



Executive Director's
Report to the
Board of Harbor Commissioners

DATE: SEPTEMBER 19, 2018

FROM: CARGO MARKETING

**SUBJECT: RESOLUTION NO. _____ - APPROVAL OF FOREIGN-TRADE
ZONE GENERAL PURPOSE OPERATING AGREEMENT BETWEEN
THE CITY OF LOS ANGELES HARBOR DEPARTMENT AND BEE
IMAGINE LLC, FTZ 202 SITE 54**

SUMMARY:

Staff requests approval of the Foreign-Trade Zone (FTZ) Operating Agreement between the City of Los Angeles Harbor Department (Harbor Department) and Bee Imagine LLC, (Bee Imagine) to operate its warehouses within FTZ 202 Site 54, located at 4832 and 4910 Azusa Canyon Road, Irwindale, California 91706. On August 1, 2018, the FTZ Board approved a minor boundary modification of FTZ 202 under the alternative framework to establish a usage-driven Site 54 for the use of Bee Imagine. The Harbor Department, as the FTZ grantee, establishes General Purpose Operating Agreements with FTZ site operators to oversee their FTZ operations.

Site 54 consists of office space and two warehouses totaling approximately 122,735 square feet on 2.82 acres located approximately 40 miles from the Port of Los Angeles. Bee Imagine will be operating its warehouses under FTZ procedures as a multi-usage site. The proposed FTZ Operating Agreement (Agreement) is for a term of five years with three, five-year renewal options. If the proposed Agreement is approved, the Harbor Department will receive \$7,750 annually from Bee Imagine (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;
2. Approve the proposed Foreign-Trade Zone Operating Agreement between the City of Los Angeles Harbor Department and Bee Imagine, LLC;

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3. Direct the Board Secretary to transmit the proposed 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;
4. Authorize the Executive Director to execute and the Board Secretary to attest to the proposed Foreign-Trade Zone Operating Agreement; 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.

Need for Agreement – The Harbor Department, as the grantee, is required by the FTZ Board to have an Operating Agreement with FTZ site operators. The term of this proposed FTZ Operating Agreement is five years with three, five-year extensions (Transmittal 1). Bee Imagine is a U.S. company with its head office located in Irwindale, California 91706 employing approximately 88 full-time and part-time employees working within the FTZ activated area. Bee Imagine will operate its FTZ warehouses at 4832 and 4910 Azusa Canyon Road, Irwindale, California, FTZ 202 Site 54. These buildings are owned by ILIAKUS, LLC and Rexford Industrial Realty, Inc. These facilities consist of approximately 122,735 square feet of warehouse and office space on 2.82 acres (Transmittal 2) and is within the FTZ 202 service area (Transmittal 3).

Bee Imagine 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. Bee Imagine 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 – Bee Imagine is requesting approval from the Harbor Department to execute the proposed FTZ Operating Agreement to operate Site 54 as a multi-usage FTZ warehouse. Bee Imagine plans to provide FTZ warehouse and distribution services to its importer/exporter customers.

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If Bee Imagine 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.

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of a proposed FTZ Operating Agreement with Bee Imagine, to operate its site within the FTZ 202 service area at Site 54, located in Irwindale, California, which is an administrative activity. Therefore, the Director of Environmental Management has determined that the proposed action is administratively exempt from the requirements of the CEQA in accordance with Article II Section 2(f) of the Los Angeles City CEQA Guidelines.

FINANCIAL IMPACT:

If the proposed Agreement is approved, the Harbor Department will receive \$7,750 annually from Bee Imagine (per FTZ Tariff No. 2).

Approval of the Operating Agreement is not anticipated to result in additional, incremental FTZ-related consulting service expenses being incurred by the Harbor Department. During Fiscal Year (FY) 2018, unaudited revenues of \$344,746 were collected from Harbor Department FTZ operators relative to FY 2018 unaudited expenses of \$36,575 incurred by the Harbor Department for FTZ-related consulting services.

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CITY ATTORNEY:

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

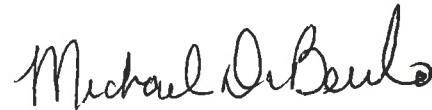
TRANSMITTALS:

1. Proposed FTZ Operating Agreement for Bee Imagine LLC, FTZ 202 Site 54
2. FTZ 202, Site 54 Map
3. FTZ 202, Service Area Map

FIS Approval: MB
CA Approval: MC



ERIC CARIS
Director of Cargo Marketing



MICHAEL DiBERNARDO
Deputy Executive Director

APPROVED:



EUGENE D. SEROKA
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