

**Los Cerritos Wetlands Authority**

**Date:** August 12, 2015

**To:** Governing Board Members

**From:** Mark Stanley, Executive Officer

**Subject:** Item 7: Consideration of Resolution authorizing the LCWA Executive Officer to enter into a term sheet agreement with Synergy for the conveyance of real property.

**RECOMMENDATION:** That the Los Cerritos Wetlands Authority (LCWA) authorize the LCWA Executive Officer to enter into a term sheet agreement with Los Cerritos Wetlands, LLC (subsidiary of Synergy Oil and Gas Company) for the conveyance of real property.

**BACKGROUND:** The Executive Officer received authorization to enter into negotiations with Synergy Oil and Gas Company (Synergy) for real property at the March 25, 2015 Board Meeting (Resolution 2015-01) since then the Executive Officer and Staff have met with Synergy several times and have developed the Draft Term Sheet for a Land Exchange Agreement between Los Cerritos Wetlands, LLC and Los Cerritos Wetlands Authority (Exhibit A: Draft Term Agreement). The draft term sheet outlines Synergy and the LCWA wishes to enter into a non-binding agreement that provides for the exchange of each party's respective properties (Exhibit B: Map). The purpose of this Term Sheet is to set forth the preliminary and non-binding terms of subsequent negotiations toward anticipated future Agreement.

**FISCAL:** None. The term sheet is not financially binding.

**EXHIBIT A**

**DRAFT: JULY 27, 2015**

**TERM SHEET FOR A LAND EXCHANGE AGREEMENT**  
**BETWEEN LOS CERRITOS WETLANDS, LLC AND**  
**LOS CERRITOS WETLANDS AUTHORITY**

1. **Parties:**

Los Cerritos Wetlands Authority ("LCWA"), a joint powers authority formed by the California Coastal Conservancy, the San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy, the City of Long Beach and the City of Seal Beach  
100 Old San Gabriel Canyon Road  
Azusa, CA 91702  
Contact: Mark Stanley, Executive Director

Los Cerritos Wetlands, LLC ("Synergy")  
6433 E. Second Street  
Long Beach, CA 90803  
Contact: John McKeown

2. **Subject Properties:**

LCWA is the owner of an approximately 5-acre parcel of undeveloped property located at the northeast corner of Studebaker Road and Westminster Boulevard in the City of Long Beach ("LCWA Site").

Synergy is the owner of an approximately 156-acre operating oil field ("Synergy Oil Field") located at 6433 E. Second Street between Pacific Coast Highway and Studebaker Road along 2<sup>nd</sup> Street/Westminster Boulevard in the City of Long Beach. The Synergy Oil Field is operated by the Synergy Oil & Gas Company. (See Exhibit A: Map of the Properties.)

3. **Purpose:**

Synergy intends to establish a mitigation bank on the northerly approximately 76 acres of the 156-acre Synergy Oil Field. It intends to implement a wetlands habitat restoration plan ("Restoration Plan") on the southerly approximately 72 acres of the Synergy Oil Field. It also intends to construct public access improvements, such as trails and a parking lot on existing disturbed areas, and convert an existing building for use as a visitor's center, within approximately 4 acres of the Synergy Oil Field.

As part of the restoration of the southerly approximately 76 acres, Synergy intends to remove, over time, approximately 58 oil wells from the Synergy Oil Field and would conduct its oil production activities from the LCWA Site. Synergy would also conduct oil production activities from a second off-site location unaffiliated with LCWA.

Synergy and LCWA wish to enter into an agreement ("Agreement") that provides for the exchange of each party's respective properties as described more fully in this document. The purpose of this Term Sheet is to set forth the preliminary and non-binding terms of subsequent negotiations toward that possible future Agreement, including the following:

- a. LCWA will convey in fee, by metes and bounds description, the LCWA Site to Synergy for the purpose of allowing Synergy to drill approximately 60 oil wells on the LCWA Site and to conduct oil production activities on the LCWA Site. In furtherance of this activity, Synergy expects that the LCWA Site will be improved with oil production facilities.
- b. Synergy will convey in fee, by metes and bounds description, the following properties to LCWA in furtherance of LCWA's mission "to provide for a comprehensive program of acquisition, protection, conservation, restoration, maintenance and operation and environmental enhancement of the Los Cerritos Wetlands area":
  - i. The approximately 4 acres containing the existing office building on the Synergy Oil Field, which Synergy shall improve for LCWA's use as a public visitors center, a parking lot, and the trails to be used for public access (hereinafter collectively, "Public Access Improvements"); and
  - ii. The approximately 76-acre wetlands mitigation bank area which Synergy shall restore in accordance with the Restoration Plan. All proceeds associated with sale of credits within the 76-acre wetlands mitigation bank shall accrue to Synergy, however.
- c. Synergy further intends to convey in fee, by metes and bounds description, the approximately 72-acre area on which its oil operations are currently being conducted and on which it intends to implement a Restoration Plan as oil operations are phased out and established on other sites, including the LCWA Site. A condition precedent to conveyance of this approximately 72-acre area is the receipt of all government agency approvals for the project described in Section 4., below, and the completion of any legal challenges to said entitlements. Synergy and LCWA shall agree to address in the Agreement, the timing and conditions to the conveyance of the 72-acre area.

The proposed terms and conditions set forth in this Term Sheet represent the current intention of Synergy and LCWA. They do not bind either party in any manner, do not commit either party to a particular course of action, do not limit LCWA's discretion under the California Environmental Quality Act ("CEQA"), and in particular do not commit LCWA to consummate the Agreement with Synergy. This Term Sheet is a summary only and is not comprehensive or definitive. The Parties do not intend to be legally bound until, among other things, an Agreement is executed by the Parties following any required CEQA review, including any required public hearings. Either party is free to add, modify or eliminate provisions of the Term Sheet with the mutual consent of the other party, or to terminate negotiations at any time following written notice to the other party without any liability or obligation to the other party.

4. Entitlements:

Synergy is seeking various permits, approvals, and/or entitlements (collectively, "Entitlements") from, *inter alia*, the City of Long Beach, the California Coastal Commission, the U.S. Army Corps of Engineers, the Regional Water Quality Control Board, the California Department of Fish and Wildlife, and the U.S. Fish and Wildlife Service for the establishment of the mitigation bank, the implementation of its restoration project, the removal of oil field equipment, the construction of the Public Access Improvements, the operation of oil wells and related facilities on the LCWA Site and a second off-site location unaffiliated with LCWA, and the renovation of the existing office building on the Synergy Oil Field for a visitors center. The requested Entitlements include, but are not limited to:

- a. Interagency Review Team ("IRT") approval of the mitigation bank and Bank Enabling Instrument ("BEI");
- b. City of Long Beach approval of an Oil Operating Area Boundary Change, Oil Drilling Permit and Oil Well permit to permit oil drilling and oil production activities on, among other properties, the LCWA Site;
- c. City of Long Beach approval of an amendment to the Southeast Area Development and Improvement Plan ("SEADIP") to permit oil drilling and oil production activities, on among properties, the LCWA Site;
- d. City of Long Beach Site Plan Review approval for proposed improvements to be constructed on the LCWA Site and the Synergy Oil Field;
- e. City of Long Beach certification of an environmental impact report pursuant to CEQA; and
- f. California Coastal Commission approval of a Consolidated Coastal Development Permit and Local Coastal Program amendment.

As discussed in Section 9, LCWA shall cooperate with Synergy's efforts to secure the Entitlements, including by signing Entitlement applications submitted to governmental agencies.

5. CEQA Compliance:

A condition precedent to the approval of the Entitlements identified above in Section 4 is the preparation by the City of Long Beach of an environmental impact report pursuant to CEQA. As discussed more fully in Section 3, Synergy and LCWA do not intend to be legally bound to consummate the Agreement until, among other things, that Agreement is executed by the Parties following any required CEQA review, including any required public hearings.

6. Endowment:

The Agreement shall memorialize all terms associated with the endowment that will be the source of funds for the long-term maintenance and management of the northerly approximately 76 acres of the 156-acre Synergy Oil Field ("Endowment"). The activities to be funded by the Endowment shall be agreed upon by the IRT, set forth in the BEI, and repeated in the Agreement.



The sum of the Endowment as well as the timing of its funding shall be subject to future negotiations between the Parties and shall be based upon the Management Plan prepared for and approved by the IRT for the Mitigation Bank. In the event that the Parties cannot reach a consensus regarding the Endowment sum, that task will be delegated to a third-party agreed to by both Parties.

7. Timing:

This Term Sheet shall be presented to the Board of Directors of the LCWA at its meeting in August 2015. Approval of the Term Sheet in August 2015 will permit Synergy to submit applications to the City for the development contemplated on the LCWA Site and the Synergy Oil Field, and to commence processing entitlement approvals from the City and Coastal Commission to implement the proposed project.

Subsequent to the approval of the Term Sheet, LCWA and Synergy shall begin preparing and negotiating the land exchange Agreement as described in this Term Sheet.

The Agreement shall reflect the following timing provisions:

- a. Upon the expiration of the Cal. Public Resources Code Section 30801 statute of limitations associated with the approval and issuance of a Consolidated CDP by the California Coastal Commission that (1) permits oil operations on the LCWA Site, and (2) permits implementation of the wetlands mitigation bank, wetlands restoration, and other improvements on the Synergy Oil Field, LCWA shall convey to Synergy fee title to the LCWA Site for the purpose of allowing Synergy to commence development of the LCWA Site for oil drilling and oil production purposes.
- b. Upon the expiration of the Cal. Public Resources Code Section 30801 statute of limitations associated with the approval and issuance of a Consolidated CDP by the California Coastal Commission, and any litigation that may be filed challenging said approval, that (1) permits oil operations on the LCWA Site, and (2) permits implementation of the wetlands mitigation bank, wetlands restoration, and other improvements on the Synergy Oil Field, Synergy shall convey to LCWA fee title to the 76-acre wetlands mitigation bank area to LCWA. The conveyance shall reflect that Synergy reserves the right to conduct any work on the 76 acres to establish the wetlands habitat that is the focus of the mitigation bank (e.g., grading, removal of berms, etc.) and those Public Access Improvements located thereon, and the right to enter upon and monitor and maintain the habitat restoration work for a period of five (5) years or until such time federal and state agency sign-off of the successful restoration of habitat on the 76 acres is received by Synergy. Synergy further reserves the rights to all proceeds associated with the sale of mitigation bank credits.
- a. Upon completion of construction of the public trails, visitor's center, and parking lot on the Synergy Oil Field, Synergy will convey to LCWA in fee, by metes and bounds description, the land underlying the Public Access Improvements, and the Public Access Improvements themselves.

8. Environmental:

The Parties shall each provide to the other party a Phase I Environmental Assessment that identifies any and all environmental issues of concern for their respective properties by \_\_\_\_\_. If the Phase I Environmental Assessment recommends that a Phase II Environmental Assessment be conducted, the landowner shall be responsible to have a Phase II Environmental Assessment prepared. If the Phase I Environmental Assessment does not recommend preparation of a Phase II but a party wishes to have the additional work conducted, a party may, if permitted by the landowner, conduct at its own expense a Phase II Environmental Assessment. Each party anticipates that it will take the property "as is." The Agreement shall address responsibility for clean-up and remediation of the properties, if required, and any warranties regarding the presence of hazardous substances.

9. Appraisal:

The Parties shall prepare appraisals of the approximately 5-acre LCWA Site, the approximately 76-acre Wetlands Mitigation Bank area on the Synergy Oil Field, and the approximately 4-acre Public Access Improvements area. The timing of the appraisals and the method of selecting the appraiser shall be set forth in the Agreement. The Agreement shall also include an acknowledgment that it is the intent of the parties that the transaction is a land exchange and should the value of Synergy Properties exceed the LCWA Site that no additional compensation beyond the land exchange itself will be owed by LCWA to Synergy.

10. Cooperation:

Each party shall cooperate with the other party in carrying out the obligations described in this Term Sheet, including providing access to their respective properties to the other party for the purposes of conducting site inspections, studies and tests on the property to determine the suitability of the sites for their proposed uses; and signing applications submitted to the governmental agencies for the permits and approvals described above.

11. Representations of the Parties:

LCWA anticipates that it will be able to represent to Synergy that there are no deed restrictions or other recorded covenants, agreements or restrictions that would limit the uses that could be developed on the LCWA Site. Synergy represents to LCWA that there are no deed restrictions or other recorded covenants, agreements or restrictions that would prohibit use of the Synergy Oil Field for wetlands restoration and public access purposes.

12. Expiration:

This Term Sheet shall expire \_\_\_\_\_ year(s) after execution by all parties to this document. The parties, by mutual agreement and in writing may extend the Term Sheet for an additional term of no more than \_\_\_\_\_ years. The Term Sheet shall expire upon the effective date of the Agreement.

The following signatories of this Term Sheet are authorized to sign this Term Sheet on behalf of their respective Parties.

IN WITNESS WHEREOF, the Parties have each executed this Term Sheet on the dates identified below.

**LOS CERRITOS WETLANDS AUTHORITY**

By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**LOS CERRITOS WETLANDS, LLC**

By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

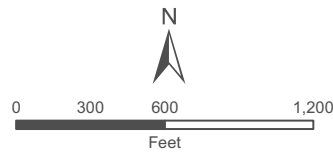


## Exhibit B: Map



### Legend

- Synergy Wetland Mitigation Bank (76 acres)
- Synergy Habitat Restoration Area (72 acres)
- LCWA Public Amenities (4 acres)
- LCWA 5 Acres



1 inch = 600 feet

### SYNERGY/LYON COMMUNITIES SITE MAP

GLENN LUKOS ASSOCIATES



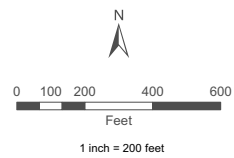
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## Legend

|   |                              |
|---|------------------------------|
| Mitigation Bank Boundary                    | Freshwater Marsh             |
| Non-Mitigation (Roads, Oil Operation, etc.) | Mulefat Scrub                |
| Alkali Meadow                               | Saltbush Scrub               |
| Coastal Sage Scrub                          | Sycamore/Elderberry Woodland |
| Coastal Saltmarsh                           | Tidal Creek/Mudflat          |
| Coastal Saltmarsh/Mudflat                   |                              |



## LOS CERRITOS WETLANDS MITIGATION BANK

Mitigation Option 1

GLENN LUKOS ASSOCIATES



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August 12, 2015– Item 7

RESOLUTION 2015 – 06

RESOLUTION OF THE LOS CERRITOS WETLANDS AUTHORITY TO  
AUTHORIZE THE EXECUTIVE OFFICER TO ENTER INTO A TERM  
SHEET AGREEMENT WITH LOS CERRITOS WETLANDS, LLC  
(SYNERGY) FOR THE CONVEYANCE OF REAL PROPERTY.

WHEREAS, the Los Cerritos Wetlands Authority has been established between the Coastal Conservancy, the San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy, the City of Seal Beach and the City of Long Beach to facilitate the acquisition, protection, conservation, restoration, maintenance and operation an environmental enhancement of the Los Cerritos Wetlands; and

WHEREAS, the LCWA has further been established to focus on projects which will provide open space, habitat restoration, and watershed improvement projects within the Los Cerritos Wetlands; and

WHEREAS, this action will authorize the Executive Officer to enter into a term sheet agreement with Los Cerritos Wetlands, LLC (Synergy) for the conveyance of real property; and

WHEREAS, the proposed action is requires completion of the California Environmental Quality Act; NOW

*Therefore be it resolved that* the LCWA hereby:

1. FINDS that the actions contemplated by this resolution is not exempt from the environmental impact report requirements of the California Environmental Quality Act.
2. FINDS that this action is consistent with the purposes and objectives of the LCWA.
3. Authorizes the Executive Officer to enter into a term sheet agreement with Los Cerritos Wetlands, LLC (Synergy) for the conveyance of real property for potential acquisition, lease or other interest and make necessary budget revisions
4. ADOPTS the staff report dated August 12, 2015.

*~ End of Resolution ~*

Passed and Adopted by the Board of the  
LOS CERRITOS WETLANDS AUTHORITY ON August 12, 2015.

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Joan Cardellino, Chair

ATTEST:

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Terry Fujimoto  
Deputy Attorney General