

DATE: JUNE 1, 2022

FROM: CARGO MARKETING

SUBJECT: RESOLUTION NO. _____ - APPROVAL OF THE FOREIGN-TRADE ZONE OPERATING AGREEMENT BETWEEN THE CITY OF LOS ANGELES HARBOR DEPARTMENT AND DSV AIR AND SEA, INC., FTZ 202, SITE 11B

SUMMARY:

Staff requests approval of the Foreign-Trade Zone (FTZ) Operating Agreement between the City of Los Angeles Harbor Department (Harbor Department) and DSV Air and Sea, Inc., (DSV), to operate its facility within FTZ No. 202, Site 11B, located at 21906 Arnold Center Road, Carson, CA 90810. The 2.6-acre property includes a warehouse and office space, approximately 9 miles north of the Port of Los Angeles.

In the third quarter of 2021, DSV took over all assets from Agility Logistics Corporation. Agility was the operator of Site 11B at 21906 Arnold Center Road in Carson under Operating Agreement 14-3323. Due to the ownership change, a new Operating Agreement is required.

The proposed Agreement is for a term of five years with three, five-year renewal options. If the proposed Agreement is approved, the Harbor Department will receive \$7,750 annually from DSV (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;
2. Approve the proposed Foreign-Trade Zone Operating Agreement between the City of Los Angeles Harbor Department and DSV Air and Sea, Inc.;
3. Direct the Board Secretary to transmit the proposed Foreign-Trade Zone Operating 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;
4. Authorize the Executive Director to execute and the Board Secretary to attest to the proposed Foreign-Trade Zone Operating Agreement; and

SUBJECT: FTZ OPERATING AGREEMENT WITH DSV AIR AND SEA, INC.

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 a Developer Agreement with FTZ site owners.

Need for Agreement – The Harbor Department, as the grantee, is required by the FTZ Board to have an Operating Agreement with FTZ site operators. The term of this proposed FTZ Operating Agreement is five years with three, five-year extensions (Transmittal 1). DSV is a U.S. company with its headquarter office located in Iselin, New Jersey, employing approximately 57 full-time and part-time employees working within the proposed FTZ warehouse area. DSV will operate its FTZ site 11B at 21906 Arnold Center Road, Carson, CA 90810. The facility consists of warehouse and office space on 2.6 acres (Transmittals 2 and 3).

DSV acquired all assets of Agility Logistics Corporation in the third Quarter of 2021. Up until then, Agility had been the operator of Site 11B. Because of this ownership change, a new Operating Agreement is required.

DSV 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. DSV shall notify truck drivers, truck brokers, and trucking companies that the trucks serving the Port of Los Angeles confine their routes to the designated Wilmington Truck Route.

Need for Approval – DSV is requesting approval from the Harbor Department to execute the proposed FTZ Operating Agreement to operate Site 11B as a multi-usage FTZ facility. DSV handles the logistics, handling, storage, inventory and quality control of merchandise. Products may be re-exported.

If DSV 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. Since FTZ 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.

SUBJECT: FTZ OPERATING AGREEMENT WITH DSV AIR AND SEA, INC.

ENVIRONMENTAL ASSESSMENT:

The proposed action is the approval of a FTZ Operating Agreement with DSV, 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 Agreement is approved, the Harbor Department will receive \$7,750 annually from DSV (per FTZ Tariff No. 2).

Approval of the FTZ Operating Agreement is not anticipated to result in additional, incremental FTZ-related consulting service expenses being incurred by the Harbor Department. During Fiscal Year (FY) 2021, revenues of \$300,630 were collected from Harbor Department FTZ operators relative to FY 2021 expenses of \$17,531 incurred by the Harbor Department for consulting services.

CITY ATTORNEY:

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

TRANSMITTALS:

1. Proposed FTZ Operating Agreement, FTZ 202, Site 11B
2. FTZ 202, Site 11B Site Map
3. FTZ 202 Service Area Map


ERIC CARIS
Director of Cargo Marketing

FIS Approval: MB
CA Approval: SO

Michael DiBernardo
MICHAEL DIBERNARDO
Deputy Executive Director

APPROVED:

Marla Bleavins For

EUGENE D. SEROKA
Executive Director