



**THE PORT  
OF LOS ANGELES**  
Executive Director's  
Report to the  
Board of Harbor Commissioners

**DATE: JUNE 18, 2015**

**FROM: CARGO MARKETING**

**SUBJECT: RESOLUTION NO. \_\_\_\_\_ - APPROVAL OF FOREIGN-TRADE  
ZONE GENERAL PURPOSE OPERATING AGREEMENT BETWEEN  
THE CITY OF LOS ANGELES HARBOR DEPARTMENT AND  
SYNCREON LOGISTICS (USA) LLC, FTZ 202, SITE 43**

**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 their FTZ operations. The Harbor Department received a request from syncreon Logistics (USA) LLC (syncreon) to activate its warehouse within FTZ 202, Site 43, located at 19200 South Western Avenue, Torrance, California 90501. Site 43 is a 26-acre property including a warehouse located approximately 10 miles from the Port of Los Angeles. Syncreon will be operating its warehouse under FTZ procedures as a single-usage site. 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 syncreon Logistics (USA) LLC.;
2. 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;
3. Authorize the Executive Director to execute and the Board Secretary to attest to the proposed Foreign-Trade Zone Operating Agreement, upon approval by the City Council; and
4. Adopt Resolution No. \_\_\_\_\_.

**DATE: JUNE 18, 2015**

**PAGE 2 OF 4**

**SUBJECT: GENERAL PURPOSE OPERATING AGREEMENT WITH SYNCREON LOGISTICS (USA) LLC, FTZ 202, SITE 43**

**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 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.

Need for Agreement – The Harbor Department, as the grantee, is required by the FTZ Board to have an Operating Agreement with FTZ site operators (Transmittal 1). Syncreon, a U.S. company with its head office located in Addison, Illinois, will employ 80 full-time employees at this FTZ site. This facility is located on a 26-acre site that includes a warehouse of approximately 684,900 square feet and office space. The property is owned by Sunshine Distribution, LP (Transmittal 2).

Syncreon 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. Syncreon 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 – Syncreon is requesting approval from the Harbor Department to execute the proposed Agreement to operate Site 43 as an FTZ warehouse. Syncreon receives, stores, re-labels, repackages, assembles, manages inventory, and distributes general warehousing of various goods, such as electronic devices, cameras, and accessories for sale in the national market. Occasionally, products are re-exported from this warehouse. In March 2014, this site obtained FTZ designation from the FTZ Board; however, approval is required from CBP to activate this site as an FTZ Site.

If syncreon 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, syncreon can potentially shift its employees to work elsewhere as a result of seeking FTZ status in another location.

Harbor Department Fiscal Requirements – This proposed Agreement will not require funding by the Harbor Department. Syncreon paid a one-time \$2,500 Minor Boundary Modification (MBM) Application fee, a one-time \$5,000 activation application fee, and will pay an annual fee of \$10,000 (per Tariff No. 2) to the Harbor Department for each year of the five-year term of the proposed Agreement for a total of \$50,000.

**DATE: JUNE 18, 2015**

**PAGE 3 OF 4**

**SUBJECT: GENERAL PURPOSE OPERATING AGREEMENT WITH SYNCREON LOGISTICS (USA) LLC, FTZ 202, SITE 43**

**ENVIRONMENTAL ASSESSMENT:**

The proposed action is approval of a proposed FTZ Operating Agreement with syncreon, to activate its site within FTZ 202, Site 43, located in Torrance, 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:**

Syncreon paid the Harbor Department a one-time \$2,500 MBM fee and one-time \$5,000 activation application fee. If the proposed Agreement is approved, the Harbor Department will receive from syncreon an annual fee of \$10,000 (per FTZ Tariff No. 2) for each year of the five years. Should the renewal options be exercised subsequent to the completion of the initial term of the Agreement, compensation will also be \$10,000 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 2014, approximately \$20,000 was spent on outside FTZ related consulting services, while \$320,000 in revenue was collected from the Harbor Department FTZ operators.

Approving the proposed Agreement with syncreon creates an entity that confers, among other advantages, tax and operating benefits to the operator, and provides a tool for economic development. Granting FTZ status to syncreon allows more efficient operations and allows syncreon to remain competitive.

**CITY ATTORNEY:**

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

DATE: JUNE 18, 2015

PAGE 4 OF 4

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LOGISTICS (USA) LLC, FTZ 202, SITE 43

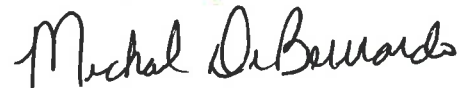
**TRANSMITTALS:**

1. Proposed FTZ Operating Agreement for syncreon, LLC, FTZ 202, Site 43
2. FTZ 202, Site 43 Map
3. FTZ 202, Service Area Map

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



ERIC CARIS  
Director of Cargo Marketing



MICHAEL DiBERNARDO  
Deputy Executive Director

APPROVED:

  
FOR  EUGENE D. SEROKA  
Executive Director