

DATE: NOVEMBER 25, 2024

FROM: CARGO MARKETING

SUBJECT: RESOLUTION NO. _____ - APPROVAL OF FOREIGN-TRADE ZONE (FTZ) OPERATING AGREEMENT BETWEEN THE CITY OF LOS ANGELES HARBOR DEPARTMENT AND GEODIS LOGISTICS LLC FTZ 202, SITE 74

SUMMARY:

Staff requests approval of a Foreign-Trade Zone (FTZ) Operating Agreement (Agreement) between the City of Los Angeles Harbor Department (Harbor Department) and Geodis Logistics LLC (Geodis), to operate its facility within FTZ No. 202, Site 74, located at 13053 San Bernardino Ave., Fontana, CA 92335. Site 74 consists of 14.5 acres of handling, storage, and distribution space for general merchandise within three warehouse facilities located in Fontana, California. Geodis will operate its facility under the FTZ procedures as a multi-usage site.

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 Geodis (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 Geodis Logistics LLC;
3. 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. _____.

DATE: NOVEMBER 25, 2024

PAGE 2 OF 3

SUBJECT: FTZ OPERATING AGREEMENT WITH GEODIS LOGISTICS LLC

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 extension options (Transmittal 1). Geodis is a U.S. company with its head office located in Brentwood, TN employing approximately 156 employees.

Geodis 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. Geodis 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 – Geodis is requesting approval from the Harbor Department to execute the proposed Agreement to operate Site 74 as a multi-usage FTZ facility. Geodis receives, stores, manages inventory, and distributes various general merchandise, which will be distributed for U.S. consumption. Occasionally, products may be re-exported from this facility.

If Geodis 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.

ENVIRONMENTAL ASSESSMENT:

The proposed action is the approval of the FTZ Agreement with Geodis, 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.

DATE: NOVEMBER 25, 2024

PAGE 3 OF 3

SUBJECT: FTZ OPERATING AGREEMENT WITH GEODIS LOGISTICS LLC

FINANCIAL IMPACT:

If the proposed Agreement is approved, the Harbor Department will receive \$7,750 annually from Geodis (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 Agreement as to form and legality.

TRANSMITTALS:

1. Proposed FTZ Operating Agreement for Geodis Logistics LLC, FTZ 202, Site 74
2. FTZ 202, Site B Map
3. FTZ 202, Service Area Map

FIS Approval: JS
CA Approval: SO



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