



**DATE: JANUARY 20, 2021**

**FROM: CARGO MARKETING**

**SUBJECT: RESOLUTION NO. \_\_\_\_\_ - APPROVAL OF FOREIGN-TRADE  
ZONE GENERAL PURPOSE OPERATING AGREEMENT BETWEEN  
THE CITY OF LOS ANGELES HARBOR DEPARTMENT AND HOWARD  
HARTRY, INC., FTZ 202, SITE 60**

**SUMMARY:**

Staff requests approval of a Foreign-Trade Zone (FTZ) Operating Agreement (Agreement) between the City of Los Angeles Harbor Department (Harbor Department) and Howard Hartry Inc. (Howard Hartry) to operate its facility within FTZ 202, Site 60, located at 18701 Arenth Avenue, City of Industry, CA 91748. On October 4, 2019, the FTZ Board approved this location as a designated FTZ warehouse, under the alternative site framework as usage-driven Site 60. The Harbor Department, as the FTZ grantee, establishes Operating Agreements with FTZ site operators to oversee their FTZ operations.

Site 60 is a warehouse and office building totaling 2.25 acres located approximately 40 miles from the Port of Los Angeles. Howard Hartry will operate its facility under 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 Howard Hartry (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 Howard Hartry;
3. Direct the Board Secretary to transmit the proposed Foreign-Trade Zone Operating Agreement to the Los Angeles City Council for approval pursuant to Section 373 of

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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 Foreign-Trade Zone Operating Agreement; 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.

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 extensions (Transmittal 1). Howard Hartry is a U.S. company with its head office located in San Pedro, California employing approximately 3 full-time and part-time employees working within the proposed FTZ warehouse area. Howard Hartry will operate its FTZ site at 18701 Arenth Avenue, City of Industry, CA 91748, FTZ 202, Site 60. The facility consists of warehouse and office space on 2.25 acres (Transmittal 2) and is within the FTZ 202 service area (Transmittal 3).

Howard Hartry 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. Howard Hartry 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 – Howard Hartry is requesting approval from the Harbor Department to execute the proposed FTZ Operating Agreement to operate Site 60 as a multi-usage FTZ facility. Howard Hartry handles the logistics, handling, storage, inventory and quality control of general merchandise, products may be re-exported.

If Howard Hartry 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. 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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**ENVIRONMENTAL ASSESSMENT:**

The proposed action is the approval of a Foreign-Trade Zone Operating Agreement between the Harbor Department and Howard Hartry, 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 Agreement is approved, the Harbor Department will receive \$7,750 annually from Howard Hartry (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. During Fiscal Year 2020, revenues of \$361,536 were collected from Harbor Department FTZ operators relative to FY 2020 expenses \$30,181 incurred by the Harbor Department for consulting services.

**CITY ATTORNEY:**

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

**TRANSMITTALS:**

- 1. Proposed FTZ Operating Agreement with Howard Hartry Inc. FTZ 202, Site 60
- 2. FTZ 202, Site 60 Map
- 3. FTZ 202, Service Area Map

ERIC CARIS  
Director of Cargo Marketing

FIS Approval: MB  
CA Approval: SO

*Michael DiBernardo*

MICHAEL DIBERNARDO  
Deputy Executive Director

APPROVED:

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