

1 [Real Property Lease - Mission Valley Rock, Co. - San Francisco Public Utilities Commission
2 Parcel Nos. 62 and 65 in Sunol, California - Initial Annual Rate \$60,000]

3 **Resolution authorizing the General Manager of the San Francisco Public Utilities**
4 **Commission (SFPUC) to negotiate and execute, on behalf of the City acting through**
5 **SFPUC, as landlord, a 25-year lease to Mission Valley Rock, Co., as tenant, of**
6 **approximately 199 acres of SFPUC Parcel Nos. 62 and 65 in Sunol, California for water**
7 **use and management, aggregate conveyance, overburden and fines placement, and**
8 **reclamation, for an initial annual rental rate of \$60,000, plus 4% annual rent increases.**
9

10 WHEREAS, The City and County of San Francisco (City) owns certain real property
11 under the jurisdiction the SFPUC, commonly known as SFPUC Parcels 62 and 65 located in
12 Sunol, California; and

13 WHEREAS, City and Mission Valley Rock Co, a California corporation (Tenant)
14 entered into a lease agreement dated January 10, 1978, (First MVR Lease), as amended, for
15 Tenant’s use of approximately 30 acres of SFPUC Parcel 62 and approximately 18.33 acres
16 of SFPUC Parcel 65 (together, the “First MVR Lease Premises”) as a quarry; and

17 WHEREAS, Extraction of sand and gravel in the First MVR Lease Premises ceased
18 prior to the expiration of the First MVR Lease on January 9, 1998, and is in holdover status;
19 and

20 WHEREAS, While in holdover status, Tenant has continued to use the First MVR
21 Lease Premises to use and recycle water for aggregate processing at its nearby plant, and for
22 placement of overburden and fines generated by its nearby quarry operations; and

23 WHEREAS, City and Tenant are parties to a lease agreement dated June 20, 1985,
24 (Second MVR Lease) for Tenant’s use of approximately 135 acres of SFPUC Parcel 65 for its
25 mining operations (Second MVR Lease Premises); and

1 WHEREAS, Extraction of sand and gravel on the Second MVR Lease Premises was
2 completed in July of 2006; and

3 WHEREAS, The Second MVR Lease expired on October 31, 2012, and is in holdover
4 status while the Tenant has continued to manage three ponds (respectively, Pond F2, Pond
5 F3 West, and Pond F3 East) located on the Second MVR Lease Premises; and

6 WHEREAS, Tenant uses Pond F2 and Pond F3 West for purposes of providing water
7 supplies for process water in dry years, irrigation and dust control in connection with its quarry
8 operations under Alameda County Surface Mining Permit No. 32 (SMP 32); and

9 WHEREAS, City and Tenant entered into a Water Management Agreement dated
10 August 23, 2013, pursuant to which Tenant manages the water elevation in Pond F3 East on
11 the Second MVR Lease Premises for the benefit of the SFPUC in relation to the operation of
12 the San Antonio Backup Pipeline; and

13 WHEREAS, Mining and related operation on the First and Second MVR Lease
14 Premises are subject to the terms and conditions of the existing Surface Mining Permit 24
15 (SMP 24), issued to Tenant by the Alameda County Community Development Agency
16 pursuant to the Alameda County Surface Mining Ordinance; and

17 WHEREAS, Tenant and City are also parties to a lease dated September 26, 2000,
18 (Third MVR Lease) for Tenant's use of approximately 242 acres of land adjacent to the
19 Second MVR Lease Premises, pursuant to which Tenant extracts sand and gravel under the
20 terms of SMP 32; and

21 WHEREAS, Tenant has continued to operate its conveyor system on another portion of
22 SFPUC Parcel 65 (Conveyor Site) under a license provided in the Third MVR Lease, to move
23 aggregate material from its Third MVR Lease Premises to Tenant's processing plant located
24 on property owned by MVR; and

25

1 WHEREAS, On November 20, 2000, by Board of Supervisors Resolution No. 1000-00,
2 this Board approves the Third MVR Lease; and

3 WHEREAS, The Third MVR Lease will expire on October 31, 2040; and

4 WHEREAS, MVR requires continued access to water in Pond F2 and Pond F3 West,
5 on the Second MRV Lease Premises to facilitate its Third MVR Lease Premises quarry
6 operations; and

7 WHEREAS, If the proposed new lease is not approved, the SFPUC risks losing
8 approximately \$1,100,000 in annual revenue if MVR ceases operations on the Third
9 MVR Lease Premises; and

10 WHEREAS, City desires to enter into a new lease with Tenant in substantially the form
11 on file with the Clerk of the Board of Supervisors in File No. 150755 (2015 Lease) to allow
12 Tenant to continue its use of the First and Second MVR Lease Premises for water use and
13 recycling, water management, overburden and fines placement, and final site reclamation,
14 and to use the Conveyor Site for moving aggregate material from the Third MVR Lease
15 Premises to Tenant's property, for an annual rental rate of \$60,000, with four percent annual
16 rent increases; and

17 WHEREAS, On June 23, 2015, by Resolution No. 15-0150, the SFPUC approved the
18 2015 Lease with Mission Valley Rock Co; and

19 WHEREAS, The SFPUC has reviewed the actions to be carried out under the lease
20 and has determined that the indirect effects of SFPUC's issuance of the lease are within the
21 scope of the County's 2002 Mitigated Negative Declaration (MND) approval and subsequent
22 periodic reviews and the issuance of the lease would not alter the previously-approved
23 operations, nor would it extend the life of the quarry operation beyond the term of SMP-24;
24 and

1 WHEREAS, The SFPUC finds that the County’s 2002 MND and Resolution are
2 adequate for SFPUC’s use in approving the lease; and

3 WHEREAS, Since the County certified the 2002 MND and approved the SMP 24
4 amendment, there have been no substantial changes in operations under SMP 24 or changes
5 in circumstances that would result in new significant environmental effects or an increase in
6 the severity of previously identified significant impacts, and there is no new information of
7 substantial importance that would change the conclusions set forth in the MND and
8 subsequent reviews conducted by County of Alameda; and

9 WHEREAS, The County’s 2002 MND identified significant impacts from the amended
10 SMP 24 operation and adopted mitigation measures, the implementation of which, in each
11 case, reduces the impact to a less-than significant level; and

12 WHEREAS, These measures were adopted as conditions of approval for the SMP 24
13 amendment in the County’s Resolution No. 02-19 and have been monitored through the
14 County’s periodic reviews; and

15 WHEREAS, The SFPUC has no direct authority or responsibility with respect to the
16 implementation of these measures or conditions of approval, which are wholly within the
17 responsibility and jurisdiction of the County of Alameda, other than the SFPUC authorization,
18 at the Project Sponsor’s request, to approve the ground lease to enable the Project Sponsor
19 to conduct mining operations on the leased land as permitted under the terms of Alameda
20 County’s Surface Mining Permit Number 24; now, therefore, be it

21 RESOLVED, That the Board of Supervisors hereby ratifies, approves and authorizes all
22 actions heretofore taken by any City official in connection with the 2015 Lease; and, be it

23 FURTHER RESOLVED, That the Board of Supervisors hereby approves the terms and
24 conditions of the 2015 Lease; and be it

25

1 FURTHER RESOLVED, That the Board of Supervisors hereby authorizes and directs
2 the SFPUC General Manager to negotiate and execute the 2015 Lease; and, be it

3 FURTHER RESOLVED, That the Board of Supervisors herby authorizes the SFPUC
4 General Manager to enter into any amendments or modifications to the 2015 Lease, including
5 without limitation, the exhibits that the General Manager determines in consultation with the
6 City Attorney, are in the best interest of the City; do not materially increase the obligations or
7 liabilities of the City; are necessary or advisable to effectuate the purposes and intent of the
8 2015 Lease or this resolution; and are in compliance with all applicable laws, including the
9 City Charter; and, be it

10 FURTHER RESOLVED, That within thirty (30) days of the execution of the Lease being
11 executed by all parties the SFPUC shall provide the final Lease to the Clerk of the Board for
12 inclusion into the official file.