



**THE PORT  
OF LOS ANGELES**

Executive Director's  
Report to the  
Board of Harbor Commissioners

**DATE: MAY 24, 2011**

**FROM: BUSINESS & TRADE DEVELOPMENT**

**SUBJECT: RESOLUTION NO. \_\_\_\_\_ APPROVAL OF FOREIGN-TRADE  
ZONE GENERAL PURPOSE OPERATING AGREEMENT BETWEEN  
THE CITY OF LOS ANGELES AND KOMAR DISTRIBUTION  
SERVICES, FTZ 202, SITE 20B**

**SUMMARY:**

The Los Angeles Harbor Department (Harbor Department), as the Foreign Trade Zone (FTZ) grantee, establishes General Purpose Operating Agreements (Operating Agreement) with FTZ operators to oversee their FTZ operations. The Harbor Department received a request from Komar Distribution Services (Komar) to activate their site within FTZ 202 Site 20B, located at 11850 Riverside Drive, Mira Loma, California 91752. Komar will be operating their warehouses under FTZ procedures. The Operating Agreement will provide a term of five years with three five-year renewal options.

**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 Komar;
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: FOREIGN TRADE-ZONE GENERAL PURPOSE OPERATING AGREEMENT BETWEEN THE CITY OF LOS ANGELES AND KOMAR

**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 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 – Komar employs approximately 50 full-time employees and 50 part-time employees. The site includes 656,611 square feet of warehouse and office space on 27 acres. All activities shall be performed in accordance with FTZ procedures. Komar 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.

Needed for Approval – Komar 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. Komar will pay an annual fee of \$5,000 to the Harbor Department in 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 Komar 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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**ECONOMIC BENEFITS:**

Approval of the proposed Agreement with Komar to maintain FTZ status of Site 20B 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. 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 Komar. 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 grantor of FTZs under the State of California enabling legislation, granting FTZ status to Komar allows more efficient operations and allows Komar 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 including renewal options. If Komar 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, Komar 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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**TRANSMITTAL:**

1. Proposed FTZ Operating Agreement for Komar, FTZ 202, Site20B
2. Komar FTZ 202, Site 20B Map

FIS Approval: EJ (initials)

CA Approval: TM (initials)

*for*   
KRAIG JONDLE  
Director of Business & Trade Development

*for*   
KATHRYN McDERMOTT  
Deputy Executive Director

APPROVED:

  
*for* GERALDINE KNATZ, Ph.D.  
Executive Director

M. Morimoto