



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

**DATE: JUNE 18, 2015**

**FROM: CARGO MARKETING**

**SUBJECT: RESOLUTION NO. \_\_\_\_\_ APPROVAL OF FIRST AMENDMENT  
OF FOREIGN-TRADE ZONE GENERAL PURPOSE OPERATING  
AGREEMENT NO. 12-3064 BETWEEN THE CITY OF LOS ANGELES  
HARBOR DEPARTMENT AND CUSTOMS AIR WAREHOUSE, INC. FTZ  
202, SITE 10E**

**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 Custom Air Warehouse (Custom Air) to amend FTZ Operating Agreement No. 12-3064 (Agreement) due to the relocation of their warehouse within FTZ 202, Site 10E, and the need to correct their company name to read Customs Air Warehouse, Inc. The original location was 1130 East 230<sup>th</sup> Street, Carson, California 90745 and the new location is 907 E. 236<sup>th</sup> Street, Carson, California 90745. Site 10E is a 6.26-acre property including a warehouse located approximately 10 miles north of the Port of Los Angeles. This relocation was approved by the U.S. Custom Border Protection Agency. 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. Approve the proposed First Amendment of Foreign-Trade Zone General Purpose Operating Agreement No. 12-3064 between the City of Los Angeles Harbor Department and Custom Air Warehouse;
2. Direct the Board Secretary to transmit the proposed First Amendment of Foreign-Trade Zone General Purpose Operating Agreement No. 12-3064 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 First Amendment of Foreign-Trade Zone General Purpose Operating Agreement No. 12-3064; and

SUBJECT: FIRST AMENDMENT OF FOREIGN-TRADE ZONE GENERAL PURPOSE OPERATING AGREEMENT WITH CUSTOM AIR WAREHOUSE FTZ 202, SITE 10E

4. 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. Custom Air has requested to amend the Agreement to address the new location of their warehouse and correct their company name (Transmittal 1).

Custom Air, a U.S. company with its head office located in Los Angeles, California will employ eight full-time and four part-time employees at this FTZ site. This facility is located on a 6.26-acre site that includes a warehouse of approximately 152,222 square feet and office space. The property is owned by Watson Land Company (Transmittal 2). All operators 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. Custom Air agrees to keep its warehouse 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 – In June 2015, Custom Air obtained approval from CBP to relocate to a new location in Site 10E. Custom Air is requesting approval from the Harbor Department to execute the proposed First Amendment to continue FTZ operations at the new location in Site 10E and correct the company name to Customs Air Warehouse, Inc. Custom Air receives stores, manages inventory and distributes consumer products, office products, machinery, and other merchandise for sale in the national market. Occasionally, products are re-exported from the warehouse.

DATE: JUNE 18, 2015

PAGE 3 OF 4

SUBJECT: FIRST AMENDMENT OF FOREIGN-TRADE ZONE GENERAL PURPOSE OPERATING AGREEMENT WITH CUSTOM AIR WAREHOUSE FTZ 202, SITE 10E

Harbor Department Fiscal Requirements – This proposed First Amendment will not require funding by the Harbor Department. Custom Air 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.

**ENVIRONMENTAL ASSESSMENT:**

The proposed action is approval of a proposed First Amendment of FTZ General Purpose Operating Agreement with Custom Air to continue operating its site within FTZ 202, Site 10E, located in Carson, California and correct their company name. 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:**

Custom Air paid the Harbor Department an initial one-time activation application fee of \$5,000 when they applied in 2012. If the proposed First Amendment is approved, the Harbor Department will continue to receive from Custom Air, 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 2014, approximately \$20,000 was spent on outside FTZ related consulting services such as FTZ workshops, review of applications and technical assistance, while \$320,000 in revenue was collected from the Harbor Department FTZ operators.

**CITY ATTORNEY:**

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

DATE: JUNE 18, 2015

PAGE 4 OF 4

SUBJECT: FIRST AMENDMENT OF FOREIGN-TRADE ZONE GENERAL  
PURPOSE OPERATING AGREEMENT WITH CUSTOM AIR  
WAREHOUSE FTZ 202, SITE 10E

**TRANSMITTALS:**

1. Proposed First Amendment of FTZ Operating Agreement for Custom Air Warehouse, FTZ 202, Site 10E
2. FTZ 202, Site 10E Map
3. FTZ 202, Service Area Map

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



ERIC CARIS  
Director of Cargo Marketing



MICHAEL DiBERNARDO  
Deputy Executive Director

APPROVED:



EUGENE D. SEROKA  
Executive Director

ES:MD:EC:MM:jg

Author: M. Morimoto

File:G:\Board Reports\Foreign-Trade Zone\FTZ Site10ECustomAirWarehouse2015.DRAFT BR 06.18.15.doc