



DATE: AUGUST 14, 2013

FROM: BUSINESS AND TRADE DEVELOPMENT

**SUBJECT: RESOLUTION NO. _____ APPROVAL OF FOREIGN-TRADE
ZONE GENERAL PURPOSE OPERATING AGREEMENT BETWEEN
THE CITY OF LOS ANGELES HARBOR DEPARTMENT AND
INTERAMERICAN MOTOR CORPORATION FTZ 202, SITE 34**

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 Harbor Department received a request from Interamerican Motor Corporation (IMC) to activate its site within FTZ 202, Site 34 located at 8901 Canoga Avenue, Canoga Park, California, 91304. Site 34 is a 7.44 acre property with one warehouse located approximately 47 miles north-west of the Port of Los Angeles (Port). IMC will be operating its warehouse under FTZ procedures. The proposed FTZ Operating Agreement (Agreement) is for a term of five years with three, five-year renewal options.

RECOMMENDATION:

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

1. Approve the proposed Foreign-Trade Zone Operating Agreement between the City of Los Angeles Harbor Department and Interamerican Motor Corporation;
2. Direct the Board Secretary to transmit the 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;
3. Upon approval by the City Council, authorize the Executive Director to execute and the Board Secretary to attest to the Foreign-Trade Zone Operating Agreement; and
4. Adopt Resolution No. _____.

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**SUBJECT: GENERAL PURPOSE OPERATING AGREEMENT WITH
INTERAMERICAN MOTOR CORPORATION FTZ 202, SITE 34**

DISCUSSION:

Background and 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 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 Agreement – The Harbor Department, as the grantee, is required by the FTZ Board to have an operating agreement with FTZ site operators.

IMC employs 192 full-time employees. FTZ 202, Site 34 is a 7.44 acre property with a 425,603 square foot office space and warehouse (Transmittal 2). All operators 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. IMC 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 – IMC is requesting approval from the Harbor Department to execute the proposed Agreement (Transmittal 1) to operate Site 34 as a FTZ warehouse. IMC receives, stores, manages inventory and distributes automobile parts and other merchandise for sale in the national market. Occasionally, products are re-exported from the warehouse. Site 34 is located within a designated FTZ 202 service area. As such, this company is not required to submit an application. The FTZ Board approved FTZ 202, Site 34 on July 10, 2013. IMC does need approval from CBP to be an activated FTZ operator.

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

Harbor Department Fiscal Requirements – This proposed Agreement will not require funding by the Harbor Department. IMC paid a \$1,500 Minor Boundary Modification application fee, a \$5,000 activation application fee and will pay an annual fee of \$7,500 to the Harbor Department for each year of the five-year term of the proposed Agreement for a total of \$37,500.

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**SUBJECT: GENERAL PURPOSE OPERATING AGREEMENT WITH
INTERAMERICAN MOTOR CORPORATION FTZ 202, SITE 34**

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of a proposed FTZ Operating Agreement with IMC to activate its site within FTZ 202, Site 34, located in Canoga Park California. As an activity involving the issuance 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:

IMC paid the Harbor Department a \$1,500 Minor Boundary Modification application fee and \$5,000 activation application fee. If the proposed Agreement is approved, the Harbor Department will receive from IMC an annual fee of \$7,500 (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 \$7,500 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 2012, approximately \$80,000 was spent on outside FTZ-related consulting services while \$159,000 in revenue was collected from the Harbor Department FTZ operators.

Approving the proposed Agreement with IMC creates an entity that confers among other advantages, tax and operating benefits to the operator, and provides a tool for economic development. As the Harbor Department is a designated grantee of FTZs under the State of California enabling legislation, granting FTZ status to IMC allows more efficient operations and allows IMC to remain competitive.

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INTERAMERICAN MOTOR CORPORATION FTZ 202, SITE 34

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 Interamerican Motor Cororation, FTZ 202, Site 34
2. Interamerican Motor Corporation, FTZ 202, Site 34 Map

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



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for KATHRYN McDERMOTT
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APPROVED:


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