



Memorandum

TO: JOINT CITY COUNCIL/VALLEY
WATER DISTRICT BOARD

FROM: Nanci Klein

SUBJECT: SEE BELOW

DATE: November 8, 2023

Approved

Date

11/13/2023

SUBJECT: SHORELINE LEVEE AND POND A18

RECOMMENDATION

Santa Clara Valley Water District (Valley Water) Board and the City of San José (City) Mayor and City Council receive an update on the South San Francisco Bay Shoreline Phase I Project and Pond A18.

BACKGROUND

The South San Francisco Bay Shoreline Phase I Project (Project) is a multi-benefit flood risk reduction and shoreline restoration project managed by the United States Army Corps of Engineers (USACE) in partnership with Valley Water and the California State Coastal Conservancy. The Project will provide 100-year coastal flood risk management, including consideration for future sea level rise, for the communities of Alviso and parts of North San José and for 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.

The Project consists of five reaches: Reaches 1-3, located between the Alviso Slough and Artesian Slough; and Reaches 4-5, located between Artesian Slough and Coyote Creek. The Project received congressional authorization for design and construction in December 2015 at a cost of \$194 million. The Project has since realized significant cost increases, mainly due to significant cost growth of the levee fill material over the years. In February 2021, USACE updated the Project costs to \$545 million, nearly tripling the 2015 authorized design and construction cost.

The construction contract for Reaches 1-3 was advertised and construction began in December 2021. The construction of Reaches 1-3 is anticipated to be complete in summer 2025. With the Project cost increase, the Project partners are now exploring ways to lower the remaining cost of the construction of Reaches 4-5 while still meeting the Project objectives.

Valley Water and City staff are focused on reducing the cost of the Project and have identified a potential path forward to successfully complete the Project. The City has prepared a draft Letter of Intent describing its proposal to implement that approach and Valley Water staff are currently reviewing the Letter of Intent.

ANALYSIS

Valley Water and City staff have identified several ways to reduce costs for the Project. A value engineering exercise is underway to determine the most cost-effective route for the remaining levee reaches.

To complete Reaches 4-5 and implement the restoration elements, the Project needs approximately 895 acres of land owned by the RWF. The City is the administering agency for RWF and co-owns the RWF with the City of Santa Clara. Valley Water and the City are partnering to develop an approach that would allow the City's transfer of these lands in a manner that fulfills the City's fiduciary obligation to the ratepayers of the RWF while reducing the cost of the Project.

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 of 25 legacy biosolids ponds at the RWF known as the Legacy Lagoons. This order requires roughly 60 acres of impacts to wetlands that must be mitigated and provided an opportunity to reduce the burden of those mitigation requirements by working collaboratively on the Project.

Other Project needs from the City and the RWF include areas for staging, access easements for construction, a right-of-entry agreement for areas needed to stockpile construction materials, and the transfer of Legacy Lagoons L16-L19 and Pond A18 to allow for ecosystem restoration and increased habitat.

Opportunities for Partnership

Valley Water worked in lockstep with the City, the California State Coastal Conservancy, and other stakeholders in 2021 and 2022 to advocate with USACE and Congress for additional federal funding. Thanks to this strong advocacy effort, in February 2023, USACE was awarded an additional \$91.12 million under the Fiscal Year 2023 Disaster Supplemental Appropriations Bill for the Project.

To lower the cost of remaining Project elements, the USACE agreed to a request to conduct a Value Engineering Study. Staff are in the process of gathering information and putting together concepts for the Value Engineering analysis. City and Valley Water staff, along with the Project partners, have been meeting monthly and working collaboratively to help progress the Project, provide information towards the Value Engineering Study, and find ways to lower the Project cost.

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Valley Water and the City intend to collaborate to secure mitigation credits from the Project's restoration efforts in Pond A18 with the support of other Project partners: the USACE and the California State Coastal Conservancy. Our partnership when engaging the Regional Water Board is critical to securing these credits, which have the potential to financially benefit both the RWF and the Project.

The City, Valley Water, and Project partners will continue to search for, and discuss, funding opportunities.

COORDINATION

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

/s/

NANCI KLEIN

Director, Office of Economic Development
and Cultural Affairs

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