



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

**DATE: AUGUST 26, 2014**

**FROM: BUSINESS AND TRADE DEVELOPMENT**

**SUBJECT: RESOLUTION NO. \_\_\_\_\_ APPROVAL OF FIRST  
AMENDMENT TO FOREIGN-TRADE ZONE GENERAL PURPOSE  
OPERATING AGREEMENT NO. 13-3152 BETWEEN THE CITY OF LOS  
ANGELES HARBOR DEPARTMENT AND INTERAMERICAN MOTOR  
COMPANY, FTZ 202, SITE 34**

**SUMMARY:**

The City of Los Angeles Harbor Department (Harbor Department), as the Foreign-Trade Zone (FTZ) 202 grantee, establishes General Purpose Operating Agreements with FTZ operators to oversee their FTZ operations. On January 1, 2014, the Harbor Department entered into FTZ Operating Agreement No. 13-3152 (Agreement No. 13-3152) with Interamerican Motor Company (IMC) for Site 34 as a Multi-User Zone Site to provide FTZ services to the public. However, IMC has elected not to handle FTZ services to the public and as such, requires their operating agreement to be amended to a Single-User Zone. Under FTZ Board rules, Site 34 will now be classified as a Single-User Zone Site.

A classification change from a Multi-User Zone Site operator to a Single-User Zone Site operator requires the Harbor Department to amend Agreement No. 13-3152. This change will increase the annual administration fee to the Harbor Department from \$7,750 for Multi-User Zone Site operator to \$10,000 for Single-User Zone Site operator (Per FTZ Tariff No.2). Also, as part of the changes, all updated City of Los Angeles contractual provisions will be incorporated into Agreement No. 13-3152. All remaining terms and conditions of Agreements shall remain in full force and effect.

**RECOMMENDATION:**

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

1. Approve the proposed First Amendment to Foreign-Trade Zone Operating Agreement No. 13-3152 between the City of Los Angeles Harbor Department and Interamerican Motor Company;

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2. Direct the Board Secretary to transmit the proposed First Amendment to Foreign-Trade Zone Operating Agreement No. 13-3152 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 First Amendment to Foreign-Trade Zone Operating Agreement No. 13-3152; and
4. Adopt Resolution No. \_\_\_\_\_.

**DISCUSSION:**

Background 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 United State Customs and Border Protection Agency 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 (Transmittal 1). The proposed First Amendment will designate IMC as a Single-User Zone Site operator for Site 34. IMC is a U.S. company and its head office is located in Canoga Park, California. IMC employs approximately 192 full-time employees at Site 34. The facility at Site 34 consists of approximately 425,603 square feet of warehouse and an office space on 7.44 acres owned by AEW Capital Investment. (Transmittal 2)

Need for Approval – IMC is requesting approval from the Harbor Department to execute the proposed First Amendment to change site classifications in Agreement No. 13-3152 to a Single-User Zone Site. IMC receives, stores, manages inventory, and distributes automobile parts, consumer products, and other merchandise for sale nationally. Occasionally, the products are re-exported from the warehouse. Also, the proposed First Amendment incorporates updated City of Los Angeles contractual provisions standard in Harbor Department contracts.

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Harbor Department Fiscal Requirements – The proposed First Amendment will not require funding by the Harbor Department. IMC will pay an annual fee of \$10,000 to the Harbor Department for the five-year term of the proposed First Amendment.

**ENVIRONMENTAL ASSESSMENT:**

The proposed action is approval of the proposed First Amendment to the FTZ Operating Agreement with IMC to continue to operate its site within FTZ 202, Site 34, located in Canoga Park, 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:**

The Harbor Department to date has received \$7,750 in annual fees from IMC for the original first year of the term. If the proposed First Amendment is approved, the Harbor Department will receive \$10,000 annually from IMC (per FTZ Tariff No. 2). The Harbor Department will collect \$2,250 more per year because of the proposed amendment.

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 2013, approximately \$250,000 was spent on administrative operating cost including FTZ related consulting services while \$264,000 in revenues was collected from all of the Harbor Department's 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 to FTZ Operating Agreement No. 13-3152 with Interamerican Motor Company, FTZ 202, Site 34
2. FTZ 202, Site 34

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



MICHAEL DiBERNARDO  
Director of Business Development



DAVID L. MATHEWSON  
Interim Deputy Executive Director

APPROVED:



EUGENE D. SEROKA  
Executive Director

Author: M. Morimoto