center, L.P.;
2. Direct the Board Secretary to transmit the proposed Foreign-Trade Zone Developer 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;
3. Upon approval by the City Council, authorize the Executive Director to execute and the Board Secretary to attest to the proposed Foreign-Trade Zone Developer Agreement; and
4. Adopt Resolution No. _____.

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**SUBJECT: DEVELOPER AGREEMENT BETWEEN THE HARBOR DEPARTMENT
AND CLPF-REDLANDS BUSINESS CENTER, L.P., SITE 22**

DISCUSSION:

Background and Context – The Foreign-Trade Zone Act of 1934, as amended (19 U.S.C. 81a-81u) was established to support United States 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 a 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 Agreement – The Harbor Department, as the grantee, is required by the FTZ Board to have a developer agreement with FTZ site owners. CLPF recently acquired a land parcel (Transmittal 2) from McShane Properties and wishes to maintain FTZ status of this parcel. FTZ status would be lost for the purchased acreage from McShane Properties without an agreement. As a result, CLPF made a request to the Harbor Department to enter into a new Developer Agreement (Transmittal 1).

Need for Approval – CLPF is requesting approval from the Harbor Department to execute the proposed Agreement to develop and market Site 22 as a FTZ site. This is an administrative requirement for the Harbor Department.

If CLPF does not obtain approval as a developer to maintain FTZ status of this site from the Harbor Department, they will not be able to offer additional incentives to attract new business to the Los Angeles economic area. Their tenants 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 exist in every state, CLPF tenants can potentially shift its employees to work elsewhere as a result of seeking FTZ status in another location.

Harbor Department Fiscal Requirements – This proposed Agreement will not require funding by the Harbor Department. CLPF paid a \$2,500 expansion application fee to the Harbor Department.

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SUBJECT: DEVELOPER AGREEMENT BETWEEN THE HARBOR DEPARTMENT AND CLPF-REDLANDS BUSINESS CENTER, L.P., SITE 22

ENVIRONMENTAL ASSESSMENT:

The proposed action is limited to approval of an FTZ Developer Agreement with CLPF as the new landowner of FTZ 202, Site 22 in Redlands, California. The Board action on this item does not constitute approval for any development that would occur on the site. Any proposed development of the site would be subject to environmental review and approval in accordance with the requirements of the California Environmental Quality Act (CEQA) and other applicable environmental regulations, as appropriate. As an administrative activity involving approval of a Developer Agreement, the Director of Environmental Management has determined that the proposed action is exempt from CEQA in accordance with Article II Section 2 (f) of the Los Angeles City CEQA Guidelines.

ECONOMIC BENEFITS:

Approval of the proposed Agreement will have no employment impact.

FINANCIAL IMPACT:

The applicant has already paid an initial expansion application fee of \$2,500 to the Harbor Department. When the site is activated, each site operator will pay the Harbor Department a \$5,000 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 2012, approximately \$80,000 was spent on outside FTZ-related consulting services whereas \$159,000 in revenues was collected from the Harbor Department FTZ operators and developers.

Approving the proposed Agreement with CLPF 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 CLPF to remain competitive.

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**SUBJECT: DEVELOPER AGREEMENT BETWEEN THE HARBOR DEPARTMENT
AND CLPF-REDLANDS BUSINESS CENTER, L.P., SITE 22**

CITY ATTORNEY:

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

TRANSMITTALS:

1. Proposed FTZ Developer Agreement for FTZ 202, Site 22
2. FTZ 202, Site 22 site map

FIS Approval:  (initials)

CA Approval:  (initials)



MICHAEL DIBERNARDO
Director of Business Development



KATHRYN McDERMOTT
Deputy Executive Director

APPROVED:


GERALDINE KNATZ, Ph.D.
Executive Director

M. Morimoto