



DATE: FEBRUARY 5, 2019

FROM: CARGO MARKETING

SUBJECT: RESOLUTION NO. _____ - APPROVAL OF THIRD AMENDMENT TO FOREIGN-TRADE ZONE GENERAL PURPOSE OPERATING AGREEMENT NO. 08-2729 BETWEEN THE CITY OF LOS ANGELES HARBOR DEPARTMENT AND HOWARD HARTRY INC., FTZ 202, SITE 27

SUMMARY:

Staff requests the approval of a Third Amendment (Third Amendment) to Foreign-Trade Zone (FTZ) Operating Agreement No. 08-2729 between the City of Los Angeles Harbor Department (Harbor Department) and Howard Hartry Inc. (HHI) to continue operating its warehouse within FTZ 202, Site 27, located at 220 N. Fries Ave, Wilmington, California 90744. The Harbor Department, as the FTZ grantee, establishes General Purpose Operating Agreements with FTZ site operators to oversee their FTZ operations.

HHI's current FTZ Operating Agreement No. 08-2729 will expire on April 30, 2019. The term of the agreement is five-years with three, five-year renewal options. HHI requests to continue operating its warehouse as an FTZ warehouse. The Harbor Department needs to execute the Third Amendment to extend the Agreement, as required by the FTZ Board.

Site 27 consists of 11,800 square feet of warehouse and office space on 0.25 acres located adjacent to the Port of Los Angeles. HHI will operate its warehouse under FTZ procedures as a multi-usage site. This proposed Third Amendment will not require funding by the Harbor Department. If the proposed amendment is approved, the Harbor Department will receive \$7,750 annually from HHI (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 Third Amendment to Foreign-Trade Zone Operating Agreement No. 08-2729 between the City of Los Angeles Harbor Department and Howard Hartry Inc.;
3. Direct the Board Secretary to transmit the proposed Third Amendment to Foreign-Trade Zone Operating Agreement No. 08-2729 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 Third Amendment to Foreign-Trade Zone Operating Agreement No. 08-2729; 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 Third Amendment (Transmittal 1) will extend the term of this Agreement to April 30, 2024. HHI is a U.S. company with its head office located in San Pedro, California, employing approximately six full-time and part-time employees working within the FTZ warehouse. HHI has continually operated its FTZ warehouse since 2009. This facility consists of approximately 11,800 square feet of warehouse and office space on 0.25 acres (Transmittal 2) and is within the FTZ 202 service area (Transmittal 3).

Need for Approval – HHI is requesting approval from the Harbor Department to execute the proposed Third Amendment to continue to operate Site 27 as a multi-usage FTZ warehouse for a term of five years. HHI 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 HHI 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.

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HHI 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 the approval of a Third Amendment to FTZ Operating Agreement No. 08-2729 with HHI to operate their site at 220 N. Fries Avenue, 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 Third Amendment is approved, the Harbor Department will receive \$7,750 annually from HHI (per FTZ Tariff No. 2).

Approval of the Third 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.

CITY ATTORNEY:

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

TRANSMITTALS:

1. Proposed Third Amendment to FTZ Operating Agreement for Howard Hartry Inc., FTZ 202, Site 27
2. FTZ 202, Site 27 Map
3. FTZ 202, Service Area Map



ERIC CARIS
Director of Cargo Marketing

FIS Approval: 

CA Approval: 



MICHAEL DIBERNARDO
Deputy Executive Director

APPROVED:



EUGENE D. SEROKA
Executive Director