DATE: OCTOBER 4, 2011

TO: HONORABLE MEMBERS OF THE BOARD OF HARBOR COMMISSIONERS

SUBJECT: RANCHO LPG HOLDINGS, LLC FACILITY – BACKGROUND INFORMATION

For your information, please find below a summary of past City of Los Angeles (City) reviews and City of Los Angeles Harbor Department (Harbor Department) actions related to the Rancho LPG Holdings, LLC (Rancho) butane storage facility located at 2110 North Gaffey Street in San Pedro (storage facility).

Butane Storage Facility

The Rancho storage facility includes two 12.5 million gallon refrigerated butane storage tanks. The storage facility receives butane, a liquefied petroleum gas which is a by-product of the refining process, in the spring and summer months, some of which is stored to return to refineries in the winter months for blending with gasoline and some of which is exported. The storage facility was initially built by Petrolane Inc. (Petrolane) and developed into a liquid bulk tank facility in accordance with a 1973 environmental impact report (EIR) with the City being the lead agency. The facility has changed ownership over the years, with the most recent being Rancho’s purchase of the facility from AmeriGas in 2008, and subsequently the land underlying the facility in 2010.

The storage facility is located on private property outside the Port of Los Angeles (Port). However, the various owners of the facility have obtained permits from the Harbor Department for operation of a rail spur and vessel berthing facility, with associated pipelines, for the export of butane from the storage facility.

Related Harbor Department Permits

In 1974, the Harbor Department entered into Revocable Permit No. 1212 for a railroad spur track to the storage facility and Permit No. 263 for two subsurface pipelines (4-inch and 16-inch) and a non-exclusive berthing assignment at Berth 120. Permit No. 263 had a term of 30 years, which expired in 2004.
In February 2004, the Harbor Department notified AmeriGas (the owner at that time) that the renewal of Permit No. 263 would not be consistent with the future plans of the Port Master Plan and its long-range preferred use for the Berth 120 area. Additionally, the Port Community Advisory Committee (PCAC) approved a motion that recommended that the Board of Harbor Commissioners (Board) not renew Permit No. 263 with AmeriGas. AmeriGas requested that the Board postpone consideration of the PCAC motion until Neighborhood Council input was received. These actions resulted in various reviews of the storage facility by the City.

The Harbor Department participated in the various City reviews of the storage facility and took actions related to Revocable Permit No. 1212 and Permit No. 263, as outlined in the timeline below. In summary, the Harbor Department terminated Permit No. 263 in October 2010 and requested Rancho to restore the site as required under the Permit. Site restoration activities were completed in July 2011. In February 2011, Revocable Permit No. 1212 for the rail spur was replaced with Revocable Permit 10-05 with Rancho, which updated various permit provisions.

**Timeline of Activities since February 2004 PCAC Motion**

- **May 2004 – Permit No. 263 Placed on Hold-Over:** Upon expiration of the 30-year term of Permit No. 263, the Harbor Department granted AmeriGas a conditional month-to-month holdover for both the pipelines and berthing assignment.

- **July 2004 – Neighborhood Councils Request Relocation of Storage Facility:** A Neighborhood Council public forum was held and resulted in a request to AmeriGas and its two clients, BP North America and Valero, to work towards a solution that would allow the storage facility to be removed.

- **July 2004 – Permit No. 263 Berthing Rights Terminated:** The berth assignment for Berth 120 provided under Permit No. 263 was terminated by the Harbor Department. Subsequent vessel calls for AmeriGas were handled on an individual basis under a temporary berthing assignment.

**August 2004 – City Council Requested Storage Facility Relocation Site Options:** The Los Angeles City Council (City Council) directed the Harbor Department to work with AmeriGas and its clients to identify potential storage facility relocation sites and to report back to the Commerce, Energy, and Natural Resources (CENR) Committee. AmeriGas completed siting criteria studies for relocating the storage facility and along with BP and Valero assessed potential alternative sites. AmeriGas determined that at a minimum of 15 to 18 acres with vessel berthing, highway, rail and pipeline access is required as a potential relocation site. Harbor Department staff assessed potential sites within the Port, including Pier 400. AmeriGas indicated that the potential relocation sites identified were not suitable.
- **September 2004** – Last AmeriGas Vessel Call at Berth 120: The last vessel call at Berth 120 for AmeriGas occurred in September 2004.

- **July 2005** – City Task Force Established to Develop and Analyze Options for a Permanent Relocation Site for the Storage Facility: The City Council approved a CENR Committee report instructing the City Administrative Office (CAO) and the Chief Legislative Analyst (CLA) to create a task force for the purpose of developing options that would lead to the permanent relocation of the storage facility. The CAO requested that the City Attorney determine whether the City has the authority or legal basis to compel AmeriGas to relocate its operations to another undetermined location. The City Attorney responded that no legal basis to compel relocation existed, and the only apparent options to remove AmeriGas from the North Gaffey Street site would be condemnation proceedings or a zoning change to prohibit the use of the facility. The CAO/CLA indicated that property acquisition costs alone could be $15-20 million. The resulting CAO/CLA report submitted to City Council March 13, 2006, recommended that the viability, consequences, costs, and timelines for condemnation proceeding and zoning changes be explored.

**May 2006** – Planning Department Explored Condemnation Proceedings and Zoning Changes: The City Council adopted a Trade, Commerce and Tourism (TCT) Committee report requesting the City Planning Department and the Harbor Department, with the assistance of the City Attorney, to determine the viability and consequences of condemnation proceedings or a zoning change of the storage facility site and identify the process that could be used, including a timeline and total cost estimate. The City Planning Department responded to City Council in a November 2006 report. The report indicated that a zone change would also require a General Plan amendment, and would take nine months to two years to complete. It was noted that if the City lost a legal challenge to the zone change, the City would be liable for damages and attorneys’ fees and the zoning would revert to its original classification. It was determined that condemnation could only proceed if the property was necessary for a public project. The City would have to complete the environmental review process for said project, make an unsuccessful offer to purchase the property from the owner, and then invoke the power of eminent domain. The City would need to pay the property owner just compensation for the property. The property owner could challenge in court both the City’s right to take the property and the amount of compensation offered by the City. The timeline would be one to three years, depending on the environmental clearances needed and the potential for litigation. City Planning was unable to accurately estimate the overall scope of work involved and approximate cost for both options prior to determining the environmental clearances required. Further, the property value could not be determined without an independent appraisal.
- **January 2007** – City Council Planning and Land Use Committee Notes and Files Planning Department Report: The City Council Planning and Land Use Committee noted and filed the November 2006 City Planning Department report addressing the viability and consequences of condemnation proceedings or a zoning change of the storage facility site. That action was then forwarded to the TCT Committee, where it remains pending.

- **October 2010** – Permit No. 263 Terminated: The month-to-month holdover of Permit No. 263 for the pipelines was terminated by the Harbor Department. Rancho was directed to restore the property, as required under Permit No. 263.

- **February 2011** – Revocable Permit for Rail Spur Updated: Revocable Permit No. 1212 for the rail spur was replaced by Revocable Permit 10-05, which updated various permit provisions, including the change in ownership from AmeriGas to Rancho.

- **March 2011** – Coastal Development Permit for Berth 120 Restoration Issued: The Harbor Department issued a Level I Coastal Development Permit (11-02) to Rancho for the abandonment and removal of the two subsurface pipelines at Berth 120 and restoration of the site.

- **July 2011** – Berth 120 Site Restoration Completed: Rancho completed restoration activities at the Berth 120 location.

Please contact me with any questions or additional information needs.

[Signature]
GERALDINE KNATZ, Ph.D.
Executive Director