

**DATE: JULY 31, 2024**

**FROM: CARGO MARKETING**

**SUBJECT: RESOLUTION NO. \_\_\_\_\_ - APPROVAL OF FOREIGN-TRADE ZONE (FTZ) OPERATING AGREEMENT BETWEEN THE CITY OF LOS ANGELES HARBOR DEPARTMENT AND HARMONI INTERNATIONAL SPICE, LP FTZ 202, SITE 71**

**SUMMARY:**

Staff requests approval of a Foreign-Trade Zone (FTZ) Operating Agreement between the City of Los Angeles Harbor Department (Harbor Department) and Harmoni International Spice, LP (Harmoni), to operate its facility within FTZ No. 202, Site 71, located at 881 S. Azusa Ave., City of Industry, CA 91748. Site 71 consists of 3.36 acres of handling, storing, and distribution space for general merchandise within three warehouse facilities located in the City of Industry, California. Harmoni will operate its facility under the 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 Harmoni (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 Harbor Department and Harmoni International Spice, LP;
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;
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 extension options (Transmittal 1). Harmoni is a U.S. company with its head office located in the City of Industry, California, employing approximately 11 full-time employees as well as temporary workers and permanent workers from local staffing agencies on an as-needed basis. This facility consists of three warehouse facilities/distribution centers (Transmittal 2) on parcels totaling 3.36 acres and is within the FTZ 202 service area (Transmittal 3).

Harmoni 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. Harmoni 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 – Harmoni is requesting approval from the Harbor Department to execute the proposed Agreement to operate Site 71 as a multi-usage FTZ facility. Harmoni receives, stores, manages inventory, and distributes various general merchandise, which will be distributed for U.S. consumption. Occasionally, products may be re-exported from this facility.

If Harmoni 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.

**ENVIRONMENTAL ASSESSMENT:**

The proposed action is the approval of the FTZ Agreement with Harmoni, which is an administrative activity. Therefore, the Director of Environmental Management has determined that the proposed action is administratively exempt from the requirements of the CEQA in accordance with Article II Section 2 (f) of the Los Angeles City CEQA Guidelines.

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SUBJECT: FTZ OPERATING AGREEMENT WITH HARMONI INTERNATIONAL  
SPICE, LP

**FINANCIAL IMPACT:**

If the proposed Agreement is approved, the Harbor Department will receive \$7,750 annually from Harmoni (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.

**CITY ATTORNEY:**

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

**TRANSMITTALS:**

1. Proposed FTZ Operating Agreement for Harmoni International Spice, LP, FTZ 202, Site 71
2. FTZ 202, Site B Map
3. FTZ 202, Service Area Map





ERIC CARIS  
Director of Cargo Marketing

APPROVED:

*Erica M. Calhoun* for

EUGENE D. SEROKA  
Executive Director

FIS Approval:   
CA Approval: 

*Michael DiBernardo*

MICHAEL DiBERNARDO  
Deputy Executive Director