



Memorandum

TO: TRANSPORTATION AND ENVIRONMENT COMMITTEE

FROM: Nanci Klein

SUBJECT: See Below

DATE: July 22, 2024

Approved

Date

8/5/24

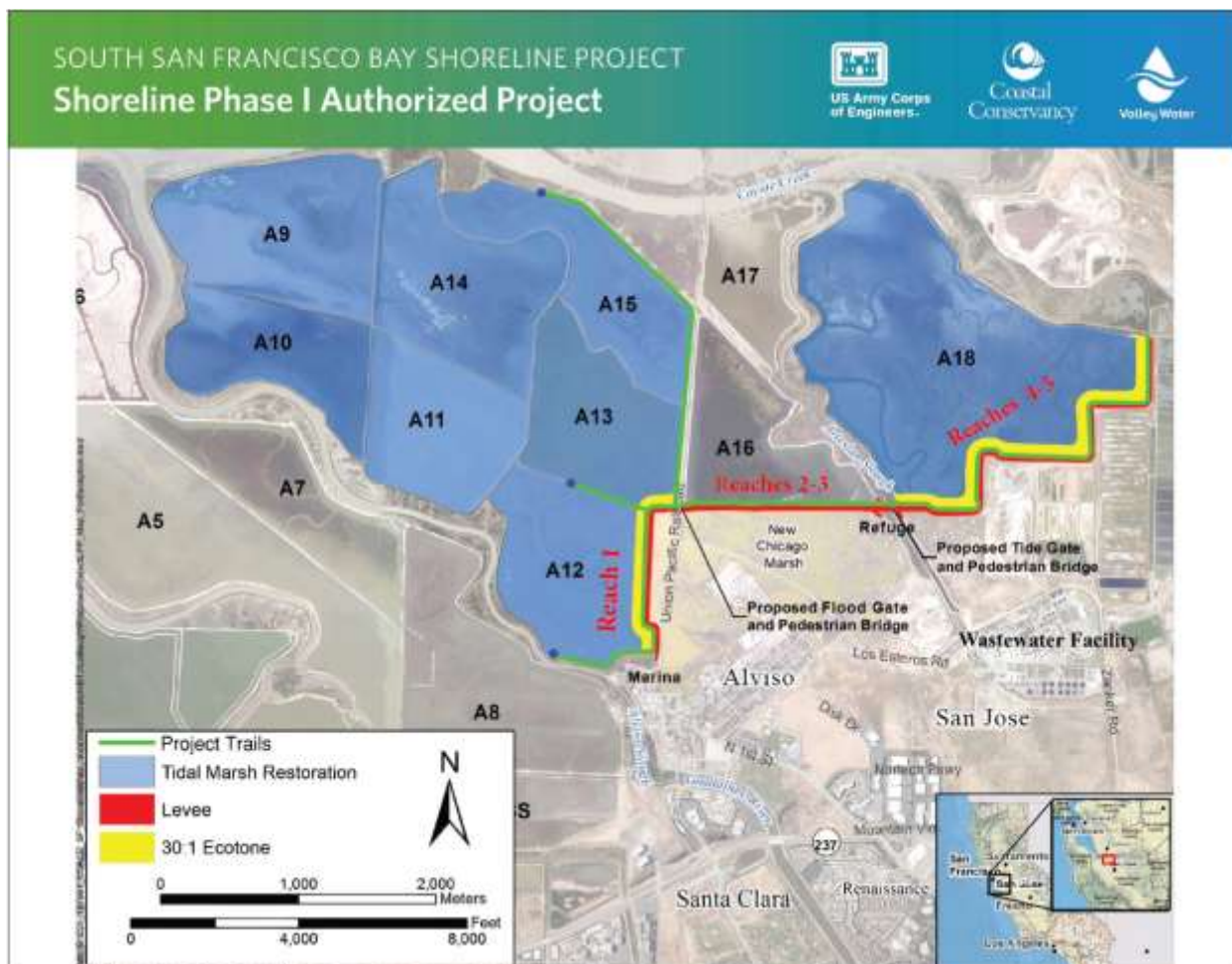
SUBJECT: Shoreline Levee and Sea Level Rise Status Report

RECOMMENDATION

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

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 Santa Clara Valley Water District (Valley Water) and the California State Coastal Conservancy (Conservancy). The Project will provide 100-year coastal flood risk management, including consideration for future sea level rise, for the community of Alviso and parts of North San Jose 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.



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 \$194 million. The Project has since realized significant cost increases, mainly due to cost growth of the levee fill material over the years. In February 2021, USACE updated the Project cost 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. Reaches 1-3 construction 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 Reaches 4-5 construction 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 complete the Project successfully. The City and Valley Water are working together to prepare a Letter of Intent that will serve as an

outline for a binding Memorandum of Understanding between the City and Valley Water. The terms of the Memorandum of Understanding will be presented to the Treatment Plant Advisory Committee and the San Jose City Council for approval before execution.

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 the RWF and co-owns it with the City of Santa Clara. Valley Water and the City are partnering to develop an approach that would allow the City to transfer these lands in a manner that fulfills the City's fiduciary obligation to the RWF ratepayers 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 mitigating roughly 60 acres of impacts to wetlands. The order provided an opportunity to reduce the burden of those mitigation requirements by working collaboratively on the Project.

Other Project needs from the City/RWF include staging areas, 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 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 (for \$219 million) under the FY23 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 (VE). Staff are in the process of gathering information and putting together concepts for the VE analysis. City and Valley Water staff and the Project partners have been meeting monthly and working collaboratively to help progress the Project, provide information towards the VE study, and find ways to lower the Project cost.

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The RWF will convey all land interests the project requires for 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 16-19, which Valley Water and the City intend to collaborate to secure. Securing these credits will provide substantial value to the RWF, potentially exceeding the fair market value of the land interests conveyed to the Project. Our partnership with Valley Water is critical to securing these credits from the Regional Water Board.

The City, Valley Water, and Project partners will continue to search for and discuss funding opportunities and will continue to meet regularly to move this project forward.

COORDINATION

This memorandum has been coordinated with the City Attorney's Office and the Environmental Services Department.

/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.