



**THE PORT
OF LOS ANGELES**
Executive Director's
Report to the
Board of Harbor Commissioners

DATE: JUNE 1, 2016

FROM: CARGO MARKETING

**SUBJECT: RESOLUTION NO. _____ APPROVAL OF FIRST AMENDMENT
OF FOREIGN-TRADE ZONE GENERAL PURPOSE OPERATING
AGREEMENT NO. 11-2985 BETWEEN THE CITY OF LOS ANGELES
HARBOR DEPARTMENT AND KOMAR DISTRIBUTION SERVICES FTZ
202, SITE 20B**

SUMMARY:

The City of Los Angeles Harbor Department (Harbor Department), as the Foreign-Trade Zone (FTZ) grantee, establishes General Purpose Operating Agreements with FTZ operators to oversee their FTZ operations. The Harbor Department received a request from Komar Distribution Services (Komar) to exercise its first renewal option to extend the term of its FTZ Operating Agreement to continue operating its warehouse within FTZ 202, Site 20B located at 11850 Riverside Drive, Mira Loma, California 91752. Site 20B is a 26.97-acre property including a warehouse located approximately 60 miles north-east of the Port of Los Angeles. This first renewal includes updated Indemnification and Insurance provisions language. All remaining terms and conditions of the Agreement shall remain in full force and effect, except as amended herein.

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 of Foreign-Trade Zone General Purpose Operating Agreement No. 11-2985 between the City of Los Angeles Harbor Department and Komar Distribution Services;
3. Direct the Board Secretary to transmit the proposed First Amendment of Foreign-Trade Zone General Purpose Operating Agreement No. 11-2985 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;

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4. Upon approval by the City Council, authorize the Executive Director to execute and the Board Secretary to attest to the First Amendment of Foreign-Trade Zone General Purpose Operating Agreement No. 11-2985; and
5. Adopt Resolution No. _____.

DISCUSSION:

Background and Context – The Foreign-Trade Zone 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 a 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 First Amendment – The Harbor Department, as the grantee, is required by the FTZ Board to have an operating agreement with FTZ site operators. Any request made to modify the original operating agreement requires an amendment. Komar has requested to exercise its first renewal option to extend the term of its FTZ Operating Agreement to continue operate its warehouses (Transmittal 1).

Komar, a U.S. company with its corporate headquarters located in Jersey City, New Jersey, employ approximately 50 full-time and 50 part-time employees at this FTZ site. This facility is located on a 26.97-acre site that includes a warehouse of approximately 656,611 square feet and office space. The property is owned by 11850 Riverside LLC (Transmittal 2). Komar shall follow rules and procedures as outlined in the Department of Homeland Security's FTZ manual, such as providing a secured area within the zone.

Need for Approval – Komar is requesting approval from the Harbor Department to execute the proposed First Amendment to extend Agreement No. 11-2985 for a term of five years in order to continue operating this site as a FTZ warehouse. Komar receives, stores, manages inventory, and distributes consumer products for sale nationally. Occasionally, the products are re-exported from the warehouse.

Harbor Department Fiscal Requirements – This proposed First Amendment will not require funding by the Harbor Department. Komar will continue to pay an annual fee of \$7,750 (per FTZ Tariff No. 2), as a multi-user zone site, to the Harbor Department over the five-year term totaling \$38,750.

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ENVIRONMENTAL ASSESSMENT:

The proposed action is an approval of a proposed First Amendment of FTZ General Purpose Operating Agreement with Komar to continue operating its site within FTZ 202, Site 20B, located in Mira Loma, California. As an activity involving the issuance of a permit to use an existing facility involving negligible or no expansion of use, 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.

ECONOMIC BENEFITS:

This Board action will have no employment impact.

FINANCIAL IMPACT:

Komar paid the Harbor Department an initial one-time activation application fee of \$5,000 when they applied in 2011. If the proposed First Amendment is approved, the Harbor Department will continue to receive from Komar, an annual fee of \$7,750 (per FTZ Tariff No. 2) for each of the remaining original term of five years. Should the renewal options be exercised subsequent to the completion of the Agreement's initial term, 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 \$322,742 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 First Amendment as to form and legality.

TRANSMITTALS:

1. Proposed First Amendment of FTZ Operating Agreement for Komar Distribution Services, FTZ 202, Site 20B
2. FTZ 202, Site 20B Map
3. FTZ 202, Service Area Map

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



ERIC CARIS
Director of Cargo Marketing



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Deputy Executive Director

APPROVED:



EUGENE D. SEROKA
Executive Director

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