

# 8

## GROWTH-INDUCING IMPACTS

### 8.1 Introduction

The California Environmental Quality Act (CEQA) Guidelines require that an Environmental Impact Report (EIR) discuss the ways in which a proposed project could foster economic or population growth, or the construction of additional housing, either directly or indirectly, in the surrounding environment. This includes ways in which a proposed project would remove obstacles to economic or population growth or trigger the construction of new community service facilities that could cause significant effects (CEQA Guidelines, Section 15126.2[d]). The National Environmental Policy Act (NEPA) requires an Environmental Impact Statement (EIS) to examine the potential of a project to significantly affect the environment; potential impacts could be either direct or indirect. Indirect effects (NEPA, 40 CFR 1508.8[b]) may include growth-inducing effects and other effects related to induced changes in the pattern of land use; population density or growth rate; and related effects on air, water, and other natural systems including ecosystems.

Section 3.15 addresses growth inducement from the proposed Project, primarily from the standpoint of the potential for changes in population and housing. This section reiterates and further explains some of those findings and evaluates additional aspects of growth inducement. The analysis presented below focuses on whether the proposed Project would directly or indirectly stimulate growth in the surrounding area. The analysis concludes that the proposed Project would result in no significant growth in the Los Angeles basin. The proposed Project would serve to fulfill an existing and projected need for crude oil in the region. It represents a replacement of declining domestic supply with foreign supply, as well as accommodating increases in crude oil demand that are based on projected increases in consumer demand for transportation fuels and projected increases in refinery distillation capacity. All of these factors (declining domestic supply, increased consumer demand for transportation fuels, and increased refinery distillation capacity) would occur regardless of the proposed Project.

### 8.2 Summary of Growth-Inducing Impacts

As discussed below, the proposed Project would not have growth-inducing impacts on surrounding areas. The Project would not lead to appreciably more intensive

1 development of Pier 400 and, therefore, would not stimulate significant economic or  
2 population growth, remove obstacles to population growth, or necessitate the  
3 construction of new community facilities that would lead to additional growth in the area  
4 of the Los Angeles basin.

## 5 **8.2.1 Direct Growth-Inducing Impacts**

6 A project would directly induce growth if it would remove barriers to population growth  
7 (e.g., a change to a General Plan and Zoning Ordinance for a jurisdiction that allowed  
8 new residential development to occur). Projects could also directly induce growth by  
9 building new housing. Additionally, a project could directly induce growth due to its  
10 demand for labor during construction or operation, especially a large demand for labor  
11 that is not likely to be met from within the surrounding area.

12 The proposed Project would not remove barriers to population growth, as it involves no  
13 changes to a General Plan, zoning ordinance, or related policy. The proposed Project also  
14 does not include the development of new housing or population-generating uses.

15 The proposed Project would result in demand for construction and operation phase  
16 workers. Construction would last approximately 30 months. The proposed Project is  
17 estimated to create a total of 732 full-time equivalent construction jobs (see Section  
18 7.2.2.1). Due to the size of the construction industry in the metropolitan area (about  
19 206,000 construction jobs in year 2000 in Los Angeles County alone; Table 7-2), and the  
20 temporary and mobile nature of construction jobs, construction workers are expected to  
21 come from within the metropolitan area. Direct, ongoing jobs due to operation, estimated  
22 at 54 jobs when throughput reaches its highest level (2025 through 2040), also are  
23 expected to be filled by people already living within the metropolitan area.

24 Therefore, the proposed Project would not generate significant direct growth-inducing  
25 impacts.

## 26 **8.2.2 Indirect Growth-Inducing Impacts**

27 A project would indirectly induce growth if it would entail expansion of capacity of  
28 public service facilities or utilities in an area in which capacity is currently sufficient for  
29 demand (e.g., an increase in the capacity of a sewer treatment plant, or the construction  
30 or widening of a roadway beyond that which is needed to meet existing demand). A  
31 project could also indirectly induce growth by triggering additional development  
32 projects that could in turn result in a significant increase in population or housing.  
33 Indirect growth inducement could also derive from growth in indirect and induced  
34 employment opportunities, or what is sometimes called the “ripple effect” of direct  
35 investment. Economists distinguish the ripple effect into indirect effects, related to new  
36 demand for products or services from industries that sell inputs to the industries that are  
37 directly impacted (e.g., materials supply firms), and induced effects, related to economic  
38 sectors that benefit from household spending as household income increases (or  
39 decreases) due to direct employment changes (e.g., the retail sector).

40 The proposed Project is located within a region that is currently developed and has been  
41 planned to undergo improvements by the Los Angeles Harbor Department (LAHD).

1 The capacity of the existing infrastructure in the Project area would not be expanded to  
2 accommodate the proposed Project. For example, existing water supplies are available,  
3 and adequate wastewater treatment capacity exists to accommodate the proposed Project  
4 (see Section 3.13 for details). The proposed Project would not require upgrades to the  
5 size of existing wastewater transmission, distribution, or treatment infrastructure.  
6 Therefore, no new entitlements would be required.

7 The proposed Project includes the construction of infrastructure to accommodate marine  
8 imports of crude oil in order to replace declining crude supplies from in-state, which  
9 historically have arrived in southern California primarily via pipeline from oil fields  
10 within central California. (Figure 1-3 shows the historical decline in the supply of  
11 domestic oil to southern California refineries, and Figure 1-4 shows its projected future  
12 decline.) The proposed Project would provide the infrastructure to accommodate  
13 replacement of this domestic supply, and would also accommodate projected increases  
14 in crude oil demand over the long term. As noted elsewhere in the document,  
15 particularly in Section 1.1.3.1 and Appendix D1, the projected increase in crude oil  
16 demand is based on increased consumer demand for transportation fuels and increased  
17 refinery distillation capacity (“refinery capacity creep”). Both of these factors are  
18 projected to increase independent of the proposed Project. Consumer demand is  
19 projected to increase due to population and income growth (CEC 2007a; CEC 2007b;  
20 CEC 2007c; also see Section 1.1.3). Refinery capacity is expected to increase because  
21 refineries in southern California, facing increased consumer demand and a consumer  
22 demand that exceeds their current distillation capacity (CEC 2007b; also see Section  
23 1.1.3), are continually seeking process improvements that would allow them to increase  
24 production. (It is worth noting that refineries plan their capacity and production in order  
25 to have the capacity to meet peaks of consumer demand, rather than average demand,  
26 over a long-term forecast.) Therefore, the proposed Project would not result directly or  
27 indirectly in increased employment, economic output, or earnings associated with the  
28 refining of crude oil or distribution or retailing of refined products.

29 Refinery capacity is a limiting factor affecting the amount of crude oil imported through  
30 the Ports of Los Angeles and Long Beach. Although no new refineries have been built in  
31 the area in a number of years, improvements in refinery technology and/or expansion of  
32 existing refineries have in some cases increased refinery capacity. (Note that the Project  
33 applicant does not presently own or operate refineries; as such, it would contract with  
34 customers to ship crude oil from various locations to its marine terminal and then to its  
35 customers in southern California.) If demand for refined products continues to increase  
36 and the economics of refining support new development, there remains the potential for  
37 new refineries to be built in the future, if an applicant were interested and the necessary  
38 regulatory approvals were to be issued. Refineries serve demand from consumers and  
39 businesses; a project to build a new refinery would be the result of a refinery operator  
40 identifying a potential to make a profit by accommodating demand for refined products,  
41 either due to increased consumer and business demand for refined products or due to the  
42 potential to capture market share by providing products in the event of an unanticipated  
43 outage in refineries in southern California or other U.S. locations (e.g., the Gulf Coast).  
44 As noted in the paragraph immediately above, consumer demand for transportation fuels  
45 and refinery distillation capacity are both projected to increase independent of the  
46 proposed Project. Construction of new refineries, if it were to occur, would be the result  
47 of (1) refinery operators responding to existing and projected demand for gasoline and  
48 other refined crude products and (2) refinery operators identifying shortages in refinery  
49 capacity. The proposed Project, while part of the overall supply chain for crude oil and

1 refined products, would not trigger growth inducement because it is meeting existing and  
2 projected growth in demand for crude oil from its customers and, indirectly, from the  
3 many consumers who utilize products made from crude oil.

4 In the short run, the proposed Project does increase the total regional capacity to receive  
5 crude oil. The total regional capacity includes the capacity of existing terminals at  
6 Chevron’s El Segundo Terminal and the San Pedro Bay Ports to receive marine imports,  
7 plus some domestic supply that is likely to continue to reach southern California via  
8 pipeline. Although it is declining rapidly, some California production still reaches  
9 southern California and is available to refineries in the Los Angeles Basin. The  
10 combination of the capacity of the new Berth 408 terminal, plus existing marine  
11 terminals at the San Pedro Bay Ports, the El Segundo Marine Terminal, and declining  
12 but still positive California domestic supply, may exceed the capacity of refineries to  
13 process crude oil for several years after the start of operations at Berth 408. Over time,  
14 however, this “bubble” of regional crude oil import capacity over regional refinery  
15 distillation capacity will subside as domestic California production, and the supply of  
16 that oil to southern California, continues to decline, and the region becomes more fully  
17 dependent on marine imports rather than pipelines from northern and central California.  
18 (It is worth noting that the regional crude oil import capacity currently exceeds regional  
19 refinery distillation capacity, as evidenced by the fact that even as demand for petroleum  
20 products exceeds refinery distillation capacity (Section 1.1.3.1), there is still some  
21 additional capacity to receive crude oil imports at existing terminals in the San Pedro  
22 Bay Ports (Section 2.5.2.1 and Appendix D1).) Given the high capital cost, engineering  
23 and environmental challenges, and extensive permitting requirements associated with  
24 constructing a new refinery or significantly expanding the capacity of an existing  
25 refinery, and the short-term nature of the potential crude oil supply bubble, it is unlikely  
26 that a new refinery would be built. Thus, the proposed Project would not likely induce  
27 growth due to the temporary increase in regional crude oil supply capacity to which it  
28 would contribute.

29 Different varieties of crude oil have different characteristics that, in turn, require  
30 different refinery processes. As crude oil sources change, as a result of the differences in  
31 refinery feedstock characteristics, refinery operators may need to change refinery  
32 equipment or processes over time in order to accommodate different chemical  
33 constituents or proportions of chemical constituents. These refinery process changes  
34 may result in new construction employment and either increased or decreased  
35 operational employment. However, these refinery process changes would happen  
36 regardless of whether the proposed Project is implemented. Differences in refinery  
37 feedstock characteristics are related to the decline in domestic California production (and  
38 the need to replace California sources with other crude oil sources) rather than the  
39 proposed Project itself. This issue is similar to environmental regulations that affect  
40 refinery processes or outputs, such as California Air Resources Board (CARB)-  
41 compliant gasoline.

42 Construction expenditures and employment would contribute to indirect and induced  
43 employment, output, and earnings in the region via economic multiplier effects.  
44 Construction expenditures would also incrementally increase activity in local retail  
45 establishments as a result of construction workers patronizing local establishments.  
46 However, due to the size of the regional economy and the relatively small size of  
47 proposed Project construction and operation employment, the contribution from the  
48 proposed Project to indirect and induced employment would be minimal. Including

1 indirect and induced effects, proposed Project construction is estimated to contribute  
2 1,767 full-time equivalent jobs to the five-county area, and proposed Project operation is  
3 estimated to contribute 212 full-time equivalent ongoing jobs when throughput reaches  
4 its highest level (2025 through 2040). These jobs represent a small proportion of  
5 employment in the five-county area, which was about 8 million in 2004 (Table 7-1 of  
6 this SEIS/SEIR; SCAG 2004).

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