



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

DATE: JUNE 5, 2019

FROM: CARGO MARKETING

SUBJECT: RESOLUTION NO. _____ - APPROVAL OF FOREIGN-TRADE ZONE USAGE-DRIVEN GENERAL PURPOSE OPERATING AGREEMENT BETWEEN THE CITY OF LOS ANGELES HARBOR DEPARTMENT AND TOSHIBA LOGISTICS AMERICA, INC. FTZ 202, SITE 58

SUMMARY:

Staff requests approval of a Foreign-Trade Zone (FTZ) Operating Agreement (Agreement) between the City of Los Angeles Harbor Department (Harbor Department) and Toshiba Logistics America, Inc. (Toshiba) to operate its facility within FTZ 202, Site 58, located at 501 Burning Tree Rd., Fullerton, California 92833. On March 20, 2019, the FTZ Board approved a minor boundary modification of FTZ 202 under the alternative site framework to establish usage-driven Site 58 for the sole use of Toshiba. The Harbor Department, as the FTZ grantee, establishes Operating Agreements with FTZ site operators to oversee their FTZ operations.

Site 58 is a warehouse and office building totaling approximately 3.14 acres located approximately 30 miles from the Port of Los Angeles. Toshiba will operate its facility under FTZ procedures as a single-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 \$10,000 annually from Toshiba (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 City of Los Angeles Harbor Department and Toshiba Logistics America, Inc.;
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

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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 extensions (Transmittal 1). Toshiba is a U.S. company with its head office located in Irvine, California employing approximately 52 full-time and part-time employees working within the FTZ activated area. Toshiba will operate its FTZ site at 501 Burning Tree Rd., Fullerton, California 92833, FTZ 202, Site 58. The site is owned by Fullerton Industrial Portfolio (CA), LLC. The facility consists of warehouse and office space on 3.14 acres (Transmittal 2) and is within the FTZ 202 service area (Transmittal 3).

Toshiba 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. Toshiba 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 – Toshiba is requesting approval from the Harbor Department to execute the proposed FTZ Operating Agreement to operate Site 58 as a single-usage FTZ facility. Toshiba handles the logistics, handling, storage, inventory and quality control of Toshiba's group products such as communication equipment and systems, electronic components and materials. Occasionally, products may be re-exported.

If Toshiba 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. Since FTZ facilities exist in every state, a company can potentially shift its employees to work elsewhere as a result of seeking FTZ status in another location.

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ENVIRONMENTAL ASSESSMENT:

The proposed action is the approval of a Foreign-Trade Zone Operating Agreement between the City of Los Angeles Harbor Department and Toshiba Logistics America, Inc., 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.

FINANCIAL IMPACT:

If the proposed Agreement is approved, the Harbor Department will receive \$10,000 annually from Toshiba (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. During Fiscal Year 2019, revenue of \$357,269 are anticipated to be collected from Harbor Department FTZ operators relative to FY 2019 expenses of \$42,281 expected to be incurred by the Harbor Department for consulting services.

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 with Toshiba Logistics America, Inc. FTZ 202, Site 58
2. FTZ 202, Site 58 Map
3. FTZ 202, Service Area Map



ERIC CARIS
Director of Cargo Marketing

FIS Approval: MB
CA Approval: ME



MICHAEL DiBERNARDO
Deputy Executive Director

APPROVED:



For

EUGENE D. SEROKA
Executive Director