

1.0 Introduction

1.1 Project Overview

This document is a Draft Environmental Impact Report (DEIR) prepared in accordance with the California Environmental Quality Act (CEQA) and CEQA Guidelines to assess potential significant environmental impacts of a proposed Oil Development Project in the City of Hermosa Beach. The City of Hermosa Beach is the public agency with principal responsibility for review of the Proposed Project and is therefore the lead agency for preparation of the DEIR. The Project Applicant is E&B Natural Resources Management Corporation ('E&B' or 'Applicant'). As a consequence of E&B's Project, if approved, the City of Hermosa Beach's Public Works Maintenance Yard ('City Maintenance Yard') would be relocated to another site. Various amendments to the City's land use codes and plans are necessary for implementation of E&B's Project and the City Maintenance Yard relocation. These various components collectively referred to as the "Proposed Project" are addressed in this DEIR:

1. E&B's Oil Development Project ("Proposed Oil Project")
2. City of Hermosa Beach Public Works Maintenance Yard relocation ("City Maintenance Yard")
3. Code and Plan Amendments (listed in Section 1.3) ("Amendments")

E&B's Proposed Project is the development of a 1.3-acre site located at 555 6th Street, currently used as the City Of Hermosa Beach Maintenance Yard, for onshore drilling and production using directional drilling to access oil and gas reserves in both the tidelands (offshore) and the uplands (onshore) within the Torrance Oil Field. As proposed, the fully-developed Project would consist of 30 production wells, four water injection wells, liquid and gas separating equipment, a gas processing unit, and oil and gas pipelines. Drilling and production facilities would be located at the 1.3-acre site with oil and gas pipelines extending southward offsite within the cities of Hermosa Beach, Redondo Beach and Torrance to the Torrance Refinery. During construction, a building located at 601 Cypress Street would be temporarily utilized as a laydown site to store construction materials and vehicles. A lot immediately west of the Project Site at 636 Cypress Street would be developed to provide 20 spaces serving E&B employees on weekdays and providing 15 free remote coastal public parking spaces on weekends and two on-street parking spaces to replace spaces eliminated by the Project. During the peak construction phase, additional employees would park at an offsite location(s) to be determined and shuttled to the Project Site.

If approved, the Proposed Oil Development Project would necessitate relocation of the City's Maintenance Yard and its functions to another site. The City has identified two primary options for Yard Relocation involving the Civic Center property located at 1315 Valley Drive/552 11th Place. The options evaluated in this DEIR are: (a) development of a new Permanent City Maintenance Yard (including sub-options with added parking of approximately 129 spaces and no parking.) located on that portion of the site occupied by a self-storage business, south of City Hall; and alternatively (b) a Temporary City Maintenance Yard may first be developed and utilized through the exploration phases of E&B's Project, with a the permanent facility

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developed only if E&B fully develops the permanent drill site. The Temporary Yard would be primarily located at 1315 Valley Drive in the areas west and immediately south of City Hall now occupied by several City buildings, parking for City vehicles, City employee parking, free remote coastal public parking, and Bard Street which would be closed to public traffic. A portion of the city employee and city vehicle parking and free remote coastal public parking would be relocated to a strip of city-owned property on the west side of Valley Drive south of 8th Street, a portion of the city employee parking would be relocated to the Community Center at 710 Pier Avenue during work hours (Monday through Thursday, 7:00 a.m. to 6:00 p.m.) and occupy spaces that are allocated as free coastal public parking, and a portion of the free remote coastal public parking would be located on the north side of Herondo Street. Various amendments to City of Hermosa Beach land use codes and land use plans listed in Section 1.3 are also required in order for the relocation of the City Maintenance Yard to proceed.

Section 2.0 (Project Description) provides a detailed description of the Proposed Project and its various components and features.

The decision to approve or deny E&B's Project and the Amendments associated with Oil Development will be made by the voters in Hermosa Beach, in accordance with a Settlement Agreement entered into by the City, the Applicant and Macpherson Oil Company (see Background, Section 1.8). Decisions on relocation and design of the City Maintenance Yard will not be part of the ballot measure and will be considered by the Hermosa Beach Planning Commission and City Council, as necessary.

Details of the Proposed Project are provided below in Table 1.1.

Table 1.1 Project Planning Information

Project Information	
Project Title	E&B Oil Drilling & Development Project
Case Number	Development Agreement 12-1, Municipal Code Text Amendment 12-2, General Plan Amendment 12-1, Zoning Map Amendment 12-1.
Lead Agency	City of Hermosa Beach, 1315 Valley Drive, Hermosa Beach, California 90254
Contact Person	Ken Robertson, City of Hermosa Beach, Community Development Department, (310) 318-0242 oilproject@hermosabch.org
Applicant	E&B Natural Resources Management Corporation, 1600 Norris Road, Bakersfield, California 93308
General Plan Designation	E&B's Project Site/Laydown site/Accessory parking: Industrial City Maintenance Yard relocation: Temporary – Industrial (IND), Open Space (OS), General Commercial (GC); Permanent – Industrial (IND), Open Space (OS)
Coastal Land Use Plan Designation	E&B's Project site: Open Space; Laydown site/Temporary parking lot: Industrial City Maintenance Yard relocation site: Temporary – Open Space – Government; Residential – Medium Density; Permanent - Open Space – Government
Zoning Designation	E&B's Project site/Laydown site/Accessory parking: M-1 Light Manufacturing City Maintenance Yard relocation site: Temporary- M-1 Light Manufacturing, O-S Open Space, C-2 Restricted Commercial; Permanent- M-1 Light Manufacturing, O-S Open Space

Table 1.1 Project Planning Information

Project Information	
Site Size	<p>E&B's Project site: Oil and gas drilling and production site is proposed to be located on a 1.3-acre City owned property (existing City Maintenance Yard). Accessory parking site: 636 Cypress Street. Laydown site: 601 Cypress Street. Electrical and pipeline interconnections would be made to the Southern California Edison grid, the Southern California Gas Company pipeline, the California Water Service Company system, and the West Basin Municipal Water District system.</p> <p>Oil and gas pipeline connections of approximately 3.55 miles and 0.43 miles, respectively, would be constructed to transport the processed oil to a valve box location in the City of Torrance and the processed gas to a tie-in with the Southern California Gas Company gas line in the City of Redondo Beach.</p> <p>Relocated City Maintenance Yard: Permanent - approximately 0.79 of 2.5 acre Civic Center (existing Hermosa Self Storage building location and parking lot). Temporary – approx. 1.0 acre of 2.5 acre Civic Center site and Bard Street right-of-way. City employee parking at Civic Center to be replaced at Community Center and on a strip of land west of Valley Drive south of 8th Street, and free remote coastal public parking potentially to be replaced along north side of Herondo Street and a strip of land west of Valley Drive south of 8th Street.</p>
Project Location	<p>E&B's Project: Project oil and gas drilling and production facilities would be located at 555 6th Street, Hermosa Beach. Temporary laydown site would be located at 601 Cypress Street. Temporary parking would be located at 636 Cypress Street. Other temporary employee parking would be located offsite at undetermined location(s).</p> <p>Oil pipeline would be constructed in the Southern California Edison Utility Corridor and/or the public right-of-way of Valley Drive, and Herondo/Anita/190th Street in the Cities of Hermosa Beach, Redondo Beach and Torrance.</p> <p>Gas pipeline would be constructed in the public right-of-way of Valley Drive/North Francesca Avenue, extending beneath Valley Drive to a Southern California Gas Company line east of North Francesca Avenue in Redondo Beach.</p> <p>Relocated City Maintenance Yard would be located at 1315 Valley Drive/552 11th Place, Hermosa Beach. Replacement parking may be located at the Community Center, 710 Pier Avenue and north side of Herondo Street, and on a strip of land on the west side of Valley Drive south of 8th Street (portion of APN 4187-031-900), Hermosa Beach.</p>
Assessor's Parcel Numbers	<p>E&B's Project site: 4187-031-900; Laydown site: 4187-030-037; Temporary Parking lot: 4187-031-22.</p> <p>Pipelines: (R.O.W. Cities of Redondo Beach and Torrance)</p> <p>Relocated City Maintenance Yard site(s): Permanent: 4187-020-907 and 904; Temporary: 4187-020-904 through 907</p>
Access	<p>E&B's Project Site (555 6th Street): Existing and relocated driveways onto Valley Drive and 6th Street. Temporary Parking lot: Driveway at 636 Cypress Street. Laydown site: Existing access to building at 601 Cypress Street.</p> <p>Relocated City Maintenance Yard: Existing and/or relocated driveways onto Valley Drive and Bard Street. Bard Street to be closed in conjunction with Temporary City Maintenance Yard.</p>
Latitude and Longitude	<p>E&B's Project Site: 33°51'32.10" N and 118°23'41.09"W</p> <p>Relocated City Maintenance Yard: 33°51'47.19"N and 118°23'43.97"W</p>

1.2 The Environmental Impact Report Process

1.2.1 Purpose and Intended Uses of the Environmental Impact Report

The California Environmental Quality Act (“CEQA”), Public Resources Code sections 21000 et seq., requires that all state and local governmental agencies consider the environmental consequences of projects over which they have discretionary authority prior to taking action on those projects. This Draft Environmental Impact Report (DEIR) has been prepared to satisfy CEQA, and the State CEQA Guidelines, Title 14 of the California Code of Regulations, Chapter 3, Section 15000 et seq. An Environmental Impact Report (EIR) is a public informational document designed to provide decision makers and the public with an analysis of the environmental effects of a proposed project, to indicate possible ways to reduce or avoid significant effects, and to describe reasonable alternatives to a project. An EIR must also disclose significant environmental impacts that cannot be avoided, growth-inducing impacts, effects not found to be significant, and significant cumulative impacts of past, present, and reasonably foreseeable probable future projects.

As an “informational document” (see Section 15121(a) of the CEQA Guidelines) the EIR is intended to inform the City, other public agencies with discretionary authority over aspects of the project, the general public, the local community and Hermosa Beach voters, and other organizations, entities and interested persons of the project’s scope, significant environmental effects, feasible measures to avoid or minimize the significant effects, and a reasonable range of feasible alternatives to the project that would avoid or substantially lessen the significant effects. The environmentally superior alternative is selected as required by the California Environmental Quality Act (CEQA.). The State CEQA Guidelines, Section 15126 (e) (2), state that if the environmentally superior alternative is the No Project Alternative, then an environmentally superior alternative must be identified from among the other alternatives. While identification and disclosure of the environmentally superior alternative is required by CEQA, the lead agency is not required to approve the environmentally superior alternative.

Before any action may be taken on the Proposed Project, the City of Hermosa Beach, as lead agency under CEQA, must certify that it has reviewed and considered the information in the Final EIR (consisting of the Draft EIR, comments submitted during the Draft EIR public review period and responses to all comments) that it has exercised its independent judgment and analysis, and that the Final EIR has been completed in compliance with the requirements of CEQA. Certification of the Final EIR by the lead agency does not approve or deny the Proposed Project.

The City of Hermosa Beach will consider the information in the Final EIR (FEIR) prior to deciding whether to place a measure on the ballot asking the voters to approve or disapprove the Project. The decision to approve or deny E&B’s Project will then be made by Hermosa Beach voters (see Project History, Section 1.8.1, below). The conclusions of the EIR will also serve to inform the voters in their role as decision-makers for the Proposed Project. Mitigation measures identified in the EIR to reduce impacts will be incorporated into the Project (essentially providing conditions which must be met if the Project is approved) and identified for voters on the ballot measure.

In addition to approval by Hermosa Beach voters, the ability to develop E&B's Project requires discretionary actions by multiple public agencies. Discretionary actions by the City of Hermosa Beach (should the Project be approved by voters and Coastal Commission) and potential permits and approvals required from other regulatory agencies are described below and in Table 2-15 and Table 2-16 of the Project Description.

If the voters approve the Oil Development Project, the Hermosa Beach City Council will make the ultimate decision about City Maintenance Yard Relocation. City Maintenance Yard Relocation requires discretionary action by the Coastal Commission. Permits and approvals required from other regulatory agencies are described below and in Table 2-15 and Table 2-16 of the Project Description.

1.2.1.1 Local and Regional Agencies

The **Los Angeles County Fire Department** is a California Environmental Protection Agency Certified Unified Program Agency (CUPA) for the entire County, including the City of Hermosa Beach. The CUPA oversees all programs associated with hazardous materials. This includes the Business Plan Program, Hazardous Waste Generator Program, California Accidental Release Program, Risk Management Prevention Program and Uniform fire Code (UFC). Inclusive in these programs is the reporting of unauthorized releases of hazardous materials, within Proposition 65 requirements. The County Fire Department is a Responsible Agency that may use the EIR to obtain information on the Oil Development Project for changes in the Hazardous Waste Generator and Business Plan.

The **Los Angeles Regional Water Quality Control Board (RWQCB)**, Region 4, is responsible for establishing wastewater discharge requirements and issue storm water pollution prevention plan permits. The Los Angeles RWQCB is expected to use the EIR in its review of the Proposed Project.

The **South Coast Air Quality Management District (SCAQMD)** is the agency responsible for issuance of a Permit to Construct (PTC) and a Permit to Operate (PTO), both of which will be required for the Proposed Project if it is approved. To fulfill its obligations as a Responsible Agency, the SCAQMD will rely on information contained in this EIR as part of the PTO permitting process.

The **Cities of Redondo Beach and Torrance** will use the EIR in their reviews of construction permits and/or franchise agreements related to pipelines proposed within rights-of-way of streets within these two cities.

The City of Redondo Beach will use the EIR in its consideration of a Coastal Development Permit for installation of pipelines within the Coastal Zone.

1.2.1.2 State Agencies

The **California Coastal Commission** is a Responsible Agency for the Proposed Project and will use the EIR to consider the following:

Oil Development Project

- Amend the Hermosa Beach Coastal Land Use Plan to change the Land Use Map designation from Open Space to Industrial;
- Amend the Hermosa Beach Coastal Land Use Plan to add policies to regulate oil and gas recovery as proposed in Appendix P;
- Amend the City's Preferential Parking Program (existing Coastal Development Permit CDP 5-84-236);
- Adopt a Development Agreement for the Project;
- Approve a Coastal Development Permit for the Project.

City Maintenance Yard Relocation

Permanent City Maintenance Yard

- Amend the Hermosa Beach Coastal Land Use Plan to change the Land Use Map from Residential - Medium Density to Open Space – Government (applies to portion of site west of the extension of Bard Street encompassed by a portion of APN 4187-020-904 and 907; may also include APN 4187-020-905 and 906 as a clean-up consistent with existing Civic Center site);
- Approve a Coastal Development Permit for demolition and removal of facilities at the existing City Maintenance Yard at 555 6th Street;
- Approve a Coastal Development Permit for the permanent City Maintenance Yard;
- Amend the City's Preferential Parking Program (existing Coastal Development Permit CDP 5-84-236).

Temporary City Maintenance Yard

- Amend the Hermosa Beach Coastal Land Use Plan to change the Land Use Map from Residential - Medium Density to Open Space – Government (applies to portion of site west of Bard Street and its extension encompassed by APN 4187-020-905 and 906 and a portion of 904 and 907);
- Approve a Coastal Development Permit for demolition and removal of facilities at the existing City Maintenance Yard at 555 6th Street;
- Approve a Coastal Development Permit for the temporary City Maintenance Yard;
- Amend the Hermosa Beach Preferential Parking Program (existing Coastal Development Permit CDP 5-84-236).

The **California Division of Oil, Gas and Geothermal Resources** (DOGGR) is the agency responsible for issuance of well permits for production and injection wells and tanks and facilities per DOGGR regulation AB 1960. DOGGR is expected to use the EIR in its permitting review of the Oil Development Project.

1.2.1.3 Federal Agencies

The **Office of Pipeline Safety** (OPS), which is part of the federal Department of Transportation (DOT), is responsible for inspecting hazardous pipelines during construction to ensure they comply with all DOT regulations. Their inspections would include both the pipelines and the odorant facilities. The OPS may use the EIR to obtain additional information on the Oil Development Proposed Project.

1.2.2 Notice of Preparation and Initial Study

E&B Natural Resources Management Corporation filed an application with the City of Hermosa Beach Community Development Department for its Proposed Project on November 12, 2012. The City deemed the application complete on April 18, 2013 and determined that an EIR should be prepared. The City's decision to prepare an EIR is documented in an Initial Study included in Appendix H of this DEIR. The Initial Study, which consists of a checklist of possible effects on a range of environmental topics, found that the Project may have significant environmental impacts related to several topics and that the detailed analysis of an EIR is needed to further assess potential effects. The Initial Study defined the preliminary scope of the EIR's analysis, suggesting which environmental topics should be addressed.

On July 11, 2013, the City, as the Lead Agency, issued a Notice of Preparation (NOP) to inform the general public and agencies that an EIR would be prepared for the Proposed Project and to solicit comments on environmental issues to be addressed in the document. On July 24, 2013, the City hosted an open scoping meeting for public agencies in the afternoon and a second scoping meeting for the general public in the evening. The public scoping comment period closed on August 12, 2013. Comments received in response to the NOP were used to further refine the scope of the analysis and the technical studies in this EIR. Written comments and transcriptions of oral comments received in response to the NOP are provided in Appendix H with an indication of specific EIR sections where topics related to individual comments are addressed.

1.2.3 Impacts Considered Less Than Significant

Based on the findings of the Initial Study and the NOP Scoping Process, the following environmental topics are excluded from analysis in this DEIR because the Proposed Project is believed to have no potential for environmental effects related to these issues.

Agricultural Resources: The Proposed Project is expected to have no impact because there are no agricultural resources on or in the vicinity of the project sites (including proposed pipeline alignments).

Population & Housing: The Proposed Project is expected to have no impact because the Proposed Project will not induce growth, either directly or indirectly. It does not propose housing (or infrastructure that facilitates growth or housing development). The Project and its construction activities will generate employment opportunities (temporary and long-term), but the number of employment opportunities is not great enough to induce substantial growth. City Maintenance Yard Relocation will generate employment opportunities but cumulatively

employment generated by the Proposed Project will not be great enough to induce substantial growth. The proposed uses will not displace existing housing or substantial numbers of people.

1.3 Proposed Project Approvals

Oil Development Project

E&B states its Project has been designed to conform to the parameters established within the following existing entitlements and agreements (all documents are included as Appendices L, M and N):

- 1993 Conditional Use Permit (City Council Resolution No. 93-5632) for Oil Development at the City Maintenance Yard and Construction of an Oil Pipeline.
- Oil and Gas Lease No. 2 between the City and E&B (assigned from Macpherson Oil Co.), dated January 14, 1992 and approved by the State Lands Commission on April 28, 1993.
- Settlement Agreement and Release executed by the City Council on March 2, 2012 setting forth certain responsibilities of the City, E&B, and Macpherson Oil Company.

The ballot measure submitted for consideration by the City of Hermosa Beach electorate will encompass most or all of the approvals listed below. The specific content of the ballot measure will be determined prior to ballot publication. The environmental impacts of these actions are addressed in this EIR.

- Amend the Hermosa Beach Municipal Code to delete Chapter 5.56 (Oil Wells) to lift the ban on oil drilling, which had been imposed with Proposition E in 1995, and allow oil drilling in the Light Manufacturing (M-1) zone in Chapter 17.28 subject to a development agreement at the Project site located at 555 6th Street. (E&B proposes to utilize the 1993 Conditional Use Permit and the conditions of approval from the Permit will be included in the development agreement.) Deletion of Chapter 5.56 will also eliminate the requirement that all funds the City derives from Hydrocarbons Recovery go into the City's Park and Recreation Facilities Fund except the first \$500 of Business License Fees and any funds regulated by the State Lands Commission, approved with Proposition L in 1987, to allow oil and gas royalties to be used for other purposes.
- Amend the Hermosa Beach Coastal Land Use Plan to change the designation of the Project Site located at 555 6th Street from Open Space to Industrial consistent with the current use as the City Maintenance Yard and the proposed use as defined for the Proposed Project.
- Amend the Hermosa Beach Coastal Land Use Plan to add policies regulating oil and gas recovery, as proposed in Appendix P.
- Adopt a Development Agreement to provide for the orderly development of the Oil Development Project, and to provide the Applicant with a vested right to proceed with the Project as required by the Settlement Agreement. Mitigation Measures in the certified EIR, conditions of approval from the 1993 CUP, any benefits and commitments to the City that may be proposed by the Applicant, and other provisions agreed to by E&B and the City will be incorporated into the Development Agreement.

- Approve a Franchise to allow the proposed oil and gas pipelines within the City of Hermosa Beach.
- Amend the Hermosa Beach Municipal Code, including the “Oil Production” Code (Hermosa Beach Municipal Code, Chapter 21-A), to amend the prohibition on process operations to allow oil and gas processing and treatment activities. Oil and gas processing shall be defined as treatment activities that involve the chemical separation of oil and gas constituents and the removal of impurities. Processing activities would include oil stripping; hydrogen sulfide and carbon dioxide removal systems; depropanizers, debutanizers, or other types of fractionation; sulfur recovery plants; wastewater treatment plants; and separation and dehydration of oil/gas/water.
- Amend the Hermosa Beach Municipal Code to modify the definition of “grade” (adjacent ground elevation) to allow for a perimeter wall height of 35 feet. Grade shall be defined as the lowest point of elevation of the finished surface level of the ground, paving or sidewalk, excluding excavations for well cellars and storage tanks, within the enclosed area of the privacy wall, to also include the privacy wall (i.e., the perimeter wall around the Oil Project Site).
- Other permits and entitlements that may be required, but that will not be on the ballot, are listed in Tables 2-15 and 2-16.

City Maintenance Yard Relocation

The following discretionary approvals or permits are also proposed to allow for relocation of the City Maintenance Yard at the Civic Center properties. These actions will **not** be placed on the ballot but are part of the total scope of the Proposed Project and are thus evaluated in this EIR:

City Maintenance Yard Relocation - Permanent

- Amend the Hermosa Beach General Plan to change the Land Use Map from Industrial (I) to Open Space (O-S).
- Amend the Hermosa Beach Municipal Code to change the Zoning Map from Light Manufacturing (M-1) to Open Space (O-S).
- Amend the Hermosa Beach Coastal Land Use Plan to change the Land Use Map from Residential - Medium Density to Open Space – Government.
- Approve a Planned Development permit to develop a City Maintenance Yard in the Open Space zone.
- Approve a Coastal Development Permit for the demolition and removal of facilities at the existing City Maintenance Yard at 555 6th Street.
- Approve a Coastal Development Permit for the proposed relocation of the City Maintenance Yard.
- Amend the Hermosa Beach Preferential Parking Program (existing Coastal Development Permit CDP 5-84-236).

City Maintenance Yard – Temporary:

- Amend the Hermosa Beach General Plan to change the Land Use Map from General Commercial (GC) to Open Space (O-S).

- Amend the Hermosa Beach Municipal Code to change the Zoning Map from Light Manufacturing (M-1) and Restricted Commercial (C-2) to Open Space (O-S) zone.
- Amend the Hermosa Beach Coastal Land Use Plan to change the Land Use Map from Residential - Medium Density to Open Space – Government.
- Approve a Planned Development permit to develop a City Maintenance Yard in the Open Space (O-S) zone.
- Approve a Coastal Development Permit for the demolition and removal of facilities at the existing City Maintenance Yard at 555 6th Street.
- Approve a Coastal Development Permit for the temporary relocation project;
- Amend the Hermosa Beach Preferential Parking Program (existing Coastal Development Permit CDP 5-84-236).
- If the Oil Development Project is approved by the electorate, both the proposed Oil Development Project and the Yard Relocation would require other permits and approvals as detailed in Section 2.0 of this DEIR. This would include the California Coastal Commission review of the amendments to the City of Hermosa Beach Coastal Land Use Plan, the Development Agreement, and Coastal Development Permits for the Proposed Project.

1.4 EIR Contents and Guide for the Reader

1.4.1 EIR Contents

E&B's Planning Application to the City's Community Development Department on December 15, 2012 initiated the application process and included a detailed project description and technical reports. The Application was supplemented by the submittal of responses to comments from City staff during the review of the Application. Section 2.0 of this EIR provides details of the Project as proposed by E&B, with clarifications and explanations added by the EIR consultant in order to provide sufficient information for the analysis of potential impacts. Section 2.0, Project Description, was reviewed by the Applicant to ensure clarifications and explanations added by the EIR consultant were accurate prior to completion of subsequent sections of the EIR, thereby providing the basis for the analysis in Section 4.0, Analysis of Environmental Issues. In addition, numerous assumptions and design aspects of the Project as proposed by the Applicant are assessed and verified by this EIR in Section 4.0. The complete Planning Application is available for review on the City of Hermosa Beach's website at <http://www.hermosabch.org>, and at the City of Hermosa Beach Community Development Department, 1315 Valley Drive, Hermosa Beach, CA 90254, 310-318-0242.

The EIR in Section 2.0 also provides details of the relocation and development of the City Maintenance Yard as proposed by the City of Hermosa Beach that would be necessary as a consequence of E&B's Oil Development Project, and evaluates the impacts of that activity in Section 4.0.

The EIR is divided into the following chapters:

- **Executive Summary** – Provides an overview of the Proposed Project, a summary of the significant impacts and associated mitigation measures identified for the Proposed Project.
- **Impact Summary Table** – Provides a summary of the identified impacts for the Proposed Project. The table also provides a summary of identified mitigation measures for each impact.
- **Section 1: Introduction** – Provides an overview of the Proposed Project evaluated in the EIR. The section also discusses agency use of the document, and provides a summary of the contents of the EIR.
- **Section 2: Project Description** – Provides objectives stated by E&B for its Oil Development Project, and a detailed description of the Project including remediation, restoration, and area development. As a consequence of E&B’s Project, if approved by the voters, the City Maintenance Yard would need to be relocated. The City’s stated objectives that should be satisfied when relocating the City Yard are also provided, along with a detailed description of the City Maintenance Yard relocation.
- **Section 3: Cumulative Projects Description** – Provides a description of the projects that have been included in the cumulative projects analysis. The cumulative analysis contained in this document covers the cumulative impacts of past, present and reasonably foreseeable projects located in the vicinity of the Proposed Project.
- **Section 4: Analysis of Environmental Issues** – Describes the existing conditions found in the Proposed Project area and vicinity, and assesses the potential environmental impacts that could occur if the Proposed Project were implemented. These potential impacts are compared to various “Thresholds of Significance” (or significance criteria) to determine the severity of the impacts. Mitigation measures intended to reduce significant impacts are identified where feasible.
- **Section 5: Description of Alternatives/Screening Analysis** – Provides descriptions of the proposed alternatives that were considered and rejected for further analysis, and the Project alternatives selected to be evaluated in this document.
- **Section 6: Comparison of Proposed Project and Alternatives/Conclusions** – Provides an analysis of alternatives to the Proposed Project that could lessen any identified significant impacts while still achieving most of the basic Project objectives. It also includes the impact analysis for the alternatives evaluated in the EIR. Finally, it summarizes the environmental advantages and disadvantages of the alternatives compared to the Proposed Project, and it identifies the environmentally superior alternative.
- **Section 7: Other CEQA-Mandated Sections** – Discusses the significant irreversible environmental changes which would be caused by the Proposed Project should it be implemented. The section also discusses the growth inducing impacts that may result from the Proposed Project and known areas of controversy.
- **Section 8: Summary of Mitigation Measures and Mitigation Monitoring Program** – Contains a listing of all identified mitigation measures that should be included as conditions of Project approval for E&B’s Oil Development Project and the relocation of the City Maintenance Yard. In order for each component to be implemented, their implementation requirements, verification schedules, and parties responsible for implementation and verification are also included.

- **Section 9: List of EIR Preparers, Agencies and Individuals Consulted During EIR Preparation** – Identifies and presents the qualifications of those who prepared the document. Lists reference materials used and persons contacted to prepare the document.
- **Section 10: References** – Includes all the references used in the document.

The EIR also contains a number of appendices that support the EIR and its analysis:

- Appendix A- Project Description Design Data
- Appendix B - Air Emission Calculations
- Appendix C - Risk Assessment Calculations
- Appendix D - Traffic Impact Analysis
- Appendix E - Noise Impact Analysis
- Appendix F – Settlement Agreement and Other Entitlements
- Appendix G – Cultural Resources Technical Study
- Appendix H – Notice of Preparation, Scoping Document, Comments, and Responses
- Appendix I – Soil Engineering and Engineering Geology Investigation
- Appendix K – Public Notification List
- Appendix L – 1993 Conditional Use Permit (City Council Resolution No. 93-5632)
- Appendix M – Oil and Gas Lease No. 2 between the City and E&B
- Appendix N – Settlement Agreement and Release executed by the City Council on March 2, 2012.
- Appendix O – Aesthetics - Visual Simulations.
- Appendix P – Proposed Coastal Land Use Plan policies regulating oil and gas recovery.

These appendices are available in electronic format on the CD attached to the inside front cover of the paper copy of the EIR notebook. All information is also available at the locations listed in Section 1.5.

1.4.2 Significance Criteria

The California Environmental Quality Act requires that the EIR base its determination of whether or not a project impact is significant on adopted policies and standards, which serve as significance thresholds. The policies and standards applied by the EIR to serve as significance thresholds are derived for the most part from City policies (primarily in the City's adopted General Plan) and other adopted standards such as the Municipal Code. For some environmental issues, the EIR applies standards established by other regulatory agencies, such as the Regional Water Quality Control Board (in the case of water pollution standards) and the South Coast Air Quality Management District (in the case of air pollutant standards). For impacts related to certain public safety hazards associated with oil production and transport, this EIR uses the well-established significance criteria adopted by the County of Santa Barbara. These criteria have been found to be acceptable and utilized by the California Coastal Commission in particular.

Appendix G of the State CEQA Guidelines provides a list of generic questions intended to guide lead agencies in determining what level of CEQA documentation is appropriate for a given project (e.g., a negative declaration or EIR). (These questions were used in the Initial Study presented in Appendix H.) The EIR follows the City's practice of using those questions as a

framework for addressing project impacts in more detail with careful consideration given to specific pertinent policies adopted by the City or other relevant agencies. Each analytic section of the EIR identifies the significance thresholds used to assess impacts related to the specific environmental issue under consideration. The same significance thresholds are used again when the EIR evaluates the effectiveness of any mitigation measures or Project Alternatives to reduce or avoid potential impacts.

1.5 Final EIR Preparation and Certification Process

This DEIR is being circulated for public review for a period of 60 days (15 days beyond the 45-day public review period required by CEQA). Public agencies and members of the public are invited to provide written comments on the DEIR.

The DEIR (paper copy form) as well as the Final EIR will be available to the general public for review at these locations:

- City of Hermosa Beach Community Development Department, 1315 Valley Drive, Hermosa Beach, CA 90254
- Hermosa Beach Public Library, 550 Pier Avenue, Hermosa Beach, CA 90254.
- City of Torrance, 3301 Torrance Boulevard, Torrance, CA 90503.
- City of Redondo Beach, 303 North Pacific Coast Highway, Redondo Beach, CA 90277.

CD and paper copies of the DEIR may be obtained (free of charge) at the City of Hermosa Beach Community Development Department.

The DEIR is also available on the City of Hermosa Beach's website at <http://www.hermosabch.org>, under 'Spotlight' select 'Proposed Oil Production Project.' All comments on the DEIR must be received no later than April 14, 2014 and should be directed to:

Ken Robertson
Community Development Director
City of Hermosa Beach
1315 Valley Drive,
Hermosa Beach, CA 90254
oilproject@hermosabch.org
310-318-0242

Upon completion of the 60-day review period, the City will review and prepare written responses to each comment as required by CEQA and the CEQA Guidelines. A Final EIR ('FEIR') will then be prepared, incorporating all of the comments received, written responses to received comments, and the DEIR, along with any changes to the DEIR that result from the comments received.

The FEIR will then be provided to the City of Hermosa Beach Planning Commission for public hearing and recommendation to the City of Hermosa Beach City Council regarding its adequacy and then presented to the City Council for public hearing and certification. The FEIR will be available to the public and agencies at least 10 days prior to a public hearing by the Planning

Commission. All public agencies and persons who submit comments on the DEIR during the 60-day public review period will receive written responses to their comments and be notified of the availability of the FEIR and the date of the Planning Commission and City Council public hearings concerning certification of the FEIR at least 10 days prior to the public hearings. The Planning Commission will consider the findings required by CEQA for certification of the FEIR and the FEIR must be certified by the City Council (as lead agency) prior to placing the Proposed Project on the ballot.

1.6 CEQA Findings for Proposed Project Approval

As part of certifying the FEIR, the City Council will issue findings that comply with the requirements of CEQA Guidelines Sections 15091 and with Public Resources Code Section 21081. Accordingly, the Hermosa Beach City Council will make findings regarding the extent and nature of the significant impacts identified in the FEIR. CEQA and the CEQA Guidelines require that:

No public agency shall approve or carry out a project for which an EIR has been certified which identifies one or more significant environmental effects of the project unless the public agency makes one or more written findings for each of those significant effects, accompanied a brief explanation of the rationale for each finding. While the voters will determine whether to approve E&B's Project, findings must still be made prior to placing the measure on the ballot. The possible findings are:

1. Changes or alterations have been required in, or incorporated into, the project which avoid or substantially lessen the significant environmental effect as identified in the final EIR.
2. Such changes or alterations are within the responsibility and jurisdiction of another public agency and not the agency making the finding. Such changes have been adopted by such other agency or can and should be adopted by such other agency.
3. Specific economic, legal, social, technological, or other considerations, including provision of employment opportunities for highly trained workers, make infeasible the mitigation measures or project alternatives identified in the final EIR.

1.7 Mitigation Monitoring

CEQA requires that the lead agency adopt a mitigation monitoring and reporting program (MMRP) for any project for which it has made findings pursuant to Public Resources Code Section 21081 (see above). The MMRP is intended to ensure the implementation of all mitigation measures that are adopted following the preparation of an EIR. This DEIR includes a Draft Mitigation Monitoring Program (Section 8). An updated Mitigation Monitoring and Reporting Program will be prepared as part of the FEIR to reflect any changes to mitigation measures as a result of the DEIR public review process. For this Project the mitigation measures identified will be part of the Development Agreement between the City and E&B.

Regarding relocation of the City Maintenance Yard, if the voters approve E&B's Project, the HB Planning Commission will need to consider a Planned Development permit through a public hearing process. Mitigation measures in the Final EIR would be incorporated as conditions of approval of the Planned Development permit for the City Maintenance Yard.

1.8 Background

1.8.1 Project History

The Wilmington-Torrance Oil Field was discovered in the Los Angeles Basin at the turn of the century. In 1919, the State of California granted to the City of Hermosa Beach, in trust, the tidelands within the Torrance Oil Field. Oil drilling increased in the Los Angeles Basin into the 1930s. The resulting issues related to the oil drilling practices of that time period caused the voters in several cities to pass ordinances banning oil drilling. In the City of Hermosa Beach, where many oil wells had been drilled (including Stinnett Oil Well No. 1 at the City Maintenance Yard), a citywide oil and gas drilling prohibition was passed in 1932.

In 1984, Ballot Measures P and Q were passed by the voters in the City of Hermosa Beach, granting exceptions to the drilling ban that authorized oil development on two City-owned parcels, the City Maintenance Yard and the South School site. Subsequently in 1985, the City adopted the Oil Code within the City's Zoning Ordinance (a component of the City's Municipal Code) that established terms and conditions governing oil drilling and development in the City, including the requirement for a Conditional Use Permit (CUP) for oil and gas production on the City-owned parcels.

In 1986, the City selected the Macpherson Oil Company (Macpherson) to develop an oil production facility to recover oil, gas, and other hydrocarbons from the City Maintenance Yard. Also in 1986, Macpherson and the City entered into a lease that provided Macpherson with the right to conduct oil and gas operations within the City. The original 1986 Lease was amended many times, with an amendment in 1992 becoming the Lease between Macpherson and the City under which the development of the project was slated to proceed (Oil and Gas Lease No. 2). Under the provisions of the Lease, the City applied to the California State Lands Commission to allow drilling for oil, gas, and other hydrocarbons in the tidelands area and for approval of the Lease which occurred in 1993.

The City prepared an Environmental Impact Report (EIR) for the Macpherson project that was certified on May 9, 1990 along with the City's Statement of Overriding Considerations. On that same date, the City Council adopted amendments to the Zoning Ordinance to make oil drilling a permitted use with a CUP in the Light Manufacturing (M-1) zone and to allow an exception to the 35-foot height limit requirement in the M-1 zone for a temporary period during drilling operations.

1.8.2 Lawsuits and Settlement Agreement

E&B's proposed Oil Development Project is the result of a 2012 Settlement Agreement between the City, E&B Natural Resources Management Corporation (Applicant), and Macpherson Oil Company (for itself and Windward Associates) ("Macpherson") to resolve a lawsuit by

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Macpherson Oil Company against the City regarding oil drilling at the site of the existing City Maintenance Yard at 555 6th Street. Macpherson was seeking in excess of \$750 million in damages against the City for breach of its lease. As described below, the Settlement Agreement provided for the dismissal of the lawsuit, limited the City's potential liability, and provided the Applicant (Macpherson sold its interests to E&B Natural Resources Management Corporation) with the potential opportunity to proceed with the oil drilling project conducted from an urban drill site.

The Settlement Agreement was entered into by the City on March 2, 2012 to allow the city voters to make a decision on whether the Project should move forward or not. As described above, the Project has a long history. In 1984 the voters, through initiatives, approved a measure lifting the ban on oil and gas production. Subsequently, in 1992 the City approved a Lease to allow Macpherson to "slant drill" at an angle from an onshore site so it could tap into underwater oil reserves off Hermosa Beach's shores. Similar to the current Project, the Project at the time called for up to 30 oil wells and production facilities on 1.3 acres at the City's Maintenance Yard located proximate to the Greenbelt, businesses and residences. In 1995, Hermosa Beach voters approved Proposition E to restore the oil-drilling ban in the city. The City Council, however, proceeded with the Macpherson Project under its agreement with the oil company entered into prior to the Proposition E vote.

In 1998, a report presented at a California Coastal Commission hearing to consider approval of a coastal development permit for the Macpherson Project raised additional safety concerns regarding the Macpherson Project. In response, an independent expert hired by the City conducted an integrated risk analysis and found risks to the City from the Project. The Council voted to halt the Project, and Macpherson Oil Company sued the City. Through a series of rulings over a number of years, the trial and appellate courts decided that Macpherson could pursue breach of contract remedies against the City and that Macpherson could be entitled to damages for a breach of the Lease. The trial on the issue of potential damages was scheduled for April 2012, with Macpherson seeking \$750 million in damages from the City. After the trial court ruled on several evidentiary pre-trial motions, the discussions between Macpherson, the Applicant, and the City commenced in an attempt to settle the lawsuit. The City Council voted to settle the lawsuit resulting in the Settlement Agreement. Thereafter, E&B filed an Application for the Proposed Project.

Under the Settlement Agreement, the City is to place on the ballot, in a manner that complies with all applicable laws, a measure that asks voters whether or not to lift the ban on oil development in the City to allow E&B's proposed Oil Development Project on the site at 555 6th Street to proceed.

The Settlement Agreement also provided that Macpherson assigns the Project to E&B. E&B will pay Macpherson \$30 million for those rights, including Macpherson's existing Conditional Use Permit and Lease. E&B also will be entitled to payment from the City up to \$17.5 million depending on the results of a future election.

At that election, Hermosa Beach voters will review a ballot measure and decide if they wish to repeal the existing ban on oil drilling in the City limits and enter into a development agreement to allow E&B to develop an oil drilling project at the City's Maintenance Yard.

Under the terms of the Settlement Agreement, if the voters reject the ballot measure, the City will owe E&B \$17.5 million. If the voters approve the ballot measure and E&B secures all the necessary permits to drill, the City will owe the company \$3.5 million. Should the electorate vote to allow the Proposed Project to go forward, and if the Project produces oil, the City would collect royalty payments on the gross sales of the oil produced by the Project and would use a portion of its royalties to pay the \$3.5 million it would owe E&B under the Settlement Agreement. The Hermosa Beach City School District would also collect revenues from the Project if it is approved and produces oil.

If the voters approve the Project, E&B will pursue additional permits and approvals from different state and regional agencies. The agencies are the California Coastal Commission, State Lands Commission, South Coast Air Quality Management District and state Division of Oil, Gas and Geothermal Resources. Other permits or approvals would also have to be obtained from various jurisdictions, including the cities of Redondo Beach and Torrance, which would be traversed by the proposed oil and gas pipelines.

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