



Executive Director's
Report to the
Board of Harbor Commissioners

DATE: OCTOBER 26, 2016

FROM: CARGO MARKETING

SUBJECT: RESOLUTION NO. _____ - APPROVAL OF FIRST AMENDMENT TO FOREIGN-TRADE ZONE GENERAL PURPOSE OPERATING AGREEMENT NO. 13-3114 BETWEEN THE CITY OF LOS ANGELES HARBOR DEPARTMENT AND GEODIS USA, INC. FORMERLY OHL INTERNATIONAL, INC. FTZ 202, SITE 11C

SUMMARY:

Staff requests the approval of the first amendment to the Foreign-Trade Zone (FTZ) Operating Agreement between the City of Los Angeles Harbor Department (Harbor Department) and OHL International, Inc. (OHL) to change the corporate name to Geodis USA Inc. (Geodis) and relocate FTZ warehouse to 2155 E. 220th Street, Carson, California 90810 within FTZ 202, Site 11.

OHL notified the Harbor Department of the change to their corporate name to Geodis USA, Inc. and relocation of their FTZ warehouse operations within the same FTZ site 11. The new Site 11C is a 103,185 square feet property including a warehouse on 4.495 acres property located approximately 7 miles from the Port of Los Angeles. This first renewal includes updated Indemnification and Insurance language provision. All remaining terms and conditions of Agreement No. 13-3114 shall remain in full force and effect. This proposed Agreement will not require funding by the Harbor Department.

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 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 First amendment to the Foreign-Trade Zone Operating Agreement between the City of Los Angeles Harbor Department and Geodis USA, Inc.;
3. Direct the Board Secretary to transmit the proposed First amendment to the Foreign-Trade Zone Operating Agreement to the Los Angeles City Council for approval

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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 of Foreign-Trade Zone Operating Agreement No. 13-3114, upon approval by the City Council; 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.

Need for Agreement – The Harbor Department, as the grantee, is required by the FTZ Board to have an Operating Agreement with FTZ site operators (Transmittal 1). Geodis, a U.S. company with its head office is located in Philadelphia, PA, is employing approximately 336 full-time employees at this FTZ site. This facility is 103,185 square feet of warehouse with office space. The property is owned by Watson Land Company. (Transmittal 2).

Geodis 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. Geodis agrees to keep its warehouses open to support the PierPass Program and shall notify truck drivers, truck brokers, and trucking companies that the trucks serving the container terminals must confine their routes to the designated Wilmington Truck Route.

Need for Approval – Geodis is requesting approval from the Harbor Department to execute the proposed First amendment to relocate and continue to operate Site 11C as a multi-usage FTZ warehouse. Geodis receives, stores, re-labels, manages inventory, and distributes various consumer products and general commodities will be distributed for U.S. consumption. Occasionally, products are re-exported from this warehouse.

Harbor Department Fiscal Requirements – Geodis has already paid a one-time \$5,000 activation application fee. An annual fee of \$7,750 (per FTZ Tariff No. 2) will be paid to the Harbor Department for remaining original five-year term of the Agreement.

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ENVIRONMENTAL ASSESSMENT:

The proposed action is an approval of a proposed Amendment to change the corporate name to Geodis USA Inc. with its site located within the FTZ 202 service area (Transmittal 3) at Site 11C, located in Carson, California. As an activity involving the issuance of a permit to use an existing facility involving negligible or no expansion of use, find that the Director of Environmental Management has determined that the proposed action is 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:

Geodis already paid the Harbor Department a one-time \$5,000 activation application fee. If the proposed Agreement is approved, the Harbor Department will receive from Geodis an annual fee of \$7,750 (per FTZ Tariff No. 2) for each year of the five years. Should the renewal options be exercised subsequent to the completion of the initial term of the Agreement, compensation will also be \$7,750 per year.

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 2015, approximately \$32,500 was spent on outside FTZ related consulting services, while \$370,499 in revenue was collected from the Harbor Department FTZ operators.

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CITY ATTORNEY:

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

TRANSMITTALS:

1. Proposed First Amendment for FTZ Operating Agreement No. 13-3114 for Geodis FTZ 202, Site 11C
2. FTZ 202, Site 11C Map
3. FTZ 202, Service Area Map

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



ERIC CARIS
Director of Cargo Marketing



MICHAEL DiBERNARDO
Deputy Executive Director

APPROVED:



FOR EUGENE D. SEROKA
Executive Director