



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 SUBZONE OPERATING AGREEMENT BETWEEN THE CITY OF LOS ANGELES HARBOR DEPARTMENT AND PUMA NORTH AMERICA INC. FTZ 202, SUBZONE SITE H

SUMMARY:

Staff requests approval of the Foreign-Trade Zone (FTZ) Operating Agreement between the City of Los Angeles Harbor Department (Harbor Department) and PUMA North America Inc. (PUMA) to operate warehouses at the following four addresses within FTZ 202, Site H, located at: 19700 Van Ness Avenue, Torrance, CA 90501; 19688 Van Ness Avenue, Torrance, CA 90501; 19900 Van Ness Avenue, Torrance, CA 90501; and 1540 Francisco Street, Torrance, CA 90501.

On September 20, 2018, the FTZ Board approved a subzone of FTZ 202 under the alternative site framework to establish subzone Site H for the sole use of PUMA. The Harbor Department, as the FTZ grantee, establishes an FTZ Operating Agreement with FTZ site operators to oversee their FTZ operations.

Site H consists of four warehouses totaling approximately 823,906 square feet and office space on 28.94 acres located approximately 10 miles from the Port of Los Angeles. PUMA will operate its warehouses 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 and PUMA will pay an annual fee of \$10,000.

RECOMMENDATIONS:

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 PUMA North America 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 Los Angeles City 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 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). PUMA is a U.S. company with its head office located in Westford, Massachusetts, employing approximately 200 full-time and part-time employees working within the FTZ activated area. PUMA will operate its FTZ warehouses at the following four addresses: 19700 Van Ness Avenue, Torrance, CA 90501; 19688 Van Ness Avenue, Torrance, CA 90501; 19900 Van Ness Avenue, Torrance, CA 90501; and 1540 Francisco Street, Torrance, CA 90501.

These facilities consists of approximately 823,906 square feet of warehouses and office space on 28.94 acres (Transmittal 2) and is within the FTZ 202 service area (Transmittal 3). PUMA 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. PUMA agrees to keep its warehouse open to support the PierPass Program and shall notify truck drivers, truck brokers, and trucking companies that trucks serving the container terminals must confine their routes to the designated Wilmington Truck Route.

Need for Approval – PUMA is requesting approval from the Harbor Department to execute the proposed FTZ Operating Agreement to operate Subzone H as a single-usage FTZ subzone warehouse. PUMA plans to provide FTZ warehouse and distribution services to its importer/exporter customers.

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If a company 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 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 PUMA, to operate its sites within the FTZ 202 service area at Site H, located in Torrance, California, 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 Agreement is approved, the Harbor Department will receive \$10,000 annually from PUMA (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 PUMA FTZ 202, Subzone H
2. FTZ 202, Site H Map
3. FTZ 202, Service Area Map

FIS Approval: MB
CA Approval: gmi



ERIC CARIS

Director of Cargo Marketing

Michael DiBernardo
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Deputy Executive Director

APPROVED:



EUGENE D. SEROKA
Executive Director