



THE PORT  
OF LOS ANGELES  
Executive Director's  
Report to the

Board of Harbor Commissioners

**DATE: JUNE 1, 2017**

**FROM: CARGO MARKETING**

**SUBJECT: RESOLUTION NO. \_\_\_\_\_ APPROVAL OF SECOND AMENDMENT TO FOREIGN-TRADE ZONE DEVELOPER AGREEMENT NO. 2537 BETWEEN THE CITY OF LOS ANGELES HARBOR DEPARTMENT AND PROLOGIS TARGETED U.S. LOGISTICS FUND, L.P. FTZ 202, SITE 7**

**SUMMARY:**

Staff requests the approval of a (Second Amendment) of the Foreign-Trade Zone (FTZ) Developer Agreement between the City of Los Angeles Harbor Department (Harbor Department) and Prologis Targeted U.S. Logistics Fund, L.P. (Prologis) to continue its FTZ status and market its warehouse within FTZ 202, Site 7, located at 1000 West Francisco Street, Torrance, California 90502. The Harbor Department, as the FTZ grantee, establishes Developer Agreements with FTZ site owners to oversee their FTZ developments. Prologis is a real estate investment firm whose principal address is located in Cerritos, California.

FTZ Developer Agreement No. 2537 (Agreement) between the Harbor Department and Prologis has an original term of five years with three, five year renewal options. The first extension became effective on August 1, 2012, and is set to expire on July 31, 2017. Prologis wishes to continue its FTZ status and market its warehouse as a FTZ warehouse and has requested the Harbor Department to extend the Agreement as required by the FTZ Board.

This facility consist of approximately 298,000 square feet of warehouse and office space on 17.5 acres parcel within Magnet Site 7 located approximately nine miles from the Port of Los Angeles. This proposed Amendment will not require funding by the Harbor Department.

This second renewal includes updated indemnification and insurance language provisions. All remaining terms and conditions of the Agreement shall remain in full force and effect, except as amended herein. Upon approval, the Agreement will remain in effect through July 31, 2022.

**SUBJECT: SECOND AMENDMENT TO DEVELOPER AGREEMENT WITH PROLOGIS TARGETED U.S. LOGISTICS FUND, L.P. SITE 7**

**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 Second Amendment of Foreign-Trade Zone Developer Agreement No. 2537 between the City of Los Angeles Harbor Department and Prologis Targeted U.S. Logistics Fund, L.P.;
3. Direct the Board Secretary to transmit the proposed Second Amendment to Foreign-Trade Zone Developer Agreement No. 2537 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;
4. Upon approval by the City Council, authorize the Executive Director to execute and the Board Secretary to attest to the proposed Second Amendment to Foreign-Trade Zone Developer Agreement No. 2537; 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 U.S. commerce for consumption.

Need for Amendment – The Harbor Department, as the grantee, is required by the FTZ Board to have a Developer Agreement with FTZ site owners. The Harbor Department received a request from Prologis to exercise its second renewal option to extend the term of its Developer Agreement at FTZ 202, Site 7 (Transmittal 1). Site 7 is located in the City of Torrance, approximately nine miles north of the Port of Los Angeles (Transmittal 2) and within the FTZ 202 service area (Transmittal 3).

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**SUBJECT: SECOND AMENDMENT TO DEVELOPER AGREEMENT WITH PROLOGIS TARGETED U.S. LOGISTICS FUND, L.P. SITE 7**

Need for Approval – If the renewal of this Developer Agreement is not approved, Prologis would lose its FTZ status at this location, and would thus lose an important benefit to attract new business to the Los Angeles economic area. This approval process is an administrative action as required by the FTZ Board.

Harbor Department Fiscal Requirements – This proposed Amendment will not require funding by the Harbor Department.

**ENVIRONMENTAL ASSESSMENT:**

The proposed action is approval of the Second Amendment to the Developer Agreement with Prologis, as the landowner of FTZ 202, Site 7, to extend the term of the Agreement. As an activity involving the Amendment 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.

**FINANCIAL IMPACT:**

When the site is activated by an operator, each site operator will pay the Harbor Department a one-time activation fee of \$5,000 and a \$7,750 annual fee per FTZ Tariff No. 2. 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 2016, approximately \$48,606.25 was spent on outside FTZ related consulting services, while \$336,688 in revenue was collected from the Harbor Department FTZ operators.

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**CITY ATTORNEY:**

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

**TRANSMITTALS:**

1. Proposed Second Amendment to FTZ Developer Agreement No. 2537 with Prologis Targeted U.S. Logistics Fund L.P., FTZ 202, Site 7
2. FTZ 202, Site 7 Map
3. FTZ 202, Service Area Map

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



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APPROVED:



EUGENE D. SEROKA  
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