

1 [Water Purchase Agreement - Mission Rock Utilities - Water Purchase for Port-Owned Parks
2 and Open Space at Mission Rock - Maximum Cost \$44,656,545]

3 **Resolution approving a Water Purchase Agreement between the Port Commission and**
4 **Mission Rock Utilities for purchase of water for Port-owned parks and open space at**
5 **Mission Rock, with a term of 30 years up to a maximum cost of \$44,656,545 effective**
6 **upon approval of this Resolution; and to authorize the Executive Director of the Port to**
7 **enter into amendments or modifications to the Agreement that do not materially**
8 **increase the obligations or liabilities to the City and are necessary to effectuate the**
9 **purposes of the Agreement or this Resolution.**

10
11 WHEREAS, The Port Commission (“Port”) approved development by Seawall Lot
12 337 Associates, LLC (“Master Developer”), of a new mixed-use neighborhood within its
13 jurisdiction at and around seawall lot 337, known as Mission Rock (the “Mission Rock Project”
14 or “Project”); and

15 WHEREAS, The City of San Francisco and the Port Commission approved ambitious
16 sustainability, water conservation, and renewable energy goals for the Mission Rock Project
17 including obtaining water for non-potable uses from recycled sources; and

18 WHEREAS, The Port Commission approved Resolution No. 19-40 on September 24,
19 2019, a copy of which is on file with the Clerk of the Board of Supervisors in File No. 221281,
20 which supported the formation of Mission Rock Utilities, Inc. (“MRU”), a Delaware non-stock
21 corporation that is currently building, and will operate, a centralized wastewater treatment and
22 recycled, non-potable water delivery system for the Project (the “Facility”), and encouraged
23 the MRU to work with Port staff towards the provision of recycled water services to the
24 Project; and

1 WHEREAS, MRU will serve all residential, commercial, and other users of water for
2 non-potable uses within the Project; and

3 WHEREAS, The Port aims to advance these environmental sustainability goals by
4 purchasing water provided by MRU for non-potable uses, such as irrigation and water closets
5 in Port-owned parks and open spaces, and the Port Commission approved Resolution No. 22-
6 54, which supported entering into a Water Purchase Agreement (“WPA”) substantially in the
7 form of agreement on file with the Clerk of the Board of Supervisors in File No. 221281; and

8 WHEREAS, Under the WPA, MRU will operate the Facility and associated functions on
9 a cost-based manner where the Port will pay only its share of actual costs incurred by MRU
10 based on recycled water capacity needs and actual water usage, subject to the “Annual Cap”
11 (as defined below), which is based on projected cost-based charges plus contingency
12 amounts; and

13 WHEREAS, The Annual Cap is the maximum charge the Port is liable for in any
14 calendar year for its obligations under the WPA; and

15 WHEREAS, The Annual Cap will not affect water delivery obligations by MRU under
16 the WPA and MRU is obligated to supply water to Port without charge for the period from and
17 after when the Annual Cap is met in any calendar year; and

18 WHEREAS, For the first year of the WPA (2023), the Annual Cap is \$672,145, which
19 will increase annually by the “Escalator” set forth in the Rate and Method of Apportionment of
20 Special Tax District 2020-1 (Mission Rock Facilities and Services); and

21 WHEREAS, The Port intends to assign its obligations under the WPA to an affiliate of
22 the Master Developer through a lease of the Port-owned parks and open space (“Parks
23 Lease”), before the WPA becomes effective, whereby such tenant will lease all Port-owned
24 parks and open spaces and assume all of Port’s obligations under the WPA; and
25

1 WHEREAS, If for any reasons the Port elects not to assign its obligations under the
2 WPA through a Parks Lease or if the Parks Lease terminates in the future, the Port will utilize
3 the Mission Rock Community Facilities District Contingent Special Services Tax as a
4 dedicated revenue source to pay for its obligations under the WPA and for the operation and
5 maintenance of the Port-owned parks and open spaces; and

6 WHEREAS, The Maximum Contingent Services Special Tax for the Project in Fiscal
7 Year (FY) 22-23 (assuming all phases of the Project are complete) is estimated to be
8 \$2,741,959 and the Maximum Contingent Services Special Tax for Phase 1 only is estimated
9 to be \$1,303,608, each amount is in excess of the Annual Cap; and

10 WHEREAS, The Port Commission approved Resolution No. 22-54 on November 8,
11 2022, a copy of which is on file with the Clerk of the Board of Supervisors in File No. 221281,
12 approving the WPA, subject to Board approval; and

13 WHEREAS, The Office of Contract Administration of the City Administrator's Office
14 approved a sole-source justification to award this contract to MRU; now, therefore, be it

15 RESOLVED, That the Board of Supervisors approves the WPA substantially in the
16 form of agreement on file with the Clerk of the Board of Supervisors in File No. 221281 and as
17 described in this Resolution; and, be it

18 FURTHER RESOLVED; That the Board of Supervisors authorizes the Executive
19 Director of the Port ("Executive Director") to execute the WPA in a form approved by the City
20 Attorney and in substantially the form on file with the Clerk of the Board of Supervisors in File
21 No. 221281; and, be it

22 FURTHER RESOLVED, That the Port will pay for a Capacity Charge and Flow
23 Charges based on actual costs and water use, up to the Annual Cap, provided that the Port
24 has not assigned the obligations of the WPA to another entity; and, be it



City and County of San Francisco

Tails
Resolution

City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

File Number: 221281

Date Passed: February 07, 2023

Resolution approving a Water Purchase Agreement between the Port Commission and Mission Rock Utilities for purchase of water for Port-owned parks and open space at Mission Rock, with a term of 30 years up to a maximum cost of \$44,656,545 effective upon approval of this Resolution; and to authorize the Executive Director of the Port to enter into amendments or modifications to the Agreement that do not materially increase the obligations or liabilities to the City and are necessary to effectuate the purposes of the Agreement or this Resolution.

February 01, 2023 Budget and Finance Committee - RECOMMENDED

February 07, 2023 Board of Supervisors - ADOPTED

Ayes: 10 - Chan, Dorsey, Engardio, Mandelman, Melgar, Peskin, Preston, Ronen, Safai and Stefani
Excused: 1 - Walton

File No. 221281

I hereby certify that the foregoing Resolution was ADOPTED on 2/7/2023 by the Board of Supervisors of the City and County of San Francisco.

Angela Calvillo
Clerk of the Board

London N. Breed
Mayor

2/16/23

Date Approved