



**THE PORT  
OF LOS ANGELES**  
Executive Director's  
Report to the  
Board of Harbor Commissioners

**DATE: DECEMBER 4, 2019**

**FROM: CARGO MARKETING**

**SUBJECT: RESOLUTION NO. \_\_\_\_\_ - APPROVAL OF THIRD AMENDMENT TO FOREIGN-TRADE ZONE GENERAL PURPOSE OPERATING AGREEMENT NO. 08-2606 BETWEEN THE CITY OF LOS ANGELES HARBOR DEPARTMENT AND NIPPON EXPRESS USA, INC.**

**SUMMARY:**

Staff requests approval of the Third Amendment to Foreign-Trade Zone (FTZ) Operating Agreement (Agreement) No. 08-2606 between the City of Los Angeles Harbor Department (Harbor Department) and Nippon Express USA, Inc. (Nippon) to relocate its FTZ warehouse to 1901 W. Pacific Coast Highway, Long Beach, California and change its site number from Site 7B to Site 61, as approved and assigned by the FTZ Board.

FTZ 202 Site 61 consists of 194,879 square feet of warehouse and office space on 9.68 acres located approximately 3 miles from the Port of Los Angeles. This Third Amendment includes a revised Exhibit A site map and updates to the indemnification and insurance language provisions. All other terms and conditions of Agreement No. 08-2606 shall remain in full force and effect.

**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 Third Amendment of to Foreign-Trade Zone Operating Agreement No. 08-2606 between the City of Los Angeles Harbor Department and Nippon Express USA, Inc.;
3. Direct the Board Secretary to transmit the proposed Third Amendment to Foreign-Trade Zone Operating Agreement No. 08-2606 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;

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4. Authorize the Executive Director to execute and the Board Secretary to attest to the proposed Second Amendment to Foreign-Trade Zone Operating Agreement No. 08-2606; 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. The Harbor Department, as the grantee, is required by the FTZ Board to have an Operating Agreement with FTZ site operators.

Need for Agreement – The Harbor Department, as the grantee, is required by the FTZ Board to have an Operating Agreement with FTZ site operators. Nippon is requesting approval from the Harbor Department to execute the proposed Third Amendment (Transmittal 1) to relocate FTZ warehouse operations within the FTZ 202 Service area. Nippon is requesting to transfer their FTZ status to their new location. The new site number, assigned by the FTZ Board, for the relocated warehouse operations is FTZ 202 Site 61 (Transmittals 2 and 3). FTZ 202 Site 61 consists of 194,879 square feet of warehouse and office space on 9.68 acres located approximately 3 miles from the Port of Los Angeles. This relocation of warehouse site operations requires an amendment to FTZ Operating Agreement No. 08-2606. Nippon shall continue to follow the rules and procedures at the new site location, as outlined in the Department of Homeland Security's FTZ manual, such as providing a secured area within the FTZ.

**ENVIRONMENTAL ASSESSMENT:**

The proposed action is for approval of the Third Amendment to FTZ Operating Agreement No. 08-2606 with Nippon to operate their new Site 61 located at 1901 W. Pacific Coast Highway, Long Beach, California, 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.

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**FINANCIAL IMPACT:**

If the proposed Third Amendment is approved, the Harbor Department will continue to receive \$7,750 annually from Nippon (per FTZ Tariff No. 2).

Approval of the Third Amendment is not anticipated to result in additional, incremental FTZ-related consulting service expenses being incurred by the Harbor Department. During Fiscal Year 2019, unaudited revenues of \$349,769 were collected from Harbor Department FTZ operators relative to FY 2019 unaudited expenses of \$42,281 incurred by the Harbor Department for consulting services.

**CITY ATTORNEY:**

The Office of the City Attorney has prepared and approved the Third Amendment to the FTZ Operating Agreement No. 08-2606 as to form and legality.

**TRANSMITTALS:**

1. Proposed FTZ Third Amendment to the FTZ Operating Agreement for Nippon Express USA, Inc., FTZ 202, Site 61
2. FTZ 202, Site 61 Map
3. FTZ 202, Service Area Map



ERIC CARIS  
Director of Cargo Marketing

APPROVED:



EUGENE D. SEROKA  
Executive Director

EC:MM:MK:ng

FIS Approval: 

CA Approval: 



MICHAEL DiBERNARDO  
Deputy Executive Director