



DATE: AUGUST 31, 2016

FROM: CARGO MARKETING

SUBJECT: RESOLUTION NO. _____ - APPROVAL OF FIRST AMENDMENT OF FOREIGN-TRADE ZONE GENERAL PURPOSE OPERATING AGREEMENT NO. 11-3000 BETWEEN THE CITY OF LOS ANGELES HARBOR DEPARTMENT AND CEVA FREIGHT LLC FTZ 202, SITE 4D

SUMMARY:

Staff requests the approval of the Foreign-Trade Zone (FTZ) first amendment of Operating Agreement No. 11-3000 between the City of Los Angeles Harbor Department (Harbor Department) and CEVA Freight LLC (CEVA). CEVA is located within Magnet Site 4 at 18120 Bishop Street, Carson, California 91746. Site 4D is a seven-acre property including a warehouse located approximately ten miles north of the Port of Los Angeles. The Harbor Department, as the FTZ grantee, establishes General Purpose Operating Agreements with FTZ operators to oversee their FTZ operations. This first renewal includes updated Indemnification and Insurance language provisions. All remaining terms and conditions of the Agreement shall remain in full force and effect, except as amended herein.

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 exempt from the requirements of the California Environmental Quality Act (CEQA) under Article III, Class 1(14), of the Los Angeles City CEQA Guidelines;
2. Approve the proposed First Amendment of Foreign-Trade Zone General Purpose Operating Agreement No. 11-3000 between the City of Los Angeles Harbor Department and CEVA Freight LLC;
3. Direct the Board Secretary to transmit the proposed First Amendment of Foreign-Trade Zone General Purpose Operating Agreement No. 11-3000 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;

SUBJECT: FIRST AMENDMENT OF FOREIGN-TRADE ZONE GENERAL PURPOSE OPERATING AGREEMENT WITH CEVA FREIGHT LLC FTZ 202, SITE 4D

4. Upon approval by the City Council, authorize the Executive Director to execute and the Board Secretary to attest to the First Amendment of Foreign-Trade Zone General Purpose Operating Agreement No. 11-3000; and
5. Adopt Resolution No. _____.

DISCUSSION:

Background and Context – The Foreign-Trade Zone Act of 1934, as amended (19 U.S.C. 81a-81u) was established to support United States (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 (CBP) territories. The importer may defer payment of duties and other fees until the merchandise is brought into the U.S. for consumption.

Need for First Amendment – The Harbor Department, as the grantee, is required by the FTZ Board to have an operating agreement with FTZ site operators. Any request made to modify the original operating agreement requires an amendment. CEVA has requested to exercise its first renewal option to extend the term of its FTZ Operating Agreement to continue operate its warehouses (Transmittal 1).

CEVA provides transportation, supply chain management, and information services in the U.S. and internationally. CEVA is a U.S. company with its corporate headquarters located Houston, Texas. It employs approximately 130 full-time and 10 part-time employees at this FTZ site. This facility is located on a seven-acre site that includes a warehouse of approximately 284,885 square feet and office space. The property is owned by Watson Partners LP (Transmittal 2). CEVA shall follow rules and procedures as outlined in the Department of Homeland Security's FTZ manual, such as providing a secured area within the zone.

Need for Approval – CEVA is requesting approval from the Harbor Department to execute the proposed First Amendment to extend Agreement No. 11-3000 for a term of five years in order to continue operating this site as a FTZ warehouse. CEVA receives, stores, manages inventory, and distributes consumer products for sale nationally. Occasionally, the products are re-exported from the warehouse.

Harbor Department Fiscal Requirements – This proposed First Amendment will not require funding by the Harbor Department. CEVA will continue to pay an annual fee of

DATE: AUGUST 31, 2016

PAGE 3 OF 4

SUBJECT: FIRST AMENDMENT OF FOREIGN-TRADE ZONE GENERAL PURPOSE OPERATING AGREEMENT WITH CEVA FREIGHT LLC FTZ 202, SITE 4D

\$7,750 (per FTZ Tariff No. 2), as a multi-user zone site, to the Harbor Department over the five-year term totaling \$38,750.

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of a proposed First Amendment of FTZ General Purpose Operating Agreement with CEVA to continue operating its site within FTZ 202, Site 4D, located in Carson, 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:

CEVA paid the Harbor Department an initial one-time activation application fee of \$5,000 when they applied in 2011. If the proposed First Amendment is approved, the Harbor Department will continue to receive from CEVA, an annual fee of \$7,750 (per FTZ Tariff No. 2) for each of the remaining original term of five years. Should the renewal options be exercised subsequent to the completion of the Agreement's initial term, compensation will also be \$7,750 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 2015, approximately \$32,500 was spent on outside FTZ related consulting services, while \$322,742 in revenue was collected from the Harbor Department FTZ operators.

DATE: AUGUST 31, 2016

PAGE 4 OF 4

SUBJECT: FIRST AMENDMENT OF FOREIGN-TRADE ZONE GENERAL PURPOSE OPERATING AGREEMENT WITH CEVA FREIGHT LLC FTZ 202, SITE 4D

CITY ATTORNEY:

The Office of the City Attorney has prepared and approved the proposed First Amendment as to form and legality.

TRANSMITTALS:


1. Proposed First Amendment of FTZ Operating Agreement for CEVA Freight LLC, FTZ 202, Site 4D
2. FTZ 202, Site 4D Map
3. FTZ 202, Service Area Map

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

For 
ERIC CARIS
Director of Cargo Marketing


FOR MICHAEL DiBERNARDO
Deputy Executive Director

APPROVED:


FOR EUGENE D. SEROKA
Executive Director