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RECOMMENDATION APPROVED;
RESOLUTION NO. 18-8280 ADOPTED; AND
AGREEMENT 18-3578 APPROVED
BY THE BOARD OF HARBOR COMMISSIONERS



Executive Director's
Report to the

Board of Harbor Commissioners

May 17, 2018

AMBER M. KLESGES
Board Secretary

DATE: May 3, 2018

FROM: CARGO MARKETING

SUBJECT: RESOLUTION NO. 18-8280 - APPROVAL OF FOREIGN TRADE
ZONE SUBZONE OPERATING AGREEMENT BETWEEN THE CITY OF
LOS ANGELES HARBOR DEPARTMENT AND FOREVER 21
LOGISTICS, LLC FTZ 202, SITE G

SUMMARY:

Staff requests the approval of a Foreign-Trade Zone (FTZ) Operating Agreement between the City of Los Angeles Harbor Department (Harbor Department) and Forever 21 Logistics, LLC (Forever 21) to operate its warehouses within FTZ 202, Site G, which comprises of Building 1, located at 3880 N. Mission Road, Los Angeles, California, and Building 2, located at 2011 N. Soto Street, Los Angeles, California. On February 8, 2018, the FTZ Board approved a minor boundary modification of FTZ 202 under the alternative framework to establish a Subzone Site 202G for the sole use of Forever 21. The Harbor Department, as the FTZ grantee, establishes a FTZ Operating Agreement with FTZ site operators to oversee their FTZ operations.

Site G consists of two warehouses totaling approximately 1,126,000 square feet and office space on 32.8 acres located approximately 20 miles north from the Port of Los Angeles. Forever 21 will be operating its warehouses under FTZ procedures as a Subzone site. The proposed FTZ Operating Agreement (Agreement) is for a term of five years with three, five-year renewal options and will pay an annual fee of \$10,000.

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 categorically 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 Foreign-Trade Zone Operating Agreement between the City of Los Angeles Harbor Department and Forever 21 Logistics LLC;
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 the Charter of the City of Los Angeles and Section 10.5 of the Los Angeles Administrative Code;

SUBJECT: FOREIGN-TRADE ZONE GENERAL PURPOSE OPERATING AGREEMENT WITH FOREVER 21 LOGISTICS LLC FTZ 202, SITE G

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. 18-8280.

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 (CBP) 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 FTZ grantee, establishes a FTZ Operating Agreement with FTZ site operators to oversee their FTZ operations.

Need for Agreement –The term of the proposed Agreement is five years with three five year extensions (Transmittal 1). Forever 21 is a U.S. company with its head office located in Los Angeles, California, employing approximately 1,298 full-time and part-time employees working within the FTZ activated area. Forever 21 will operate its FTZ 202, Site G, which comprises of Building 1, located at 3880 N. Mission Road, Los Angeles, California, and Building 2, located at 2011 N. Soto Street, Los Angeles, California, two warehouses totaling approximately 1,126,000 square feet and office space on 32.8 acres (Transmittal 2) and are within the FTZ 202 service area (Transmittal 3). Forever 21 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.

Need for Approval – Forever 21 is requesting approval from the Harbor Department to execute the proposed Agreement to operate Site G as a Subzone warehouse. Forever 21 plans to provide FTZ warehouse and distribution services for US consumption.

Harbor Department Fiscal Requirements – This proposed Agreement will not require funding by the Harbor Department. Forever 21 will pay an annual fee of \$10,000 to the Harbor Department for the term of the proposed Agreement.

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of a proposed FTZ Operating Agreement with Forever 21, to operate its site within the FTZ 202 service area at Site G, located in Los Angeles, California, which an activity is involving the issuance of a permit to use an existing facility involving negligible or no expansion of use. Therefore, the Director of Environmental Management has determined that the proposed action is categorically exempt from the requirements of the CEQA in accordance with Article III Class 1 (14) of the Los Angeles City CEQA Guidelines.

DATE: May 3, 2018

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AGREEMENT WITH FOREVER 21 LOGISTICS LLC FTZ 202, SITE G

FINANCIAL IMPACT:

If the proposed Agreement is approved, the Harbor Department will receive \$10,000 annually from Forever 21 per FTZ Tariff No. 2. 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 2017, approximately \$35,750 was spent on outside FTZ related consulting services, while \$337,172 in revenue was collected from the Harbor Department FTZ operators.

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 Forever 21 Logistics LLC FTZ 202, Site G
2. FTZ 202, Site G Map
3. FTZ 202, Service Area Map

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



ERIC CARIS
Director of Cargo Marketing



MICHAEL DiBERNARDO
Deputy Executive Director

APPROVED:



EUGENE D. SEROKA
Executive Director