



**THE PORT
OF LOS ANGELES**

Executive Director's
Report to the
Board of Harbor Commissioners

DATE: MAY 9, 2012

FROM: BUSINESS & TRADE DEVELOPMENT

**SUBJECT: RESOLUTION NO. _____ APPROVAL OF FIRST
AMENDMENT FOR FOREIGN-TRADE ZONE DEVELOPER
AGREEMENT NO. 2537 BETWEEN THE CITY OF LOS ANGELES
HARBOR DEPARTMENT AND AMB PROPERTY, LP, SITE 7**

SUMMARY:

On August 1, 2007, the City of Los Angeles Harbor Department (Harbor Department) entered into FTZ Developer Agreement No. 2537 (Agreement No. 2537) with AMB Property, LP (AMB) to develop and maintain Foreign-Trade Zone (FTZ) 202, Site 7. The original term of the agreement is five years with three, five-year renewal options. Agreement No. 2537 commenced August 1, 2007 and is set to expire on July 31, 2012. The Harbor Department received a request from AMB to exercise their first renewal option to extend their FTZ Developer Agreement No. 2537 at FTZ 202, Site 7 located in Torrance, California through to July 31, 2017. In addition, AMB has officially merged with Prologis Targeted U.S. Logistics, L.P. (Prologis). This newly merged company, Prologis, will be responsible to manage FTZ 202, Site 7.

Any change made to an original developer agreement between the Harbor Department and developers requires an amendment to the agreement. The proposed First Amendment will approve the name change and extension. Except as amended, all remaining terms and conditions of Agreement No. 2537 shall remain in full force and effect.

RECOMMENDATION:

It is recommended that the Board of Harbor Commissioners (Board):

1. Approve the proposed First Amendment to Agreement No. 2537 between the City of Los Angeles Harbor Department and AMB Property, LP;
2. Direct the Board Secretary to transmit the proposed First Amendment 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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3. Upon approval by the City Council, authorize the Executive Director to execute and the Board Secretary to attest to the proposed First Amendment to FTZ Developer Agreement No. 2537; and
4. Adopt Resolution No. _____.

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 territories. The importer may defer payment of duties and other fees until the merchandise is brought into U.S. commerce for consumption.

On July 14, 2011, the Board approved an application to the FTZ Board to change FTZ management framework from a Traditional Site Framework (TSF) to an Alternative Site Framework (ASF). On January 19, 2012, the Harbor Department has filed an ASF application with the FTZ Board. The ASF is for grantees that choose to participate for designation and managing general purpose FTZ sites in an efficient manner. All of our current and future FTZ general purpose operators will benefit under the ASF's new streamlined process with quicker approval periods and simplified application requirements.

Need for Agreement – Site Developer, formerly known as AMB, has officially changed their name to Prologis and is requesting to exercise the first renewal option to extend the agreement for another full term. The company name change and extension requires an amendment to Agreement No. 2537 (Transmittal 1) for FTZ 202, Site 7 (Transmittal 2).

Need for Approval – AMB is requesting approval for both the agreement extension and amendment for the company name change. This is an administrative requirement for the Harbor Department.

Harbor Department Fiscal Requirements – This proposed First Amendment will not require funding by the Harbor Department.

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ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of an amendment to a FTZ Developer Agreement with AMB to extend the agreement for five years. As an activity involving the amendment of an agreement to use an existing facility involving negligible or no expansion of use, the Director of Environmental Management has determined the proposed action is exempt from the California Environmental Quality Act (CEQA) in accordance with Article III, Class 1(14) of the Los Angeles City CEQA Guidelines.

ECONOMIC BENEFITS:

This Board action will have no employment impact.

FINANCIAL IMPACT:

The applicant has paid an initial application fee of \$2,500 to the Harbor Department. When the site is activated, each site operator will pay the Harbor Department a \$5,000 activation fee and a \$5,000 annual fee. 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 calendar year 2011, approximately \$80,000 was spent on outside FTZ-related consulting services whereas \$149,000 in revenues was collected from all FTZ operators.

Approving the proposed First Amendment FTZ Developer Agreement with AMB 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 operator allows more efficient operations and allows AMB to remain competitive.

If AMB does not obtain approval as a site Developer with FTZ status from the Harbor Department, their tenants 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, AMB tenants can potentially shift its employees to work elsewhere as a result of seeking FTZ status in another location.

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CITY ATTORNEY:

The City Attorney's Office has prepared and approved the First Amendment as to form and legality.

TRANSMITTALS:

1. Proposed First Amendment of FTZ Developer Agmt No. 2537, FTZ 202, Site 7
2. AMB, FTZ 202, Site 7 site map

FIS Approval: KW (initials)

CA Approval: Jde (initials)



KRAIG JONDLE
Director of Business & Trade Development

FOR 
KATHRYN McDERMOTT
Deputy Executive Director

APPROVED:



GERALDINE KNATZ, Ph.D.
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