



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Jeff Provenzano

SUBJECT: See Below

DATE: February 23, 2026

Approved

Date:

3/1/26

COUNCIL DISTRICT: Citywide

SUBJECT: Exclusive Negotiations Agreement between the City of San José, Valley Water, and City of Santa Clara for Land Intended for a Future Direct Potable Reuse Facility

RECOMMENDATION

Adopt a resolution authorizing the City Manager or her designee to execute the Exclusive Negotiations Agreement between the City of San José, City of Santa Clara, and Santa Clara Valley Water District, for real property to develop the proposed Pure Water Silicon Valley Project.

SUMMARY AND OUTCOME

Approval of the recommendation will enable the Santa Clara Valley Water District (Valley Water) to proceed with the Pure Water Silicon Valley Project (PWSV) by providing assurance that the City-owned parcel of land will be reserved for a minimum of three years while negotiations for long-term agreements for the PWSV are ongoing. Furthermore, the interests of the City of San José, City of Santa Clara, and the San José-Santa Clara Regional Wastewater Facility (RWF) are protected by not reserving the land indefinitely.

BACKGROUND

In January 2023, Valley Water and the Cities of San José and Santa Clara (collectively Cities) executed a Letter of Intent for Collaborating on the Expansion of Recycled and Purified Water in Santa Clara County. This collaboration involves leveraging the treated wastewater from the RWF for the purposes of potable reuse. While updating its Water Supply Master Plan 2050, Valley Water determined that investing in potable reuse was

an effective way to address projected water supply shortages for the communities in its service area in the future. This is especially true during drought periods, which are becoming more intense due to climate change.

The Cities and Valley Water are partnering on the PWSV to develop a direct potable reuse (DPR) project adjacent to the Silicon Valley Advanced Water Purification Center (SVAWPC) with a goal of producing 24,000 acre-feet per year of purified water to ensure a sustainable future water supply for our communities.

At the August 19, 2025, joint City of San José City Council and Valley Water Board of Directors meeting, staff presented progress on the PWSV, including the plan to prepare an Exclusive Negotiations Agreement (ENA) for the proposed site of the PWSV.

ANALYSIS

Following direction of the City Council and Valley Water Board of Directors from the August 19, 2025 joint meeting, staff from the Cities and Valley Water developed and completed the ENA (Attachment) for approval by the City Councils and Valley Water Board and execution by the City Managers and Valley Water's Chief Executive Officer.

A DPR project, like the PWSV, involves significant study and cost in order to meet the state's DPR regulatory requirements, adopted in October 2024, and to be a successful water supply project that protects public health and the environment. The Cities have been actively collaborating with Valley Water, as Valley Water moves forward with significant investments in the PWSV. The ENA provides Valley Water with the assurance that the land proposed for the PWSV will be available for a minimum of three years before Valley Water makes significant upfront planning and study investments. The ENA also protects the Cities and the RWF's long-term interest in effective use of the land by not reserving the land indefinitely should PWSV not be successful, experience substantial delays, or if desirable alternative uses of the land are identified within the five to 10-year time frame.

In addition to a significant number of studies and costs that Valley Water will incur, a number of agreements need to be negotiated between the Cities, the RWF, and Valley Water for leasing the land, source water supply, and long-term operational agreements, since a full-scale DPR facility and the RWF will be connected yet remain as separate facilities. The ENA will reserve the land while the parties negotiate the agreements required for the PWSV.

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EVALUATION AND FOLLOW-UP

Staff will return to City Council for future updates at major project milestones or if action is required via informational memoranda or other appropriate means.

Future updates will be provided to the Recycled Water Policy Advisory Committee in spring 2026.

FISCAL IMPACTS

There are no fiscal impacts associated with this ENA. It is an agreement to negotiate terms of the future land lease and other required agreements for the PWSV. All of the PWSV costs referenced in this memorandum, including staff time for City of San José employees, will be paid for or reimbursed by Valley Water.

COORDINATION

This memorandum was coordinated with the City Attorney's Office and the City Manager's Budget Office.

PUBLIC OUTREACH

This memorandum will be posted on the City Council Agenda website for the March 24, 2026 City Council meeting.

BOARD, COMMISSION, COMMITTEE RECOMMENDATION AND INPUT

This item is scheduled to be heard at the March 12, 2026 Treatment Plant Advisory Committee meeting. A supplemental memorandum with the Committee's recommendation will be included in the City Council's Amended meeting agenda.

CEQA

Not a Project, File No. PP17-003, Agreements/Contracts (New or Amended) resulting in no physical changes to the environment.

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PUBLIC SUBSIDY REPORTING

This item does not include a public subsidy as defined in section 53083 or 53083.1 of the California Government Code or the City's Open Government Resolution.

/s/

Jeff Provenzano

Director, Environmental Services

For questions, please contact Eric Dunlavey, Deputy Director, Regulatory Affairs and Purified Water, Environmental Services Department, at eric.dunlavey@sanjoseca.gov or (408) 635-4017.

ATTACHMENT:

Exclusive Negotiations Agreement