



Executive Director's  
Report to the  
Board of Harbor Commissioners

**DATE: JUNE 5, 2019**

**FROM: CARGO MARKETING**

**SUBJECT: RESOLUTION NO. \_\_\_\_\_ - APPROVAL OF SECOND AMENDMENT TO THE FOREIGN-TRADE ZONE USAGE-DRIVEN GENERAL PURPOSE OPERATING AGREEMENT NO. 09-2749 BETWEEN THE CITY OF LOS ANGELES HARBOR DEPARTMENT AND ASK MARINE, INC. FTZ 202 SITE 15**

**SUMMARY:**

Staff requests approval of a Second Amendment to Foreign-Trade Zone (FTZ) Operating Agreement No. 09-2749 between the City of Los Angeles Harbor Department (Harbor Department) and ASK Marine, Inc. (ASK) to continue operating its facility within FTZ 202, Site 15, located at 1020 McFarland Ave., Wilmington, California 90744. The Harbor Department, as the FTZ grantee, establishes Operating Agreements with FTZ site operators to oversee their FTZ operations.

ASK's current FTZ Operating Agreement No. 09-2749 will expire on September 24, 2019. The Second Amendment will extend the term of the Operating Agreement by five years. ASK requests to continue operating its warehouse as an FTZ warehouse. The Harbor Department needs to execute the Second Amendment to extend the Agreement, as required by the FTZ Board.

Site 15 consists of 159,865 square feet of warehouse and office space on four acres located approximately five miles north of the Port of Los Angeles. ASK will operate its warehouse under FTZ procedures as a multi-usage site. This proposed Second Amendment will not require funding by the Harbor Department. If the proposed amendment is approved, the Harbor Department will receive \$7,750 annually from ASK (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;

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2. Approve the proposed Second Amendment to Foreign-Trade Zone Operating Agreement No. 09-2749 between the City of Los Angeles Harbor Department and ASK Marine, Inc.;
3. Direct the Board Secretary to transmit the proposed Second Amendment to Foreign-Trade Zone Operating Agreement No. 09-2749 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 Second Amendment to Foreign-Trade Zone Operating Agreement No. 09-2749; 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 an Operating Agreement with FTZ site operators.

Need for Agreement – The proposed Second Amendment (Transmittal 1) will extend the term of this Agreement to September 24, 2024. ASK is a U.S. company with its head office located in Wilmington, California, employing approximately eight full-time and part-time employees working within the FTZ warehouse. ASK has continually operated its FTZ warehouses since 2009. This facility consists of approximately 159,865 square feet of warehouse and office space on 4 acres (Transmittal 2) and is within the FTZ 202 service area (Transmittal 3).

Need for Approval – ASK is requesting approval from the Harbor Department to execute the proposed Second Amendment to continue to operate Site 15 as a multi-usage FTZ warehouse for a term of five years. ASK receives, stores, re-labels, repackages, manages inventory, and distributes various imported products which will be distributed for U.S. consumption. Occasionally, products are re-exported from this warehouse.

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

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ASK 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.

**ENVIRONMENTAL ASSESSMENT:**

The proposed action is the approval of a Second Amendment to FTZ Operating Agreement No. 09-2749 with ASK, 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 Second Amendment is approved, the Harbor Department will receive \$7,750 annually from ASK (per FTZ Tariff No. 2).

Approval of the Second Amendment is not anticipated to result in additional, incremental FTZ-related consulting service expenses being incurred by the Harbor Department. During Fiscal Year (FY) 2019, revenues of \$357,269 are anticipated to be collected from Harbor Department FTZ operators relative to FY 2019 expenses of \$42,281 expected to be incurred by the Harbor Department for FTZ-related consulting services.

**CITY ATTORNEY:**

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

**TRANSMITTALS:**


1. Proposed Second Amendment to FTZ Operating Agreement for ASK Marine Inc., FTZ 202, Site 15
2. FTZ 202, Site 15 Map
3. FTZ 202, Service Area Map



ERIC CARIS  
Director of Cargo Marketing

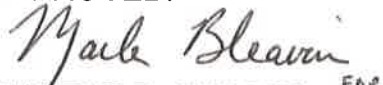
FIS Approval: 

CA Approval: 



MICHAEL DiBERNARDO  
Deputy Executive Director

APPROVED:



EUGENE D. SEROKA FOR  
Executive Director