



**DATE: DECEMBER 17, 2018**

**FROM: CARGO MARKETING**

**SUBJECT: RESOLUTION NO. \_\_\_\_\_ - APPROVAL OF FIRST AMENDMENT FOR FOREIGN TRADE ZONE GENERAL PURPOSE OPERATING AGREEMENT NO. 13-3181 BETWEEN THE CITY OF LOS ANGELES HARBOR DEPARTMENT AND H. RAUVEL, INC. DBA NOVA CONTAINER FREIGHT STATION, FTZ 202, SITE 36**

**SUMMARY:**

Staff requests the approval of a First Amendment (First Amendment) to Foreign-Trade Zone (FTZ) Operating Agreement No. 13-3181 between the City of Los Angeles Harbor Department (Harbor Department) and H. Rauvel, Inc. DBA Nova Container Freight Station (Nova) to continue operating its warehouse within FTZ 202, Site 36, located at 1710 East Sepulveda Blvd., Carson, California 90745. The Harbor Department, as the FTZ grantee, establishes General Purpose Operating Agreements with FTZ site operators to oversee their FTZ operations.

Nova's current FTZ Operating Agreement No. 13-3181 will expire on March 31, 2019. Term of the agreement is five-years with three, five-year renewal options. Nova requests to continue operating its warehouse as an FTZ warehouse. The Harbor Department needs to execute the First Amendment to extend the Agreement, as required by the FTZ Board.

Site 36 consists of 259,249 square feet of warehouse and office space on 11.61 acres located approximately nine miles from the Port of Los Angeles. Nova will operate its warehouse under FTZ procedures as a multi-usage site. This proposed First Amendment will not require funding by the Harbor Department. If the proposed amendment is approved, the Harbor Department will receive \$7,750 from Nova (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 and categorically exempt from the requirements of the California Environmental Quality Act (CEQA) under Article III Class 1 (14), of the Los Angeles City CEQA Guidelines;

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2. Approve the proposed First Amendment to Foreign-Trade Zone Operating Agreement No. 13-3181 between the City of Los Angeles Harbor Department and H. Rauvel, Inc. DBA Nova Container Freight Station;
3. Direct the Board Secretary to transmit the proposed First Amendment of Foreign-Trade Zone Operating Agreement No. 13-3181 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 First Amendment of Foreign-Trade Zone Operating Agreement No. 13-3181; 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 (CBP) 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 First Amendment (Transmittal 1) will extend the term of this Agreement to March 31, 2024. Nova is a U.S. company with its head office located in Carson, California, employing approximately 40 full-time and part-time employees working within the FTZ warehouse. Nova has continually operated its FTZ warehouses at 1710 East Sepulveda Blvd., Carson, California since 2013. This facility consists of approximately 259,249 square feet of warehouse and office space on 11.61 acres (Transmittal 2) and is within the FTZ 202 service area (Transmittal 3).

Need for Approval – Nova is requesting approval from the Harbor Department to execute the proposed First Amendment to operate Site 36 as a multi-usage FTZ warehouse for a term of five years. Nova 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 Nova 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

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exist in every state, a company can potentially shift its employees to work elsewhere as a result of seeking FTZ status in another location.

Nova 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 First Amendment to FTZ Operating Agreement No. 13-3181 with Nova to operate their site within the City of Carson, 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 First Amendment is approved, the Harbor Department will receive \$7,750 annually from Nova (per FTZ Tariff No. 2).

Approval of the First 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.

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INC. DBA NOVA CONTAINER FREIGHT STATION, FTZ 202, SITE 36

**CITY ATTORNEY:**

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

**TRANSMITTALS:**

1. Proposed First Amendment of FTZ Operating Agreement for H. Rauvel, Inc. DBA Nova Container Freight Station, FTZ 202, Site 36
2. FTZ 202, Site 36 Map
3. FTZ 202, Service Area Map



ERIC CARIS  
Director of Cargo Marketing

APPROVED:



EUGENE D. SEROKA  
Executive Director

FIS Approval: 

CA Approval: 



MICHAEL DiBERNARDO  
Deputy Executive Director