



**THE PORT
OF LOS ANGELES**

Executive Director's
Report to the
Board of Harbor Commissioners

DATE: JANUARY 17, 2024

FROM: CARGO MARKETING

SUBJECT: RESOLUTION NO. _____ - APPROVAL OF FOREIGN-TRADE ZONE OPERATING AGREEMENT BETWEEN THE CITY OF LOS ANGELES HARBOR DEPARTMENT AND DB SCHENKER, INC., FTZ 202, SITE 10I

SUMMARY:

Staff requests approval of a Foreign-Trade Zone (FTZ) Operating Agreement (Agreement) between the City of Los Angeles Harbor Department (Harbor Department) and DB Schenker, Inc. (DB Schenker), to operate its facility within FTZ No. 202, Site 10I, located at 990 E. 233 Street, Carson, CA 90745.

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 DB Schenker (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 DB Schenker, Inc.;
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. _____.

SUBJECT: FOREIGN-TRADE ZONE OPERATING AGREEMENT BETWEEN THE CITY OF LOS ANGELES HARBOR DEPARTMENT AND DB SCHENKER

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). DB Schenker is a U.S. company with its headquarters office located in Chesapeake, Virginia, employing approximately seven to ten employees working within the proposed FTZ warehouse area. DB Schenker will operate its FTZ Site 10I at 990 E. 233 Street, Carson, CA 90745. The facility consists of warehouse and office space on 1.37 acres (Transmittals 2 and 3).

DB Schenker 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. DB Schenker 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 – DB Schenker is requesting approval from the Harbor Department to execute the proposed FTZ Operating Agreement to operate Site 10I as a multi-usage FTZ facility. DB Schenker handles the logistics, handling, storage, inventory and quality control of merchandise. Products may be re-exported.

If DB Schenker 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.

ENVIRONMENTAL ASSESSMENT:

The proposed action is the approval of an FTZ Operating Agreement with DB Schenker, 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.

SUBJECT: FOREIGN-TRADE ZONE OPERATING AGREEMENT BETWEEN THE CITY OF LOS ANGELES HARBOR DEPARTMENT AND DB SCHENKER

FINANCIAL IMPACT:

If the proposed Agreement is approved, the Harbor Department will receive \$7,750 annually from DB Schenker (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.

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 10I
2. FTZ 202, Site 10I Site Map
3. FTZ 202 Service Area Map



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APPROVED:

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