



**THE PORT
OF LOS ANGELES**

Executive Director's
Report to the
Board of Harbor Commissioners

DATE: FEBRUARY 13, 2013

FROM: BUSINESS AND TRADE DEVELOPMENT

**SUBJECT: RESOLUTION NO. _____ APPROVAL OF FOREIGN-TRADE
ZONE GENERAL PURPOSE OPERATING AGREEMENT BETWEEN
THE CITY OF LOS ANGELES AND CALIFORNIA CARTAGE
COMPANY LLC, FTZ 202, SITE 1A**

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. On March 18, 2010, the Board of Harbor Commissioners (Board) approved Operating Agreement No. 010-2848 with California Cartage Company LLC (California Cartage) at FTZ 202, Site 1A, located at 2401 E. Pacific Coast Highway in Wilmington, California. The original term for this operating agreement began on May 1, 2010 and expired on April 30, 2011, with two, one-year renewal options. The final renewal option was granted last year and is due to expire on April 30, 2013. The Harbor Department received a request from California Cartage to continue FTZ status of Site 1A. The proposed FTZ Operating Agreement (Agreement) will provide a term of one year with two, one-year renewal options.

RECOMMENDATION:

It is recommended that the Board of Harbor Commissioners:

1. Approve the proposed Foreign-Trade Zone Operating Agreement between the City of Los Angeles Harbor Department and California Cartage Company LLC;
2. Direct the Board Secretary to transmit the 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;
3. Upon approval by the City Council, authorize the Executive Director to execute and the Board Secretary to attest to the Foreign-Trade Zone Operating Agreement; and
4. Adopt Resolution No. _____.

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**SUBJECT: GENERAL PURPOSE OPERATING AGREEMENT WITH CALIFORNIA
CARTAGE, FTZ 202, SITE 1A**

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 Agency (CBP) 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 an operating agreement with FTZ site operators. On May 1, 2010, the Harbor Department and California Cartage entered into Operating Agreement No. 010-2848. The original term for Operating Agreement No. 010-2848 was effective from May 1, 2010 to April 30, 2011, with two, one-year renewal options. The final renewal option was granted last year and is due to expire April 30, 2013. The Harbor Department received a request from California Cartage to continue FTZ status at Site 1A. California Cartage employs approximately 210 full-time and 300 to 700 part-time employees. The facility is 600,000 square feet of warehouse on 84 acres (Transmittal 2). The warehouse area consists of office and general warehouse space. All activities shall be performed in accordance with FTZ procedures. California Cartage agrees to keep its warehouses open to support the PierPass Program. California Cartage 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.

California Cartage acknowledges that this proposed Agreement has no bearing on any lease or other agreement it has with the City of Los Angeles. This proposed Agreement cannot be construed as granting any right under or expectation in connection with any other agreement, including any leases or permits, held by California Cartage.

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**SUBJECT: GENERAL PURPOSE OPERATING AGREEMENT WITH CALIFORNIA
CARTAGE, FTZ 202, SITE 1A**

Need for Approval – California Cartage is requesting approval from the Harbor Department to execute the proposed Agreement (Transmittal 1) to continue operating Site 1A as a FTZ warehouse. California Cartage receives, stores, manages inventory and distributes consumer products, apparel, accessories, and other merchandise for sale in the national market. Occasionally, the products are re-exported from the warehouse. California Cartage, Site 1A is located within a designated FTZ industrial site, FTZ 202, Site 1. As such, this company is not required to submit an application to the FTZ Board. However, the company does need approval from CBP to activate as a FTZ site.

Harbor Department Fiscal Requirements – This proposed Agreement will not require funding by the Harbor Department. California Cartage will pay an annual fee of \$5,000 to the Harbor Department.

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of an agreement with California Cartage for continued FTZ status of Site 1A in Wilmington. As an activity involving the approval of an agreement 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:

The Harbor Department will receive \$5,000 in fees per year for one year from California Cartage. Compensation is expected to be \$5,000 per year should the renewal options be exercised totaling \$15,000. 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 while \$149,000 in revenue was collected from the Harbor Department FTZ operators.

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CARTAGE, FTZ 202, SITE 1A

Approving the proposed Agreement with California Cartage creates an entity that confers among other advantage, tax benefits and provides a tool for economic developments. As the Harbor Department is a designated grantee of FTZs under the State of California enabling legislation, granting FTZ status to California Cartage allows more efficient operations and allows California Cartage to remain competitive.

CITY ATTORNEY:

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

TRANSMITTALS:

1. Proposed FTZ Operating Agreement for California Cartage, FTZ 202, Site 1A
2. California Cartage, FTZ 202, Site 1A Map

FIS Approval: WR (initials)

CA Approval: JMC (initials)



MICHAEL DiBERNARDO
Director of Marketing



 KATHRYN McDERMOTT
Deputy Executive Director

APPROVED:



GERALDINE KNATZ, Ph.D.
Executive Director

M. Morimoto