

**DATE: JANUARY 18, 2023**

**FROM: CARGO MARKETING**

**SUBJECT: RESOLUTION NO. \_\_\_\_\_ - APPROVAL OF THE FOREIGN-TRADE ZONE OPERATING AGREEMENT BETWEEN THE CITY OF LOS ANGELES HARBOR DEPARTMENT AND PORT LOGISTICS GROUP, LLC, FTZ 202, SITE 42**

**SUMMARY:**

Staff requests approval of a Foreign-Trade Zone (FTZ) Operating Agreement between the City of Los Angeles Harbor Department (Harbor Department) and Port Logistics Group, LLC (PLG), to operate its facility within FTZ No. 202, Site 42, located at 501 S. Cheryl Lane, City of Industry, CA 91789. The 20.57 acre property includes a warehouse and office space, approximately 50 miles north of the Port of Los Angeles.

In January 2022, Ryder Systems, Inc., acquired Port Logistics Group, Inc. and changed the legal entity to an LLC. Port Logistics Group, Inc., worked under Operating Agreement 17-3487. With this new ownership and name change, it is recommended a new Operating Agreement be executed.

The proposed 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 PLG (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 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 Ports Logistics Group, LLC;
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. The Harbor Department, as the grantee, is required by the FTZ Board to have a Developer Agreement with FTZ site owners.

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). PLG is a U.S. company with its headquarter office located in the City of Industry, California, employing approximately 7 full-time and part-time employees working within the proposed FTZ warehouse area. PLG will operate its FTZ site 42 at 501 S. Sheryl Lane, City of Industry, CA 91789. The facility consists of warehouse and office space on 20.57 acres (Transmittals 2 and 3).

PLG was acquired by Ryder Systems, Inc., in January 2022. Up until then, Port Logistics Group, Inc. had been the operator of Site 42. As a result of this ownership and name change, a new Operating Agreement is required.

PLG 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. PLG shall notify truck drivers, truck brokers, and trucking companies that the trucks serving the Port of Los Angeles confine their routes to the designated Wilmington Truck Route.

Need for Approval – PLG is requesting approval from the Harbor Department to execute the proposed FTZ Operating Agreement to operate Site 42 as a multi-usage FTZ facility. PLG handles the logistics, handling, storage, inventory and quality control of merchandise. Products may be re-exported.

If PLG 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. 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.

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SUBJECT: FTZ OPERATING AGREEMENT WITH PORT LOGISTICS GROUP, LLC

**ENVIRONMENTAL ASSESSMENT:**

The proposed action is the approval of a FTZ Operating Agreement with PLG, 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 Agreement is approved, the Harbor Department will receive \$7,750 annually from PLG (per FTZ Tariff No. 2).

Approval of the FTZ 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) 2022, revenues of \$289,336 were collected from Harbor Department FTZ operators relative to FY 2022 expenses of \$30,594 incurred by the Harbor Department for consulting services.

**CITY ATTORNEY:**

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

**TRANSMITTALS:**

1. Proposed FTZ Operating Agreement, FTZ 202, Site 42
2. FTZ 202, Site 42 Site Map
3. FTZ 202 Service Area Map

FIS Approval: MB  
CA Approval: SO



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Director of Cargo Marketing



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APPROVED:

 For

EUGENE D. SEROKA  
Executive Director  
EC:MVD:MK:aa