



**THE PORT
OF LOS ANGELES**

Executive Director's
Report to the
Board of Harbor Commissioners

DATE: APRIL 2, 2025

FROM: CARGO MARKETING

SUBJECT: RESOLUTION NO. _____ - APPROVAL OF FOREIGN-TRADE ZONE (FTZ) OPERATING AGREEMENT BETWEEN THE CITY OF LOS ANGELES HARBOR DEPARTMENT AND LIONEXT, INC., FTZ 202, SITE 72

SUMMARY:

Staff requests approval of a Foreign-Trade Zone (FTZ) Operating Agreement (Agreement) between the City of Los Angeles Harbor Department (Harbor Department) and Lionext, Inc. (Lionext), to operate its facility within FTZ 202, Site 72, located at 13021 Leffingwell Road, Santa Fe Springs, CA 90670. This is a 4.33-acre site with a 132,423 square-foot warehouse and office space located 28 miles from the Port of Los Angeles (Port). Lionext will operate its facility under FTZ procedures as a multi-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 \$7,750 annually from Lionext (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 Harbor Department and Lionext;
3. Authorize the Executive Director to execute and the Board Secretary to attest to the proposed Foreign-Trade Zone Operating Agreement; and
4. 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

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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 FTZ 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). Lionext, a U.S. company with its head office located in Santa Fe Springs, CA, will employ four employees at this FTZ site. This 4.33-acre property includes a warehouse and office space (Transmittal 2) and is within the FTZ 202 service area (Transmittal 3).

Lionext 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. Lionext shall notify truck drivers, truck brokers, and trucking companies that the trucks serving the Port confine their routes to the designated Wilmington Truck Route.

Need for Approval – Lionext is requesting approval from the Harbor Department to execute the proposed FTZ Operating Agreement to operate Site 72 as a multi-usage FTZ facility. Lionext receives, stores, manages inventory, and distributes various general merchandise, which will be distributed for U.S. consumption. Occasionally, products may be re-exported from this facility.

If Lionext 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.

ENVIRONMENTAL ASSESSMENT:

The proposed action is the approval of the FTZ Agreement with Lionext, 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 \$7,750 annually from Lionext (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.

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CITY ATTORNEY:

The City Attorney's Office has prepared and approved the proposed Operating Agreement as to form and legality.

TRANSMITTALS:

1. Proposed FTZ Operating Agreement, FTZ 202, Site 72
2. FTZ 202, Site 72 Site Map
3. FTZ 202 Service Area Map

FIS Approval: JS
CA Approval: SO



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