



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

**DATE: JANUARY 8, 2019**

**FROM: CARGO MARKETING**

**SUBJECT: RESOLUTION NO. \_\_\_\_\_ - APPROVAL OF FIRST AMENDMENT TO FOREIGN-TRADE ZONE GENERAL PURPOSE OPERATING AGREEMENT NO. 13-3180 BETWEEN THE CITY OF LOS ANGELES HARBOR DEPARTMENT AND EVOLUTION ENTERPRISES HOLDINGS, INC., FTZ 202, SITE 35**

**SUMMARY:**

Staff requests the approval of a First Amendment (First Amendment) to Foreign-Trade Zone (FTZ) Operating Agreement No. 13-3180 between the City of Los Angeles Harbor Department (Harbor Department) and Evolution Enterprises Holdings, Inc. (Evolution) to continue operating its warehouse within FTZ 202, Site 35, located at 16518 Valley Blvd., La Puente, CA 91744. The Harbor Department, as the FTZ grantee, establishes General Purpose Operating Agreements with FTZ site operators to oversee their FTZ operations.

Evolution's current FTZ Operating Agreement No. 13-3180 will expire on March 31, 2019. The term of the agreement is five-years with three, five-year renewal options. Evolution requests to continue operating its warehouse as an FTZ warehouse. The Harbor Department needs to execute the First Amendment to extend the Agreement, as required by the FTZ Board.

Site 35 consists of 15,356 square feet of warehouse and office space on 0.35 acres located approximately 30 miles from the Port of Los Angeles. Evolution has been operating its warehouse under FTZ procedures as a multi-usage site. This proposed First Amendment will not require funding by the Harbor Department. If the proposed amendment is approved, the Harbor Department will receive \$7,750 annually from Evolution (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;

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2. Approve the proposed First Amendment to Foreign-Trade Zone Operating Agreement No. 13-3180 between the City of Los Angeles Harbor Department and Evolution Enterprises Holding, Inc.;
3. Direct the Board Secretary to transmit the proposed First Amendment to Foreign-Trade Zone Operating Agreement No. 13-3180 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 First Amendment to Foreign-Trade Zone Operating Agreement No. 13-3180; and
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 an Operating Agreement with FTZ site operators.

Need for Agreement – This proposed First Amendment (Transmittal 1) will extend the term of this Agreement to March 31, 2024. Evolution is a U.S. company with its head office located in La Puente, California, employing approximately 3 full-time and part-time employees working within the FTZ warehouse. Evolution has continually operated its FTZ warehouses at 16518 Valley Blvd., La Puente, California FTZ 202, Site 35, since 2013. This facility consists of approximately 15,356 square feet of warehouse and office space on 0.35 acres (Transmittal 2) and is within the FTZ 202 service area (Transmittal 3).

Need for Approval – Evolution is requesting approval from the Harbor Department to execute the proposed First Amendment to operate Site 35 as a multi-usage FTZ warehouse for a term of five years. Evolution receives, stores, re-labels, repackages, manages inventory, and distributes various imported products which will be distributed for U.S. consumption. Occasionally, products are re-exported from this warehouse.

If Evolution 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, San Diego, Palmdale, etc., or even going out of state. Since FTZ facilities

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exist in every state, a company can potentially shift its employees to work elsewhere as a result of seeking FTZ status in another location.

Evolution 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.

**ENVIRONMENTAL ASSESSMENT:**

The proposed action is approval of a proposed First Amendment to an FTZ Operating Agreement No. 13-3180 with Evolution to operate their site within the City of La Puente, which is an administrative activity. Therefore, the Director of Environmental Management has determined that the proposed action is administratively exempt from the requirements of the CEQA in accordance with Article II Section 2(f) of the Los Angeles City CEQA Guidelines.

**FINANCIAL IMPACT:**

If the proposed First Amendment is approved, the Harbor Department will receive \$7,750 annually from Evolution (per FTZ Tariff No. 2).

Approval of the First Amendment is not anticipated to result in additional, incremental FTZ-related consulting service expenses being incurred by the Harbor Department. During Fiscal Year (FY) 2018, revenues of \$344,746 were collected from Harbor Department FTZ operators relative to FY 2018 expenses of \$36,575 incurred by the Harbor Department for FTZ-related consulting services.

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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 with Evolution Enterprises Holdings, Inc., FTZ 202, Site 35
2. FTZ 202, Site 35 Map
3. FTZ 202, Service Area Map



ERIC CARIS  
Director of Cargo Marketing

FIS Approval: MB  
CA Approval: MC



MICHAEL DiBERNARDO  
Deputy Executive Director

APPROVED:



EUGENE D. SEROKA  
Executive Director