



Executive Director's
Report to the
Board of Harbor Commissioners

DATE: OCTOBER 8, 2013

FROM: BUSINESS AND TRADE DEVELOPMENT

**SUBJECT: RESOLUTION NO. _____ APPROVAL OF FOREIGN-TRADE
ZONE GENERAL PURPOSE OPERATING AGREEMENT BETWEEN
THE CITY OF LOS ANGELES HARBOR DEPARTMENT AND H.
RAUVEL, INC. DBA NOVA CONTAINER FREIGHT STATION, FTZ 202,
SITE 36**

SUMMARY:

The City of Los Angeles Harbor Department (Harbor Department), as the Foreign-Trade Zone (FTZ) grantee, establishes General Purpose Operating Agreements with FTZ operators to oversee its FTZ operations. The Harbor Department received a request from H. Rauvel, Inc. dba NOVA Container Freight Station (NOVA) to activate its site which is located within FTZ 202, Site 36 at 1710 East Sepulveda Boulevard, Carson, California, 90745. Site 36, is an 11.61-acre property improved with a 259,249 square foot warehouse and located approximately nine miles north of the Port of Los Angeles. NOVA will be operating its warehouse under FTZ procedures. The proposed FTZ Operating Agreement (Agreement) is for a term of five years with three, five-year renewal options.

RECOMMENDATION:

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

1. Approve the proposed Foreign-Trade Zone Operating Agreement between the City of Los Angeles Harbor Department and H. Rauvel, Inc. dba Nova Container Freight Station;
2. Direct the Board Secretary to transmit the Foreign-Trade Zone Operating Agreement 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;
3. Upon approval by the City Council, authorize the Executive Director to execute and the Board Secretary to attest to the Foreign-Trade Zone Operating Agreement; and
4. Adopt Resolution No. _____.

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**SUBJECT: GENERAL PURPOSE OPERATING AGREEMENT WITH NOVA FTZ
202, SITE 36**

DISCUSSION:

Background and Context – 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 a FTZ is a restricted access site located in the U.S. Customs and Border Protection (CBP) 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 – The Harbor Department, as the grantee, is required by the FTZ Board to have an operating agreement (Transmittal 1) with FTZ site operators.

NOVA employs 41 full-time employees and 120 part-time employees at FTZ 202, Site 36 (Transmittal 2). All operators 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. NOVA 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 – NOVA is requesting approval from the Harbor Department to execute the proposed Agreement to operate Site 36 as an FTZ warehouse. NOVA receives, stores, manages inventory, and distributes electronics, solar equipment, footwear, and other merchandise for sale in the national market. Occasionally, products are re-exported from the warehouse. The FTZ Board approved FTZ 202, Site 36 as a designated service area on September 2013. NOVA requires approval from CBP to be an activated FTZ operator.

If NOVA does not obtain approval as an operator with FTZ status from the Harbor Department, it could relocate to another FTZ in California or out of state. As a result their business and employees would be moved outside of the local area.

Harbor Department Fiscal Requirements – This proposed Agreement will not require funding by the Harbor Department. NOVA paid a \$1,500 Minor Boundary Modification application fee, a \$5,000 activation application fee and will pay an annual fee of \$7,750 to the Harbor Department for each year of the five-year term of the proposed Agreement for a total of \$ 38,750.

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SUBJECT: GENERAL PURPOSE OPERATING AGREEMENT WITH NOVA FTZ 202, SITE 36

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of a proposed FTZ Operating Agreement with NOVA to activate its site within FTZ 202, Site 36, located in Carson, California. As an activity involving the issuance of a permit to use an existing facility involving negligible or no expansion of use, the Director of Environmental Management has determined that the proposed action is exempt from the requirements of 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:

NOVA paid the Harbor Department a \$1,500 Minor Boundary Modification application fee and \$5,000 activation application fee. If the proposed Agreement is approved, the Harbor Department will receive from NOVA an annual fee of \$7,750 (per FTZ Tariff No. 2) for each year of the five-year term. Should the renewal options be exercised subsequent to the completion of the initial term of the proposed Agreement, compensation will also be \$7,750 per year. 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 2012, approximately \$80,000 was spent on outside FTZ-related consulting services while \$159,000 in revenue was collected from the Harbor Department FTZ operators.

Approving the proposed Agreement with NOVA 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 NOVA allows more efficient operations and allows NOVA to remain competitive.

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**SUBJECT: GENERAL PURPOSE OPERATING AGREEMENT WITH NOVA FTZ
202, SITE 36**

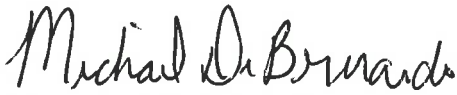
CITY ATTORNEY:

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 NOVA, FTZ 202, Site 36
2. NOVA, FTZ 202, Site 36 Map

FIS Approval:  (initials)
CA Approval:  (initials)


MICHAEL DiBERNARDO
Director of Business Development


KATHRYN McDERMOTT
Deputy Executive Director

APPROVED:


GERALDINE KNATZ, Ph.D.
Executive Director

M. Morimoto