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RECOMMENDATION APPROVED;
RESOLUTION 21-9847 ADOPTED; AND
AGREEMENT 21-9814 APPROVED
BY THE BOARD OF HARBOR COMMISSIONERS

July 1, 2021



AMBER M. KLESGES
Board Secretary



Executive Director's
Report to the
Board of Harbor Commissioners

DATE: JUNE 15, 2021

FROM: CARGO MARKETING

SUBJECT: RESOLUTION NO. 21.9847 - APPROVAL OF FOREIGN-TRADE ZONE GENERAL PURPOSE OPERATING AGREEMENT BETWEEN THE CITY OF LOS ANGELES HARBOR DEPARTMENT AND FLOOR AND DECOR OUTLETS OF AMERICA, INC. FTZ 202, SITE 10H

SUMMARY:

Staff requests approval of a Foreign-Trade Zone (FTZ) Operating Agreement (Agreement) between the City of Los Angeles Harbor Department (Harbor Department) and Floor and Decor Outlets of America, Inc., (F&D) to operate its facility within FTZ 202, Site 10H, is located at, 720 Watson Center Road, Bldg. No. 139, Carson, CA 90745. The Harbor Department, as the FTZ grantee, establishes Operating Agreements with FTZ site operators to oversee their FTZ operations.

Site 10H is a 3.1 acre property including warehouse and office space, approximately 8 miles north of the Port of Los Angeles. F&D 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 F&D (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 F&D;
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 OPERATING AGREEMENT WITH FLOOR AND DECOR OUTLETS OF AMERICA, INC., FTZ 202, SITE 10H

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. 21-9847.

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). F&D is a U.S. company with its headquarters office located in Atlanta, Georgia, employing approximately 15 full-time and part-time employees working within the proposed FTZ warehouse area. F&D will operate its FTZ site 10H at 720 Watson Center Road, Carson, California 90745. The facility consists of warehouse and office space on 3.1 acres (Transmittal 2) and is within the FTZ service area (Transmittal 3).

F&D 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. F&D 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 – F&D is requesting approval from the Harbor Department to execute the proposed FTZ Operating Agreement to operate Site 10H as a single-usage FTZ facility. F&D facilitates the logistics, handling, storage, inventory and quality control of merchandise, products may be re-exported.

If F&D 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.

ENVIRONMENTAL ASSESSMENT:

The proposed action is the approval of a Foreign-Trade Zone Operating Agreement between the Harbor Department and F&D, which is an administrative activity. Therefore, the Director of Environmental Management has determined that the proposed action is

DATE: JUNE 15, 2021

PAGE 3 OF 3

SUBJECT: FOREIGN-TRADE ZONE OPERATING AGREEMENT WITH FLOOR AND DECOR OUTLETS OF AMERICA, INC., FTZ 202, SITE 10H

administratively exempt from the requirements of CEQA in accordance with Article II Section 2(f) of the Los Angeles City CEQA Guidelines.

FINANCIAL IMPACT:

As part of the FTZ application process, F&D paid the Harbor Department the \$5,000 activation application fee. If the proposed Agreement is approved, the Harbor Department will receive \$10,000 annually from F&D (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 (FY) 2020, revenues of \$361,536 were collected from Harbor Department FTZ operators relative to FY 2020 expenses of \$30,181 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 Floor and Decor Inc., FTZ 202, Site 10H -219814
2. FTZ 202, Site 10H Map
3. FTZ 202, Service Area Map



ERIC CARIS
Director of Cargo Marketing

FIS Approval: *MB*
CA Approval: *JS*

Michael DiBernardo
MICHAEL DiBERNARDO
Deputy Executive Director

APPROVED:

Marla Bleavins For

EUGENE D. SEROKA
Executive Director

EC:MVD:MK:ng