



Executive Director's  
Report to the  
Board of Harbor Commissioners

**DATE: APRIL 9, 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 NNR  
GLOBAL LOGISTICS USA INC., FTZ 202, SITE 29**

**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 NNR Global Logistics USA, Inc. (NNR) to activate its site within FTZ 202, Site 29, located at 21023 S. Main Street, Carson, California. Site 29 is a warehouse of 1.92 acres. This site is approximately 10 miles north of the Port of Los Angeles (Port). NNR will be operating its warehouse under FTZ procedures. The proposed FTZ Operating Agreement (Agreement) will provide 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 NNR Global Logistics USA, Inc.;
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 NNR GLOBAL LOGISTICS USA INC., FTZ 202, SITE 29**

**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 Agency (CBP) 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. NNR employs 39 full-time employees and 4 part-time employees. The square footage of the building is 82,690 to include warehouse and office space on 1.92 acres (Transmittal 2). All activities shall be performed in accordance with FTZ procedures. NNR agrees to keep its warehouses open to support the PierPass Program. NNR 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 – NNR is requesting approval from the Harbor Department to execute the proposed Agreement (Transmittal 1) to operate Site 29 as a FTZ warehouse. NNR receives, stores, manages inventory and distributes consumer products, apparel, accessories, and other merchandise for sale in the national market. Occasionally, the products are re-exported from the warehouse. On July 5, 2012, this site was approved as a FTZ site by the FTZ Board (Order No. 1838). However, the company does need approval from CBP to activate as a FTZ site.

Harbor Department Fiscal Requirements – This proposed Agreement will not require funding by the Harbor Department. NNR will pay an annual fee of \$5,000 to the Harbor Department for each year of the five-year term of the proposed Agreement for a total of \$25,000.

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**SUBJECT: GENERAL PURPOSE OPERATING AGREEMENT WITH NNR GLOBAL LOGISTICS USA INC., FTZ 202, SITE 29**

**ENVIRONMENTAL ASSESSMENT:**

The proposed action is approval of a proposed agreement with NNR to activate its site within FTZ 202, Site 29, located in Carson, California. As an activity involving the approval of an agreement 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:**

The Harbor Department will receive \$5,000 in fees per year for each year of the initial five-year term, totaling \$25,000. Should subsequent five-year renewal options be exercised compensation is also expected to be \$5,000 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 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 NNR creates an entity that confers among other advantages, tax benefits and provides a tool for economic developments. As the Harbor Department is a designated grantee of FTZs under the State of California enabling legislation, granting FTZ status to NNR allows more efficient operations and allows NNR to remain competitive.

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**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 NNR, FTZ 202, Site 29
2. NNR, FTZ 202, Site 29 Map

FIS Approval:  (initials)  
CA Approval:  (initials)



MICHAEL DIBERNARDO  
Director of Marketing

  
**FOR** KATHRYN McDERMOTT  
Deputy Executive Director

APPROVED:



GERALDINE KNATZ, Ph.D.  
Executive Director

M. Morimoto