



**THE PORT
OF LOS ANGELES**

Executive Director's
Report to the
Board of Harbor Commissioners

DATE: AUGUST 26, 2014

FROM: BUSINESS AND TRADE DEVELOPMENT

**SUBJECT: RESOLUTION NO. _____ APPROVAL OF FIRST
AMENDMENTS TO FOREIGN-TRADE ZONE GENERAL PURPOSE
OPERATING AGREEMENT NOS. 13-3148 AND 13-3149 BETWEEN
THE CITY OF LOS ANGELES HARBOR DEPARTMENT AND PUMA
NORTH AMERICA, INC., FTZ 202, SITE 9 AND SITE 28**

SUMMARY:

The City of Los Angeles Harbor Department (Harbor Department), as the Foreign-Trade Zone (FTZ) 202 grantee, establishes General Purpose Operating Agreements with FTZ operators to oversee their FTZ operations. On September 1, 2013, the Harbor Department entered into two FTZ Operating Agreements with Puma North America Inc., (Puma) for Site 9 located in Torrance, California and Site 28 located in Carson, California as Multi-User Zone Sites to provide FTZ services to the public. However, Puma has elected not to handle FTZ services to the public and as such, requires their operating agreement to be amended to a Single-User Zone. Under FTZ Board rules, both Puma sites will now be classified as Single-User Zone sites.

A classification change from a Multi-User Zone Site operator to a Single-User Zone Site operator requires the Harbor Department to amend FTZ Operating Agreement No. 13-3148 (Agreement No. 13-3148) and FTZ Operating Agreement 13-3149 (Agreement No. 13-3149). This change will increase the annual administration fee to the Harbor Department from \$7,750 for Multi-User Zone Site operator to \$10,000 for Single-User Zone Site operator (Per FTZ Tariff No.2). Also, as part of the changes, all updated City of Los Angeles contractual provisions will be incorporated into Agreement No. 13-3148 and Agreement No. 13-3149. All remaining terms and conditions of the Agreements shall remain in full force and effect.

RECOMMENDATION:

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

1. Approve the proposed First Amendments to Foreign-Trade Zone Operating Agreement No. 13-3148 and Foreign-Trade Zone Operating Agreement No. 13-3149 between the City of Los Angeles Harbor Department and Puma North America Inc.;

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2. Direct the Board Secretary to transmit the proposed First Amendments to Foreign-Trade Zone Operating Agreement No. 13-3148 and Foreign-Trade Zone Operating Agreement No. 13-3149 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;
3. Upon approval by the City Council, authorize the Executive Director to execute and the Board Secretary to attest to the proposed First Amendments to Foreign-Trade Zone Operating Agreement No. 13-3148 and Foreign-Trade Zone Operating Agreement No. 13-3149; and
4. Adopt Resolution No. _____.

DISCUSSION:

Background Context – The Foreign-Trade Zone 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 a FTZ is a restricted access site located in the United State Customs and Border Protection Agency 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 an operating agreement with FTZ site operators (Transmittals 1 and 2). The proposed First Amendments are to designate Puma as a Single-User Zone Site operator for Site 9 and Site 28. Puma is a U.S. company and its head office is located in Westford, Massachusetts. Puma employs approximately 200 full-time employees at Site 9. The facility at Site 9 consists of approximately 425,000 square feet of warehouse and an office space on 30.27 acres owned by Prologis Inc. (Transmittal 3). Puma employs approximately 150 full-time employees at Site 28. The facility at Site 28 consists of approximately 220,000 square feet of warehouse and an office space on 8 acres owned by California Cartage Inc. (Transmittal 4).

Need for Approval – Puma is requesting approval from the Harbor Department to execute the proposed First Amendments to change site classifications in Agreement No. 13-3148 and Agreement No. 13-3149 to Single-User Zone sites. Puma receives, stores, manages inventory, and distributes shoes, consumer products, and other merchandise for sale nationally. Occasionally, the products are re-exported from the warehouse. Also,

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the proposed First Amendments incorporate updated City of Los Angeles contractual provisions standard in Harbor Department contracts.

Harbor Department Fiscal Requirements – The proposed First Amendments will not require funding by the Harbor Department. Puma will pay an annual fee of \$10,000 for each site to the Harbor Department for the five-year term of the proposed First Amendments.

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of the proposed First Amendments to the FTZ Operating Agreements with Puma to continue to operate its sites within FTZ 202, Site 9, located in Torrance, California and Site 28 located in Carson, California. As an activity involving the amendment of a permit to use an existing facility involving negligible or no expansion of use, the Director of Environmental Management has determined that the proposed action is exempt from the requirements of the California Environmental Quality Act (CEQA) in accordance with Article III Class 1(14) of the Los Angeles City CEQA Guidelines.

ECONOMIC BENEFITS:

This Board action will have no employment impact.

FINANCIAL IMPACT:

The Harbor Department to date has received \$5,000 in annual fees from each site (per Tariff No. 1) from Puma for the original first year of the term. If the proposed First Amendments are approved, the Harbor Department will receive from Puma \$10,000 annually from each site (per FTZ Tariff No. 2). The Harbor Department will collect \$4,500 more per year because of the proposed amendments.

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 2013, approximately \$250,000 was spent on administrative operating cost including FTZ related consulting services while \$264,000 in revenues was collected from all of the Harbor Department's FTZ operators.

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CITY ATTORNEY:

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

TRANSMITTALS:

1. Proposed First Amendment to FTZ Operating Agreement No. 13-3148 with Puma North America, Inc., FTZ 202, Site 28
2. Proposed First Amendment to FTZ Operating Agreement No. 13-3149 with Puma North America, Inc., FTZ 202, Site 9
3. FTZ 202, Site 9 Map
4. FTZ 202, Site 28 Map



MICHAEL DiBERNARDO
Director of Business Development

FIS Approval:  (initials)
CA Approval:  (initials)



DAVID L. MATHEWSON
Interim Deputy Executive Director

APPROVED:



EUGENE D. SEROKA
Executive Director

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