



**THE PORT  
OF LOS ANGELES**

Executive Director's  
Report to the  
Board of Harbor Commissioners

**DATE: NOVEMBER 12, 2015**

**FROM: CARGO MARKETING**

**SUBJECT: RESOLUTION NO. \_\_\_\_\_ - APPROVAL OF FOREIGN-TRADE  
ZONE GENERAL PURPOSE OPERATING AGREEMENT BETWEEN  
THE CITY OF LOS ANGELES HARBOR DEPARTMENT AND  
SCREEN GP AMERICAS, LLC FTZ 202, SITE 44**

**SUMMARY:**

The City of Los Angeles Harbor Department (Harbor Department), as the Foreign-Trade Zone (FTZ) grantee, establishes General Purpose Operating Agreements with FTZ operators to oversee their FTZ operations. The Cargo Marketing Division recommends that the Board of Harbor Commissioners approve the FTZ operating agreement between the City Harbor Department and Screen GP Americas, LLC (Screen) to activate its warehouse within FTZ 202, Site 44, located at 10727 Commerce Way, Fontana, California 92337. Site 44 is a 29,175 square feet property including a warehouse located approximately 65 miles from the Port of Los Angeles. Screen will be operating its warehouse under FTZ procedures as a single-usage site. The proposed FTZ Operating Agreement (Agreement) is for a term of five years with three, five-year renewal options. This proposed Agreement will not require funding by the Harbor Department.

**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 exempt from the requirements of the California Environmental Quality Act (CEQA) under Article III Class 1 (14), 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 Screen GP Americas, LLC;
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 the Charter of the City of Los Angeles and Section 10.5 of the Los Angeles Administrative Code;

SUBJECT: GENERAL PURPOSE OPERATING AGREEMENT WITH SCREEN GP AMERICAS LLC. FTZ 202, SITE 44

4. Authorize the Executive Director to execute and the Board Secretary to attest to the proposed Foreign-Trade Zone Operating Agreement, upon approval by the City Council; 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 (CBP) 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 (Transmittal 1). Screen, a U.S. company with its head office located in Rolling Meadows, Illinois, will employ eight full-time employees at this FTZ site. This facility is approximately 29,175 square feet of warehouse with office space. The property is owned by Icon Owner Pool 1 Inland Empire/OC Non-Business Parks, LLC. (Transmittal 2).

Screen 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. Screen agrees to keep its warehouses open to support the PierPass Program and shall notify truck drivers, truck brokers, and trucking companies that the trucks serving the container terminals must confine their routes to the designated Wilmington Truck Route.

Need for Approval – Screen is requesting approval from the Harbor Department to execute the proposed Agreement to operate Site 44 as a single usage FTZ warehouse. Screen receives, stores, re-labels, repackages, manages inventory, and distributes imported digital imaging machineries which will be distributed for U.S. consumption. Occasionally, products are re-exported from this warehouse. In July 2015, this site obtained FTZ designation from the FTZ Board. However, approval is required from CBP to activate this site as an FTZ Site.

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

SUBJECT: GENERAL PURPOSE OPERATING AGREEMENT WITH SCREEN GP AMERICAS LLC. FTZ 202, SITE 44

Harbor Department Fiscal Requirements – Screen has already paid a one-time \$2,500 Minor Boundary Modification (MBM) application fee and a one-time \$5,000 activation application fee. An annual fee of \$10,000 (per FTZ Tariff No. 2) will be paid to the Harbor Department for each year of the five-year term of the proposed Agreement for a total of \$50,000.

**ENVIRONMENTAL ASSESSMENT:**

The proposed action is approval of a proposed Agreement with Screen, to activate its site within the FTZ 202 service area (Transmittal 3) at Site 44, located in Los Angeles, California. As an activity involving the issuance of a permit to use an existing facility involving negligible or no expansion of use, find that 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.

**FINANCIAL IMPACT:**

Screen paid the Harbor Department a one-time \$2,500 MBM application fee and one-time \$5,000 activation application fee. If the proposed Agreement is approved, the Harbor Department will receive from Screen an annual fee of \$10,000 (per FTZ Tariff No. 2) for each year of the five years. Should the renewal options be exercised subsequent to the completion of the initial term of the Agreement, compensation will also be \$10,000 per year.

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 2014, approximately \$20,000 was spent on outside FTZ related consulting services, while \$338,008 in revenue was collected from the Harbor Department FTZ operators.

Approving the proposed Agreement with Screen creates an entity that confers, among other advantages, tax and operating benefits to the operator, and provides a tool for economic development. Granting FTZ status to Screen allows more efficient operations and allows Screen to remain competitive.

SUBJECT: GENERAL PURPOSE OPERATING AGREEMENT WITH SCREEN GP AMERICAS LLC. FTZ 202, SITE 44

**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 for Screen FTZ 202, Site 44
2. FTZ 202, Site 44 Map
3. FTZ 202, Service Area Map

FIS Approval: MB (initials)  
CA Approval: MD (initials)



ERIC CARIS  
Director of Cargo Marketing



MICHAEL DiBERNARDO  
Deputy Executive Director

APPROVED:



EUGENE D. SEROKA  
Executive Director