

RESOLUTION NO. _____

A RESOLUTION OF THE COUNCIL OF THE CITY OF SAN JOSE (A) DECLARING THE CITY-OWNED PROPERTY LOCATED ON THE EAST SIDE OF ZANKER ROAD, NORTH OF STATE ROUTE 237 IN SAN JOSE, CONSISTING OF 1 PARCEL OF LAND TOTALING APPROXIMATELY 2 ACRES, FURTHER IDENTIFIED AS ASSESSOR'S PARCEL NUMBER 015-31-063 AS "EXEMPT SURPLUS LAND" PURSUANT TO CALIFORNIA GOVERNMENT CODE § 54221(F)(1)(D) AND IN ACCORDANCE WITH SAN JOSE MUNICIPAL CODE § 4.20.080(B)(2) AS A TRANSFER OF SURPLUS PROPERTY TO ANOTHER LOCAL, STATE, OR FEDERAL AGENCY FOR THAT AGENCY'S USE; AND (B) AUTHORIZING THE CITY MANAGER OR HER DESIGNEE TO: (1) NEGOTIATE AND EXECUTE THE OPTION AGREEMENT FOR FIRST AMENDMENT TO GROUND LEASE AND PROPERTY USE AGREEMENT; AND (2) NEGOTIATE AND EXECUTE THE FIRST AMENDED GROUND LEASE AND PROPERTY USE AGREEMENT FOR THE ADVANCED WATER TREATMENT FACILITY BETWEEN CITY OF SAN JOSE, CITY OF SANTA CLARA, AND THE SANTA CLARA VALLEY WATER DISTRICT, AND THE FIRST AMENDED RECYCLED WATER FACILITIES AND PROGRAMS INTEGRATION AGREEMENT, AND THE AMENDED AND RESTATED AGREEMENT FOR OPERATION AND MAINTENANCE OF THE SILICON VALLEY ADVANCED WATER PURIFICATION CENTER BETWEEN THE CITY OF SAN JOSE AND THE SANTA CLARA VALLEY WATER DISTRICT, UPON SATISFACTION OF THE CONDITIONS TO EXERCISE THE OPTION INCLUDING THE COMPLETION AND APPROVAL OF ENVIRONMENTAL REVIEW FOR THE PROPOSED DIRECT POTABLE REUSE DEMONSTRATION FACILITY IN COMPLIANCE WITH CALIFORNIA ENVIRONMENTAL QUALITY ACT

WHEREAS, the City of San José ("City") and Santa Clara Valley Water District ("Valley Water") have historically collaborated to expand recycled water and augment the local water supply in the County of Santa Clara ("County"); and

WHEREAS, the City and Valley Water partnered on the construction of the Silicon Valley Advanced Water Purification Center (“SVAWPC”), an advanced wastewater treatment facility producing up to eight million gallons per day of purified water that is blended with treated effluent from the San José/Santa Clara Regional Wastewater Facility (“RWF”), to enhance recycled water quality distributed by the South Bay Water Recycling (“SBWR”) program; and

WHEREAS, the City and City of Santa Clara are co-owners of the land surrounding the RWF, and the City serves as the administering agency for the RWF; and

WHEREAS, on March 2, 2010, the City and Valley Water entered into a Ground Lease and Property Use Agreement (“Ground Lease Agreement”), which provided for Valley Water to construct and operate the SVAWPC on RWF premises, and the Recycled Water Facilities and Programs Integration Agreement (“Integration Agreement”), which established a cost-sharing methodology between the parties to offset the cost of operating the SVAWPC; and

WHEREAS, on October 23, 2012, the City and Valley Water executed an Operation and Maintenance Agreement (“O&M Agreement”) for the SVAWPC; and

WHEREAS, in 2023, the City and Valley Water executed a letter of intent to collaborate on the expansion of recycled and purified water in the County, and in 2024, the City and Valley Water entered into a Master Funding Agreement to provide for funding of City staff and other resources to support implementation of Valley Water’s projects; and

WHEREAS, Valley Water seeks to evaluate the feasibility of purifying treated municipal wastewater for direct potable reuse (“DPR”) as a strategy to combat future droughts that are expected to be intensive under a changing climate; and

WHEREAS, Valley Water proposes to construct and operate a DPR demonstration and learning facility (“DPR Demonstration Facility”) on a portion of the SVAWPC premises that will inform the eventual design and operation of a larger, full-scale, permanent DPR facility; and

WHEREAS, the DPR project could help the region meet local water supply goals, including the goal to meet at least 10% of the water demand in the County through recycled and purified water; and

WHEREAS, the City owns the property located on the east side of Zanker Road, north of State Route 237 in San José, consisting of 1 parcel of land totaling approximately 2 acres, further identified as Assessor’s Parcel Number 015-31-063 (“Property”), where the proposed DPR Demonstration Facility will be constructed; and

WHEREAS, the proposed Option Agreement for First Amendment to the Ground Lease Agreement (“Option Agreement”), which allows mutual ability to delay the exercise of the option as a result of the planning process or environmental review for the DPR Demonstration Facility, will be reviewed and approved by the City of Santa Clara, as co-owner of the RWF, and will only be exercised, in part, upon the completion of environmental review and approval of California Environmental Quality Act (“CEQA”) determinations; and

WHEREAS, the proposed First Amended Ground Lease Agreement will update the footprint of Valley Water’s SVAWPC lease to account for the construction and operation of the DPR Demonstration Facility; and

WHEREAS, the proposed First Amended Integration Agreement will reset the cost-sharing methodology between the City and Valley Water to account for a projected

increase in future revenues from the sale of recycled water due to an increase in wholesale water rates; and

WHEREAS, the proposed Amended and Restated O&M Agreement will update the operational obligations of the City and Valley Water to account for the production and treatment of the DPR water; and

WHEREAS, the exercise of the Option Agreement is conditioned on execution of the proposed amendments to the O&M Agreement and Integration Agreement; and

WHEREAS, the City desires to declare the Property as “exempt surplus land,” pursuant to California Government Code Section 54221(f)(1)(D) and in accordance with San José Municipal Code Section 4.20.080(B)(2) as a transfer of surplus property to another local, state, or federal agency for that agency’s use, for Valley Water’s proposed DPR Demonstration Facility; and

WHEREAS, the City desires to negotiate and execute the Option Agreement, First Amended Ground Lease Agreement, First Amended Integration Agreement, and the Amended and Restated O&M Agreement, upon satisfaction of the conditions to exercise the option including the completion and approval of environmental review for the proposed direct potable reuse demonstration facility in compliance with CEQA;

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SAN JOSE THAT:

- (a) The City-owned property located on the east side of Zanker Road, north of State Route 237 in San José, consisting of 1 parcel of land totaling approximately 2 acres, further identified as Assessor’s Parcel Number 015-31-063, is hereby declared as “exempt surplus land” pursuant to California Government Code

Section 54221(f)(1)(D) and in accordance with San José Municipal Code Section 4.20.080(B)(2) as a transfer of surplus property to another local, state, or federal agency for that agency's use; and

(b) The City Manager or her designee is hereby authorized to:

- (1) Negotiate and execute the Option Agreement for First Amendment to Ground Lease and Property Use Agreement; and
- (2) Negotiate and execute the First Amended Ground Lease and Property Use Agreement for the Advanced Water Treatment Facility between City of San José, City of Santa Clara, and the Santa Clara Valley Water District, and the First Amended Recycled Water Facilities and Programs Integration Agreement, and the Amended and Restated Agreement for Operation and Maintenance of the Silicon Valley Advanced Water Purification Center between the City of San José and the Santa Clara Valley Water District, upon satisfaction of the conditions to exercise the option including the completion and approval of environmental review for the proposed direct potable reuse demonstration facility in compliance with California Environmental Quality Act.

ADOPTED this _____ day of _____, 2025, by the following vote:

AYES:

NOES:

ABSENT:

DISQUALIFIED:

MATT MAHAN
Mayor

ATTEST:

TONI J. TABER, MMC
City Clerk