



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 APEX LOGISTICS INTERNATIONAL INC., FTZ 202 SITE 57**

**SUMMARY:**

Staff requests approval of a Foreign-Trade Zone (FTZ) Operating Agreement between the City of Los Angeles Harbor Department (Harbor Department) and APEX Logistics International Inc. (APEX) to activate its facility within FTZ 202, Site 57, located at 18554 S. Susana Road, Rancho Dominguez, California 90221. 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 57 for APEX. The Harbor Department, as the FTZ grantee, establishes Operating Agreements with FTZ site operators to oversee their FTZ operations.

Site 57 is a warehouse and office building totaling approximately 2.56 acres located approximately 15 miles from the Port of Los Angeles. APEX will operate its facility under FTZ procedures as a multi-usage site. The proposed FTZ Operating Agreement (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 APEX (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 APEX Logistics International Inc.;

SUBJECT: FOREIGN-TRADE ZONE OPERATING AGREEMENT WITH APEX LOGISTICS INTERNATIONAL INC., FTZ 202 SITE 57

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;
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). APEX is a U.S. company with its head office located in Rancho Dominguez, California employing approximately 110 full-time and part-time employees working within the FTZ activated area. APEX will operate its FTZ site at 18554 S. Susana Road, Rancho Dominguez, California 90221, FTZ 202, Site 57. The site is owned by IPT South Bay DC II LP. The facility consists of warehouse and office space on 111,768 square feet (Transmittal 2) and is within the FTZ 202 service area (Transmittal 3).

Need for Approval – APEX is requesting approval from the Harbor Department to execute the proposed FTZ Operating Agreement to operate Site 57 as a multi-usage FTZ facility. APEX handles the logistics, handling, storage, inventory and quality control of various imported products such as communication equipment and systems, electronic components and materials. Occasionally, products may be re-exported. APEX 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.

If APEX 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.

SUBJECT: FOREIGN-TRADE ZONE OPERATING AGREEMENT WITH APEX LOGISTICS INTERNATIONAL INC., FTZ 202 SITE 57

**ENVIRONMENTAL ASSESSMENT:**

The proposed action is the approval of a FTZ Operating Agreement with APEX to operate their site at 18554 South Susana Road, Rancho Dominguez, California, 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 Operating Agreement is approved, the Harbor Department will receive \$7,750 annually from APEX (per FTZ Tariff No. 2).

Approval of the agreement is not anticipated to result in additional, incremental FTZ-related consulting service expenses being incurred by the Harbor Department. During Fiscal Year (FY) 2019, revenues 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 FTZ-related consulting services.

**CITY ATTORNEY:**

The Office of the City Attorney has prepared and approved the FTZ Operating Agreement as to form and legality.

**TRANSMITTALS:**

1. Proposed FTZ Operating Agreement with APEX Logistics International Inc., FTZ 202, Site 57
2. FTZ 202, Site 57 Map
3. FTZ 202, Service Area Map



ERIC CARIS  
Director of Cargo Marketing

FIS Approval:   
CA Approval: 



MICHAEL DiBERNARDO  
Deputy Executive Director

APPROVED:



EUGENE D. SEROKA  
Executive Director