



Memorandum

TO: TRANSPORTATION AND
ENVIRONMENT COMMITTEE

FROM: Nanci Klein
Jeff Provenzano

SUBJECT: See Below

DATE: March 17, 2025

Approved

Date:

3/27/2025

SUBJECT: Shoreline Levee and Sea Level Rise Status Report

RECOMMENDATION

Accept a status report on the Shoreline Levee and Sea Level Rise.

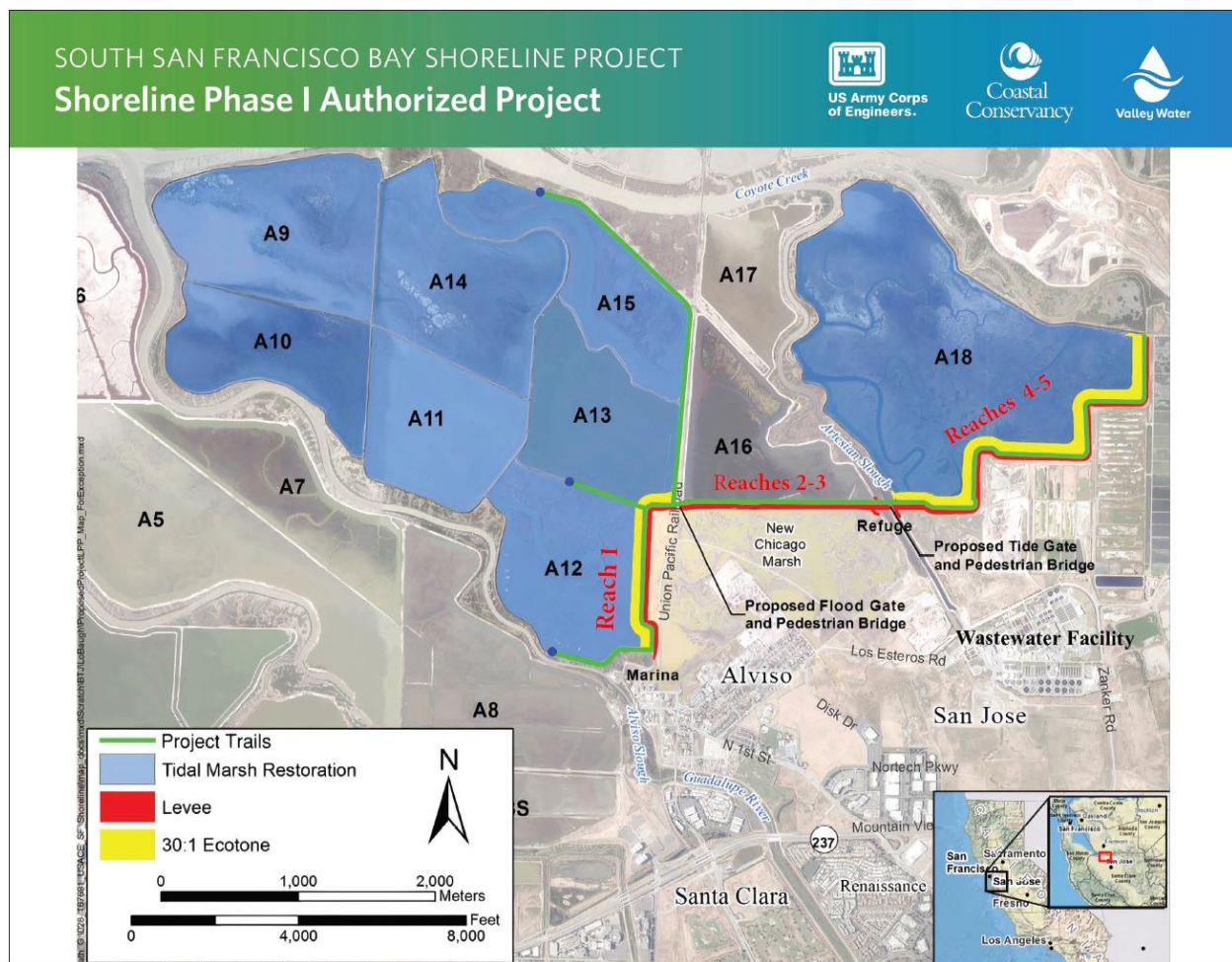
BACKGROUND

The South San Francisco Bay Shoreline Phase I Project (Project) is a multi-benefit shoreline levee project to provide flood risk reduction and shoreline restoration. The Project is managed by the United States Army Corps of Engineers (USACE) in partnership with the Santa Clara Valley Water District (Valley Water) as the local sponsor, and the California State Coastal Conservancy. The Project was initiated to provide 100-year coastal flood risk management, inclusive of sea level rise, to protect the community of Alviso, parts of North San José, and critical infrastructure such as the San José-Santa Clara Regional Wastewater Facility (RWF). The Project will also restore roughly 2,900 acres of former salt ponds into tidal marsh and improve public access along the shoreline via inclusion of a segment of the San Francisco Bay Trail.

The RWF owns the lands that the shoreline levee project must acquire to construct reaches 4 and 5. The RWF is the largest advanced wastewater treatment plant in the western United States, serving 8 cities in the South Bay Area and 1.4 million residents, and processing roughly 120 million gallons of wastewater per day. The City of San José is the majority owner and administrating agency of the plant, and the City of Santa Clara is a minority owner. Other agencies with an agreement to discharge into RWF include the cities of Milpitas and Cupertino, West Valley Sanitation District (comprised of Campbell, Los Gatos, Monte Sereno, and the majority of Saratoga), County Sanitation District 2-3, and Burbank Sanitary District. A few of these agencies also sit on the

Treatment Plant Advisory Group (TPAC) and make recommendations to the City Councils of San José and Santa Clara in matters related to the RWF.

The City, as administering agency for the RWF, has strong interests in collaborating to ensure project success. Sea level rise, unless mitigated, threatens coastal flooding of the RWF, Alviso, and North San José.



Original Proposed Levee Alignment c. 2017

The Project consists of five reaches: Reaches 1-3, located between the Alviso Slough and Artesian Slough north of Alviso, and Reaches 4-5, located between Artesian Slough and Coyote Creek, north of the RWF. Construction for Reaches 1-3 began in December 2021 and is nearing completion. That segment of the levee is anticipated to be complete in 2025, with habitat restoration activities and recreational improvements being completed through 2031.

In September 2021, USACE paused design work on Reaches 4 and 5 due to cost overruns. The Project initially received congressional authorization for design and construction costing \$194 million, which was subsequently reduced to \$124.3 million plus \$3.5 million in feasibility analysis costs (total award of \$127.8 million). Project cost increases, largely due to the growth in costs for levee fill material over the years, pushed the Project design and construction costs to \$545 million, more than triple the funding authorization.

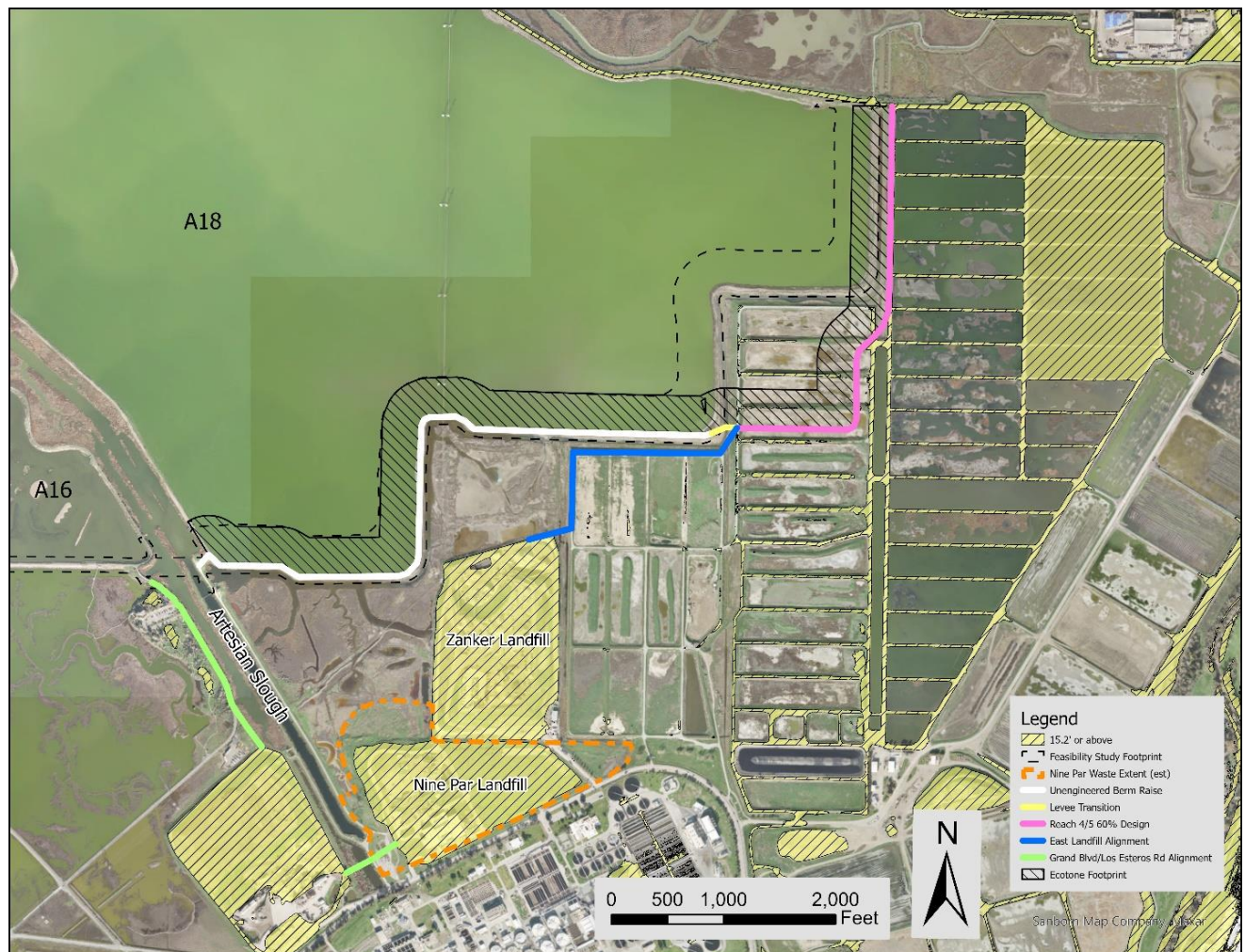
Successful lobbying by project stakeholders, including the City, led to an award of an additional \$91.12 million to USACE in February 2023. This award brought the total federal funding to \$219 million and allowed USACE to recommence design work on Reaches 4 and 5. Further Project cost savings are currently being sought through design revisions in a value engineering exercise.

ANALYSIS

The City of San José and the City of Santa Clara own the lands that the shoreline levee project must acquire to construct Reaches 4 and 5 and protect the assets described above. City staff have been engaging with the Project sponsors to transfer the required property interests, while ensuring the RWF and its stakeholder agencies receive fair value compensation for all assets, and plant operations are protected and not unreasonably disrupted.

To complete Reaches 4-5 and implement the restoration elements, the Project's original needs included the dedication of approximately 895 acres of land owned by the RWF, identified on the above map as Pond A18. Additional Project needs from the City/RWF include staging areas, access easements for ongoing access and construction staging, and a right-of-entry agreement for areas needed to stockpile construction materials to be used as levee fill. Project cost-conserving measures have been identified to support the Project and allow for a resumption of levee design and construction planning.

Over recent months, Valley Water and City staff have worked with USACE to reduce estimated Project costs. An USCAE value engineering exercise, now largely complete, identified a more cost-effective route for the remaining levee reaches that primarily utilizes existing "high ground" north of the RWF operational area and the GreenWaste Zanker Resource Recovery Facility. This will allow for a less extensive, less complex levee alignment and construction process. The updated alignment has also been revised to include the transfer of Legacy Lagoons L16 through L19, which is a rare opportunity to increase the acreage of tidal wetlands to be added to the southern end of the San Francisco Bay. In 2021, the City, Santa Clara and other Tributary Agencies funded the clean-up of Legacy Lagoons L16 through L19 under State Water Board Order R2-2019-0026.



Revised Levee Alignment Proposed as of 3/14/25 (tentative)

Staff is currently working with Valley Water and USACE to define a levee alignment to protect the RWF outfall channel and associated infrastructure. These locations are where the RWF-treated, high-quality water is discharged and are the regulatory compliance point for maintaining the facility's National Pollutant Discharge Elimination System (NPDES) discharge permit.

Valley Water and the Cities of San José and Santa Clara have signed a non-binding letter of intent outlining the minimum terms for the transfer of lands required by the project, which will be included in a binding Memorandum of Understanding (MOU). Staff are negotiating the MOU for the transaction, which will be presented to TPAC, then the Santa Clara and San José City Councils for authorization.

Key terms of this MOU will focus on achieving fair market value compensation for the RWF for any conveyed lands and protecting RWF operations, specifically the RWF discharge channel.

As the administering agency for the RWF, and co-owner with the City of Santa Clara, the City is partnering with Valley Water to reach business terms that would ensure adequate consideration for the transfer these lands, mitigate the cost of the Project, and minimize disruption to RWF operations.

On August 28, 2019, the San Francisco Bay Regional Water Quality Control Board (Regional Water Board) issued Order No. R2-2019-0026 to the City, requiring the cleanup and removal of contaminated biosolids generated prior to the Clean Water Act in biosolids ponds at the RWF, known as the Legacy Lagoons. The Order provided the City an option to reduce the compensatory mitigation requirements that might have otherwise been required if the City would transfer Legacy Lagoons L16-L19 to the Project for restoration. The City completed Phase 1 of the cleanup in January 2021 to benefit from the promised reduction in compensatory mitigation.

The RWF will convey all land interests the Project requires for compensation at fair market value. Valley Water will pay for these interests via any combination of cash or wetland mitigation credits from the Project's restoration of Pond A18, and Legacy Lagoons L16-L19, which Valley Water and the City intend to collaborate to secure. Securing these credits will provide substantial value to the RWF. Our partnership with Valley Water is critical to securing these credits from the Regional Water Board. This will allow the transfer of the lands necessary to facilitate construction of the Project, while simultaneously achieving fair market value consideration for the RWF and limiting the cash outlay by Valley Water to help the project pencil out and progress to construction.

COORDINATION

This memorandum has been coordinated with the City Attorney's Office.

/s/
NANCI KLEIN
Director, Office of Economic Development
and Cultural Affairs

/s/
JEFF PROVENZANO
Director, Environmental Services
Department

For questions, please contact Kevin Ice, Assistant to the City Manager, Director of Real Estate, at kevin.ice@sanjoseca.gov.