



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

DATE: FEBRUARY 19, 2020

FROM: CARGO MARKETING

SUBJECT: RESOLUTION NO. _____ - APPROVAL OF A SECOND AMENDMENT TO FOREIGN TRADE ZONE DEVELOPER AGREEMENT NO. 10-2823 BETWEEN THE CITY OF LOS ANGELES HARBOR DEPARTMENT AND WATSON LAND COMPANY, FTZ 202, SITES 10 AND 11

SUMMARY:

Staff requests approval of a Second Amendment to Foreign-Trade Zone (FTZ) Developer Agreement No.10-2823 between the City of Los Angeles Harbor Department (Harbor Department) and Watson Land Company (Watson) to continue to maintain their FTZ status and promote the FTZ Program within FTZ 202, Sites 10 and 11, located in Carson, California. Watson is a real estate investment firm whose principal address is located in Carson, California. Watson's current FTZ Developer Agreement No.15-2823-A will expire on April 30, 2020. The Second Amendment will extend the term of the Developer Agreement by five years to April 30, 2025. The Harbor Department needs to execute the Second Amendment to extend the Agreement, as required by the FTZ Board.

Sites 10 and 11 consist of 325.5 and 153.79 acres respectively of warehouse and office space. The property is located approximately 9 miles north of the Port of Los Angeles. The proposed Second 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 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 Second Amendment to Foreign-Trade Zone Developer Agreement No.10-2823 between the City of Los Angeles Harbor Department and Watson Land Company;
3. Direct the Board Secretary to transmit the proposed Second Amendment to Foreign-Trade Zone Developer Agreement No.10-2823 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;

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4. Authorize the Executive Director to execute and the Board Secretary to attest to the proposed Second Amendment to Foreign-Trade Zone Developer Agreement No.10-2823; 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, required by the FTZ Board to have a Developer Agreement with FTZ site owners.

Need for Agreement – The original term for Developer Agreement No.10-2823 with Watson was effective from May 1, 2010 to April 30, 2015, with three, five-year renewal options. The Harbor Department recently received a request from Watson to exercise its second renewal option to extend the term of its Developer Agreement at FTZ 202, Sites 10 and 11. Under this Second Amendment (Transmittal 1), Watson will continue to provide the Harbor Department with updated land use information, promote the FTZ program, and submit an annual report. This Second Amendment does not permit warehouse operations, only use of the FTZ designation in marketing the industrial park.

Approving the proposed Amendment with Watson creates an entity that confers, among other advantages, tax and operating benefits to the operator, and provides a tool for economic development. As the Harbor Department is a designated grantee of FTZs under the State of California enabling legislation, granting FTZ status to an operator allows more efficient operations and allows Watson to remain competitive.

Need for Approval – Watson is requesting approval from the Harbor Department to execute the proposed Second Amendment to extend Developer Agreement No.10-2823 for a term of five years in order to continue maintaining FTZ status for this property (Transmittals 2 and 3). If approval is not granted, Watson will lose their current FTZ status, which is required by the FTZ Board. Watson will not be able to offer additional incentives to attract new business to the Los Angeles economic area. Its tenants potentially have the choice of going to another FTZ in California such as Long Beach, San Diego, Palmdale, or even going out of state. Since FTZ facilities exist in every state, Watson's tenants could potentially shift its employees to other FTZ facilities if the proposed Amendment is not approved.

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ENVIRONMENTAL ASSESSMENT:

The proposed action is the approval of a Second Amendment to FTZ Developer Agreement No.10-2823 with Watson, 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:

As a developer, Watson was required to pay an initial one-time fee of \$2,500 to the Harbor Department. No additional costs are required for Watson to maintain the site. However, when a site is activated within the developer's area, each individual site operator will pay the Harbor Department a \$5,000 one-time activation fee and a \$7,750 or \$10,000 annual fee (per FTZ Tariff No. 2). No Harbor Department funds are required for the actions granted by this Board item.

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 Fiscal Year 2019 revenues of \$349,769 were collected from Harbor Department FTZ operators relative to FY 2019 expenses of \$42,281 incurred by the Harbor Department for consulting services.

CITY ATTORNEY:

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

TRANSMITTALS:

- 1. Proposed Second Amendment to FTZ Developer Agreement for Watson Land Company, FTZ 202, Sites 10 and 11
- 2. FTZ 202, Site 10 and 11 Maps
- 3. FTZ 202, Service Area Map



ERIC CARIS
Director of Cargo Marketing

FIS Approval: *MB*
CA Approval: *me*



MICHAEL DiBERNARDO
Deputy Executive Director

APPROVED:

Mark Bleavins FOR

EUGENE D. SEROKA
Executive Director