



Executive Director's
Report to the
Board of Harbor Commissioners

DATE: JUNE 25, 2013

FROM: BUSINESS & TRADE DEVELOPMENT

**SUBJECT: RESOLUTION NO. _____ APPROVAL OF FOREIGN-TRADE
ZONE DEVELOPER AGREEMENT BETWEEN THE CITY OF LOS
ANGELES HARBOR DEPARTMENT AND STRS OHIO CA REAL
ESTATE INVESTMENTS II, LLC SITE 20**

SUMMARY:

The City of Los Angeles Harbor Department (Harbor Department), as the Foreign-Trade Zone (FTZ) grantee, establishes Developer Agreements with FTZ site owners to oversee their FTZ developments. The Harbor Department received a request from STRS Ohio CA Real Estate Investments II, LLC (STRS) to execute a Developer Agreement within FTZ 202, Site 20, located at 11296 Harrel Street, Mira Loma, California. Site 20 consists of two parcels and STRS recently purchased one parcel from Industrial Development International. This site is undeveloped land within FTZ 202, Site 20. This site is approximately 60 miles northeast of the Port of Los Angeles (Port). STRS's principal address is located in Columbus, Ohio, and the company's business includes real estate investments. As such, STRS has invested in the land acquisition of Site 20 to help develop and attract potential FTZ operators to the site. The proposed FTZ Developer Agreement (Agreement) will provide at term of five years with three, five-year renewal options.

RECOMMENDATION:

It is recommended that the Board of Harbor Commissioners (Board):

1. Approve the proposed Foreign-Trade Zone Developer Agreement between the City of Los Angeles Harbor Department and STRS Ohio CA Real Estate Investments II, LLC;
2. Direct the Board Secretary to transmit the Foreign-Trade Zone Developer 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;

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3. Upon approval by the City Council, authorize the Executive Director to execute and the Board Secretary to attest to the Foreign-Trade Zone Developer Agreement; and
4. Adopt Resolution No. _____.

DISCUSSION:

Background and Context – The Foreign-Trade Zone Act of 1934, as amended (19 U.S.C. 81a-81u) was established to support United States 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 a FTZ is a restricted access site located in the U.S. Customs and Border Protection (CBP) territories. The importer may defer payment of duties and other fees until the merchandise is brought into U.S. commerce for consumption.

Need for Agreement – The Harbor Department, as the grantee, is required by the FTZ Board to have a developer agreement with FTZ site owners. STRS recently purchased a part of FTZ 202, Site 20 (Transmittal 2) from Industrial Development International and wish to maintain FTZ status of this parcel. Without the FTZ developer agreement, FTZ status would be lost for the purchased acreage. As such, STRS made a request to the Harbor Department to enter into a new developer agreement.

Need for Approval – STRS is requesting approval from the Harbor Department to execute the proposed Agreement (Transmittal 1) to develop and market Site 20 as a FTZ site. This is an administrative requirement for the Harbor Department.

Harbor Department Fiscal Requirements – This proposed Agreement will not require funding by the Harbor Department. STRS paid a \$2,500 expansion application fee to the Harbor Department

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of an FTZ Developer Agreement with STRS as the new landowner of a part of FTZ 202, Site 20. As an activity involving the issuance of an agreement to use an existing facility involving negligible or no expansion of use, the Director of Environmental Management has determined the proposed action is exempt from the California Environmental Quality Act (CEQA) in accordance with Article III, Class 1(14) of the Los Angeles City CEQA Guidelines.

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ECONOMIC BENEFITS:

Approval of the proposed Agreement will have no employment impact.

FINANCIAL IMPACT:

The applicant has already paid an initial application fee of \$2,500 to the Harbor Department. When the site is activated, each site operator will pay the Harbor Department a \$5,000 activation fee and a \$5,000 annual fee per FTZ Tariff No. 1. No Harbor Department funds are required for the actions granted by this Board item.

Although there is no direct cost to the Harbor Department arising from this proposed Board action, the Harbor Department does incur FTZ-related expenses. During calendar year 2012, approximately \$80,000 was spent on outside FTZ-related consulting services whereas \$159,000 in revenues was collected from the Harbor Department FTZ operators and developers.

Approving the proposed Agreement with STRS creates an entity that confers among other advantages, tax and operating benefits to the operator, and provides a tool for economic development. As the Harbor Department is a designated grantee of FTZs under the State of California enabling legislation, granting FTZ status to an operator allows more efficient operations and allows STRS to remain competitive.

By maintaining FTZ status of this parcel as a Developer of this site, STRS will be able to offer additional incentives to attract new business to the Los Angeles economic area. Their tenants 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, STRS tenants can potentially shift its employees to work elsewhere as a result of seeking FTZ status in another location.

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CITY ATTORNEY:

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

TRANSMITTALS:


1. Proposed FTZ Developer Agreement for FTZ 202, Site 20
2. FTZ 202, Site 20 site map

FIS Approval: WP (initials)
CA Approval: JS (initials)


MICHAEL DiBERNARDO
Director of Business Development


KATHRYN McDERMOTT
Deputy Executive Director

APPROVED:


GERALDINE KNATZ, Ph.D.
Executive Director

M. Morimoto