



Executive Director's
Report to the
Board of Harbor Commissioners

DATE: OCTOBER 10, 2018

FROM: CARGO MARKETING

SUBJECT: RESOLUTION NO. _____ - APPROVAL OF FOREIGN TRADE ZONE GENERAL PURPOSE OPERATING AGREEMENT BETWEEN THE CITY OF LOS ANGELES HARBOR DEPARTMENT AND CALIFORNIA STEEL INDUSTRIES, INC. FTZ 202, SITE 55

SUMMARY:

Staff requests approval of a Foreign-Trade Zone (FTZ) Operating Agreement between the City of Los Angeles Harbor Department (Harbor Department) and California Steel Industries, Inc. (CSI) to operate its facility within FTZ 202, Site 55, located at 14000 San Bernardino, Fontana, California 92335. On October 11, 2018 the Foreign-Trade Zones Board approved a minor boundary modification of Foreign-Trade Zone 202 under the alternative framework to establishing a usage-driven Site 55 for the sole use of CSI. The Harbor Department, as the FTZ grantee, establishes General Purpose Operating Agreements with FTZ site operators to oversee their FTZ operations.

Site 55 is a steel production facility, warehouse and office building totaling approximately 360.70 acres located approximately 65 miles from the Port of Los Angeles. CSI will be operating its facility under FTZ procedures as a single-usage site. The proposed FTZ Operating Agreement (Agreement) is for a term of five years with three, five-year renewal options. If the proposed Agreement is approved, the Harbor Department will receive \$10,000 annually from CSI (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;
2. Approve the proposed Foreign-Trade Zone Operating Agreement between the City of Los Angeles Harbor Department and California Steel Industries, Inc;

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3. Direct the Board Secretary to transmit the proposed 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;
4. Authorize the Executive Director to execute and the Board Secretary to attest to the proposed Foreign-Trade Zone Operating Agreement; 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. The term of this proposed FTZ Operating Agreement is five years with three five year extensions (Transmittal 1). CSI is a U.S. company with its head office located in Fontana, California employing approximately 950 full-time and part-time employees working within the FTZ activated area. CSI will operate its FTZ site at 14000 San Bernardino Ave, Fontana, California, FTZ 202, Site 55. The site is owned by CSI. The facility consists of steel production buildings, warehouses and office space on 360.70 acres (Transmittal 2) and is within the FTZ 202 service area (Transmittal 3).

CSI 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. CSI agrees to keep its facilities open to support the PierPass Program and shall notify truck drivers, truck brokers, and trucking companies that the trucks serving the Port of Los Angeles break-bulk terminals confine their routes to the designated Wilmington Truck Route.

Need for Approval – CSI is requesting approval from the Harbor Department to execute the proposed FTZ Operating agreement to operate Site 55 as a Single-usage FTZ facility. CSI processes steel slabs for further manufacturing, and handles the logistics, handling, storage, inventory and quality control of steel products. Reprocessed steel products are sent to the U.S. for further manufacturing. Occasionally products may be re-exported. If CSI 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.

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

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of a proposed FTZ Operating Agreement with CSI, which is an administrative activity. Therefore, the Director of Environmental Management has determined that the proposed action is administratively exempt from the requirements of CEQA in accordance with Article II Section 2(f) of the Los Angeles City CEQA Guidelines.

FINANCIAL IMPACT:

If the proposed Agreement is approved, the Harbor Department will receive \$10,000 annually from CSI (per FTZ Tariff No. 2).

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

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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 FTZ Operating Agreement for California Steel Industries, Inc. FTZ 202, Site 55
2. FTZ 202, Site 55 Map
3. FTZ 202, Service Area Map



ERIC CARIS
Director of Cargo Marketing

FIS Approval: *MB*
CA Approval: *JMC*

Michael DiBernardo
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Deputy Executive Director

APPROVED:

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EUGENE D. SEROKA
Executive Director