



**THE PORT
OF LOS ANGELES**

Executive Director's
Report to the
Board of Harbor Commissioners

DATE: MAY 10, 2011

FROM: BUSINESS & TRADE DEVELOPMENT

**SUBJECT: RESOLUTION NO. _____ APPROVAL OF FOREIGN-TRADE
ZONE GENERAL PURPOSE OPERATING AGREEMENT BETWEEN
THE CITY OF LOS ANGELES AND CALIFORNIA CARTAGE
COMPANY, LLC, FTZ 202, SITE 9A**

SUMMARY:

The Los Angeles Harbor Department (Harbor Department), as the Foreign Trade Zone (FTZ) grantee, establishes General Purpose Operating Agreements with FTZ operators to oversee their FTZ operations. The Harbor Department received a request from California Cartage LLC (California Cartage) to activate their second site within FTZ 202 Site 9A, located at 19700 Van Ness Avenue, Torrance California 90501. This site is approximately 10 miles north from the Port of Los Angeles (Port) and this agreement has no bearing on any lease or other agreements California Cartage has with the City of Los Angeles. California Cartage will be operating their warehouses under FTZ procedures. The Operating Agreement will provide a term of five years with three, five-year renewal options. There is no cost to the Harbor Department if approved.

RECOMMENDATION:

It is recommended that the Board of Harbor Commissioners:

1. Approve the proposed Foreign Trade Zone Operating Agreement between the City of Los Angeles and California Cartage;
2. Direct the Board Secretary to transmit the proposed Agreement to the Los Angeles City Council for approval pursuant to Section 373 of the Charter of the City of Los Angeles;
3. Upon approval by the City Council, authorize the Executive Director to execute and the Board Secretary to attest to the proposed Foreign Trade Zone Operating Agreement; and
4. Adopt Resolution No. _____.

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SUBJECT: FTZ GENERAL PURPOSE OPERATING AGREEMENT BETWEEN THE CITY OF LOS ANGELES AND CALIFORNIA CARTAGE SITE 9A

DISCUSSION:

Background – The Foreign-Trade Zone 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 Agency (U.S. Customs) territories. The importer may defer payment of duties and other fees until the merchandise is brought into U.S. commerce for consumption.

Need for Agreement – California Cartage employs approximately 50 full-time employees and 60 part-time employees. This site includes 425,603 square feet of warehouse and office space on 30.27 acres. All activities shall be performed in accordance with FTZ procedures. California Cartage agrees to keep its warehouses 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 – California Cartage is requesting approval from the Harbor Department to execute the FTZ Operating Agreement to operate this site as an FTZ warehouse and distribution center for consumer products, office products, machineries, and other merchandise for sale in the national market. Occasionally, the products are re-exported from the warehouse.

Harbor Department Fiscal Requirements – This proposed Agreement will not require funding by the Harbor Department. California Cartage will pay an annual fee of \$5,000 to the Harbor Department for each year of the five-year term of the Agreement.

ENVIRONMENTAL ASSESSMENT:

The proposed action is the issuance of an FTZ General Purpose Operating Agreement between the Harbor Department and California Cartage to use an existing warehouse and office space as a general purpose FTZ site with no expansion of use. As such, 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, Section 1(14) of the Los Angeles City CEQA Guidelines.

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SUBJECT: FTZ GENERAL PURPOSE OPERATING AGREEMENT BETWEEN THE CITY OF LOS ANGELES AND CALIFORNIA CARTAGE SITE 9A

ECONOMIC BENEFITS:

Approval of the proposed Agreement with California Cartage to maintain FTZ status of Site 9A will have no direct employment impact for the five-county region.

FINANCIAL IMPACT:

The Harbor Department will receive \$5,000 from the operator for each year of the five-year term of the Agreement. There is no cost to the Harbor Department as a result of this Board action. During calendar year 2010, \$110,000 in revenues were collected from all of the Harbor Department's FTZ operators with approximately \$80,000 spent on outside FTZ-related consulting services.

The Harbor Department can choose not to approve the Agreement with California Cartage. However, the establishment of an FTZ 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 California Cartage allows more efficient operations and allows California Cartage to remain competitive.

If not approved, the Harbor Department will forgo \$5,000 a year in fees or \$100,000 over the life of this contract. If California Cartage does not obtain approval 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 this state. Since FTZ facilities exist in every state, California Cartage can potentially shift its employees to work elsewhere.

CITY ATTORNEY:

The Office of the City Attorney has prepared and approved as to form the Agreement.

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SUBJECT: FTZ GENERAL PURPOSE OPERATING AGREEMENT BETWEEN THE
CITY OF LOS ANGELES AND CALIFORNIA CARTAGE SITE 9A

TRANSMITTAL:

1. Proposed FTZ Operating Agreement for California Cartage, FTZ 202, Site 9A.
2. California Cartage, FTZ 202, Site 9A map

FIS: WR

CA: TR



KRAIG JONDLE
Director of Business & Trade Development



KATHRYN McDERMOTT
Deputy Executive Director

APPROVED:

 FOR

GERALDINE KNATZ, Ph.D.
Executive Director

M. Morimoto

GK:KM:KJ:MM:ma

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