



**THE PORT
OF LOS ANGELES**

Executive Director's
Report to the
Board of Harbor Commissioners

DATE: APRIL 4, 2017

FROM: CARGO MARKETING

SUBJECT: RESOLUTION NO. _____ - APPROVAL OF FIRST AMENDMENT TO FOREIGN-TRADE ZONE GENERAL PURPOSE OPERATING AGREEMENT NO. 14-3270 BETWEEN THE CITY OF LOS ANGELES HARBOR DEPARTMENT AND GEODIS LOGISTICS LLC. FORMERLY OHL INTERNATIONAL, INC., FTZ 202, SITE 40

SUMMARY:

Staff requests the approval of the First Amendment to the Foreign-Trade Zone (FTZ) Operating Agreement No. 14-3270 (Agreement) between the City of Los Angeles Harbor Department (Harbor Department) and OHL International, Inc., (OHL) to change the corporate name to Geodis Logistics LLC. (Geodis) located at 1710 Baseline Road, Rialto, California 92376, as well as the contact party in the Miscellaneous Provisions, Section 16.11 Notices to the Parties.

OHL notified the Harbor Department of the change to their corporate name to Geodis Logistics LLC. Site 40 under this Agreement is a 32-acre property including a warehouse located approximately 70 miles north east of the Port of Los Angeles. OHL has been operating its warehouse under FTZ procedures since 2014. All remaining terms and conditions of Agreement No. 14-3270 shall remain in full force and effect. This proposed First Amendment will not require funding by the Harbor Department.

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 to the Foreign-Trade Zone Operating Agreement No. 14-3270 between the City of Los Angeles Harbor Department and Geodis Logistics LLC.;
3. Direct the Board Secretary to transmit the proposed First Amendment to the Foreign-Trade Zone Operating Agreement to the Los Angeles City Council for

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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 of Foreign-Trade Zone Operating Agreement No. 13-3114, upon approval by the City Council; 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 (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 Agreement – The Harbor Department, as the grantee, is required by the FTZ Board to have an Operating Agreement with FTZ site operators (Transmittal 1). Geodis is a U.S. company with its head office located in Philadelphia, Pennsylvania. Geodis employs approximately 60 full-time and temporary employees at this FTZ site. Site 40 is a 32 acre property with a 718,000 square feet warehouse including an office, owned by I-210 Logistics Center Fund X, LLC (Transmittal 2).

Geodis 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. Geodis 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 – Geodis is requesting approval from the Harbor Department to execute the proposed First Amendment to change the corporate name from OHL to Geodis Logistics LLC, as well as the contact party in the Miscellaneous Provisions, Section 16.11 Notices to the Parties. Geodis will continue to operate Site 40 as a multi-usage FTZ warehouse. Geodis receives, stores, re-labels, manages inventory, and distributes various consumer products and general commodities will to be distributed for U.S. consumption. Occasionally, products are re-exported from this warehouse.

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Harbor Department Fiscal Requirements – This proposed First Amendment will not require funding by the Harbor Department. Geodis has already paid a one-time \$2,500 Minor Boundary Modification (MBM) Application fee and \$5,000 activation application fee. An annual fee of \$7,750 (per FTZ Tariff No. 2) will be paid to the Harbor Department for the remaining original five-year term of the Agreement.

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of a First Amendment to this Agreement to change the corporate name under the Agreement. As an activity involving the amendment of a permit to use an existing facility involving 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) under Article III Class 1 (14) of the Los Angeles City CEQA Guidelines.

FINANCIAL IMPACT:

Geodis already paid the Harbor Department a one-time \$5,000 activation application fee. If the proposed Amendment is approved, the Harbor Department will receive from Geodis an annual fee of \$7,750 (per FTZ Tariff No. 2) for each year for the remaining original five-year term of the Agreement. Should the renewal options be exercised subsequent to the completion of the initial term of the Agreement, 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 2016, approximately \$48,606 was spent on outside FTZ related consulting services, while \$336,688 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 Agreement as to form and legality.

TRANSMITTALS:

1. Proposed First amendment for FTZ Operating Agreement No. 14-3270 for Geodis FTZ 202, Site 40
2. FTZ 202, Site 40 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