



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

**DATE: JUNE 29, 2011**

**FROM: BUSINESS & TRADE DEVELOPMENT**

**SUBJECT: RESOLUTION NO. \_\_\_\_\_ APPROVAL OF FOREIGN-TRADE  
ZONE BOARD FOR AN ALTERNATIVE SITE FRAMEWORK OF  
FOREIGN-TRADE ZONE NO. 202**

**SUMMARY:**

The City of Los Angeles Harbor Department (Harbor Department), as the Foreign-Trade Zone (FTZ) grantee, is required to justify and optimize the amount of acreage within the zone to the FTZ Board. In 2009, the FTZ Board adopted an Alternative Site Framework (ASF) for grantees that choose to participate for designating and managing general-purpose FTZ sites. ASF is the preferred operational structure of the FTZ Board, as it simplifies application requirements and improves processing time. Staff is recommending the Board of Harbor Commissioners (Board) approve the ASF Application (Application) for submission to the FTZ Board.

**RECOMMENDATION:**

It is recommended that the Board of Harbor Commissioners:

1. Approve the subject resolution for the Application;
2. Authorize the Executive Director to sign and submit the Application to the FTZ Board;
3. Upon approval by the Board of Harbor Commissioners, authorize the Executive Director to execute and the Board Secretary to attest to the proposed ASF of FTZ No. 202; and
4. Adopt Resolution No. \_\_\_\_\_.

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SUBJECT: ALTERNATIVE SITE FRAMEWORK OF FTZ NO. 202

**DISCUSSION:**

Background – The U.S. Foreign-Trade Zone's (FTZ) Program was founded through the FTZ Act of 1934 and intends to encourage foreign commerce in the United States by allowing special customs-related benefits to businesses locating their international operations in a U.S. FTZ. These grants of authority are obtained through an application to the FTZ Board. If the application is approved, the organization is referred to as the grantee of the newly established zone. The Harbor Department obtained its grant of authority in 1994 with the approval of the zone application establishing FTZ No. 202. At the time the original application was filed, there was only one zone framework available. The Harbor Department has managed the zone and developed the zone plan around the Traditional Site Framework (TSF). This structure allowed the Harbor Department to establish sites in areas that seemed to be the best suited for development of the zone program within the greater Los Angeles area. During the life of FTZ No. 202, there have been several changes made to the zone to maintain the best available options for Zone Operators (Operators).

The current TSF does not provide an easy approval process for new Operators, wishing to locate in the non-approved FTZ areas. While the zone has been very successful in gathering new Operators, the use of the new ASF will allow the Harbor Department to further the success of FTZ No. 202. The ASF will meet the needs of companies throughout the service areas in a quick and efficient manner, which will move Operators to activated status more quickly.

Need for Resolution – Under the current TSF framework, when an Operator wants to activate a new site, they either have to prepare an expansion application or give up unused area in their existing site and prepare a Minor Boundary Modification application. Both require a lengthy FTZ Board and U.S. Customs process. The ASF framework allows the Operator to prepare an application to the grantee for adding a new site, without the need to give up acreage at another site, as long as the new site is within the FTZ No. 202 service area. Any new sites are called usage-driven sites and it enables grantees to locate zone designation where specific companies' needs arise. Usage-driven sites assist the grantees in responding to growth opportunities within the local economy. Sites under the ASF framework can be added, removed, or modified using a quick and simple minor action with the grantee, the FTZ Board and U.S. Customs rather than the full expansion application that is required under the TSF guidelines. Under the existing TSF framework, the Operator approval period is between 12 and 18 months. Under the new ASF framework, the Operator approval period is reduced to between six and nine months.

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As of June 1, 2011 there are 36 Zones in the United States that are under the ASF framework, including the Port of Long Beach. Additionally, there are 16 Zones in the United States that have ASF applications pending approval by the FTZ Board.

Need for Approval –The Application requires an adopted resolution by the Board authorizing the Executive Director to sign and submit the application to the FTZ Board. The Resolution is an administrative requirement of the FTZ Board.

Harbor Department staff has prepared a separate resolution to submit along with the Application to the FTZ Board.

Harbor Department Fiscal Requirements – The proposed resolution will not require additional funding by the Harbor Department as this is part of the Harbor Department's FTZ Consultant scope of work.

#### **ENVIRONMENTAL ASSESSMENT:**

The proposed action is authorization to manage Foreign-Trade Zone (FTZ) No. 202 under the Board-adopted Alternative Site Framework (ASF). The Director of Environmental Management has determined that the proposed action is exempt from the California Environmental Quality Act (CEQA) as an administrative activity under Article II, Section 2 (f) of the Los Angeles City CEQA Guidelines.

#### **ECONOMIC BENEFITS:**

Approval of the proposed resolution will have no direct employment impact for the five-county region.

#### **FINANCIAL IMPACT:**

Approval of the proposed Resolution is expected to cost the Harbor Department approximately \$14,000 in consulting fees associated with the application to the FTZ Board. In Calendar Year 2010, the Harbor Department received approximately \$120,000 in revenues from FTZ activities.

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**CITY ATTORNEY:**

The proposed resolution has been approved as to form and legality by the Office of the City Attorney.

**TRANSMITTALS:**

1. Application letter
2. Resolution
3. Service area maps
4. Department of Commerce ASF Summary

FIS Approval: WP (initials)

CA Approval: RM (initials)



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APPROVED:



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