

# ***San Gorgonio Pass Water Agency***

**DATE:** March 14, 2022  
**TO:** Board of Directors  
**FROM:** Lance Eckhart, General Manager  
**BY:** Lance Eckhart, General Manager

**SUBJECT: DRAFT TERM SHEET POTENTIAL PROPERTY AND FACILITY EXCHANGE PROJECT BETWEEN SAN GORGONIO PASS WATER AGENCY AND SOUTH MESA WATER COMPANY REAL ESTATE PURCHASE**

## **RECOMMENDATION**

The Board consider and discuss the draft Term Sheet regarding potential property and facility exchange project between San Gorgonio Pass Water Agency and South Mesa Water Company.

## **BACKGROUND**

The Yucaipa Groundwater Sustainability Plan (GSP) has identified the need for recharge in the Calimesa Groundwater Basin (Basin). The Agency has no recharge capability within the Basin. A piece of property within the City of Calimesa has been identified as a potentially suitable location for Basin water-spreading activities along with partnering opportunities with South Mesa Water Company (SMWC) for multi-benefit uses and material infrastructure cost savings.

On March 8<sup>th</sup>, 2022, the Agency purchased a 7-acre parcel near the center of Calimesa to be used as a future recharge facility (APN No. 411-150-027). This area had been previously investigated by SMWC and found to be suitable for area recharge. The project area was also modeled as part of the GSP, and a the proposed recharge project area demonstrated regional benefit in managing the local basin.

SMWC is upgrading existing water mains along County Line Road. These mains were to be abandoned in-place, and new mains are planned to be installed. These abandoned water mains cross the East Branch Extension of the State Water Project, pass by the newly acquired 7-acre parcel, and can be repurposed to transport imported water to the prospective recharge facility. SMWC has been looking for a location to place a new reservoir facility in the area of the Agency's newly acquired parcel.

## **ANALYSIS**

In order to more formalize a property/facility exchange agreement between the Agency and SMWC, staff worked with their respective counsels to develop a draft Term Sheet (attached) to help with the process. The draft Term Sheet outlines the relationship between the Agency and SMWC and is considered by staff as a foundational milestone in developing a multi-benefit project in the Calimesa area. Portions of the draft Term

Sheet will need refined before it is finalized, specifically the 1) Description of the property and prospective SMWC reservoir portion of the property and; 2) Description of the facilities along with any input from the Agency and SMWC Boards.

### **FISCAL IMPACT**

The future costs of this project will include design and engineering contracts, as well as construction contracts. Once the facility is completed, there will be on-going operations and maintenance expenses.

Final project design and associated construction cost estimates are not presently completed. The project is anticipated to be highly competitive for future grants, which will help offset local costs.

### **ACTION**

The Board consider and discuss the Draft Term Sheet regarding potential property and facility exchange project between San Gorgonio Pass Water Agency and South Mesa Water Company.

### **ATTACHMENTS**

Draft Term Sheet for potential property and facility exchange project between San Gorgonio Pass Water Agency and South Mesa Water Company

**DRAFT TERM SHEET**

**POTENTIAL PROPERTY AND FACILITY EXCHANGE PROJECT  
BETWEEN  
SAN GORGONIO PASS WATER AGENCY  
AND  
SOUTH MESA WATER COMPANY**

PURPOSE

This Draft Term Sheet addresses some of the terms and conditions that may be incorporated into a future agreement by and between the San Gorgonio Pass Water Agency (“Agency”) and the South Mesa Water Company (“Company”). Nothing in this document shall be deemed to be binding unless or until any such terms and conditions are incorporated into a binding agreement that may be approved by both Agency and Company in the future. Agency and Company are sometimes referred to herein individually as “Party” and collectively as “Parties.”

RECITALS

A. Agency has purchased, or is in the process of purchasing, approximately 6.9 acres of vacant land located on Fourth Street, between County Line Road and West Avenue L, in the City of Calimesa, California, and described as APN 411-150-027 (“Property”). Said Property has been identified by Agency as a potentially suitable location for water-spreading activities along with partnering opportunities. The Property is located within the Company’s service territory. The Property is more particularly described in Exhibit “A” attached hereto and incorporated herein by reference; and

B. Agency and Company are each members of the Yucaipa Sustainable Groundwater Management Agency (“GSA”), which was established in accordance with the requirements of the Sustainable Groundwater Management Act of 2014. The GSA recently adopted a Groundwater Sustainability Plan (“GSP”) for the Yucaipa Subbasin and timely submitted the GSP to the California Department of Water Resources. As set forth more fully in the GSP, the long-term sustainable management of the Basin will likely require reduced net groundwater use by reducing pumping, increasing imported supplemental water, or both. Additionally, the GSP indicates there is a need for recharge capability within the Calimesa Subbasin and Management Area. New spreading basins, including one on the Property, would increase recharge to said area and would help offset storage declines that have resulted from drought conditions and from pumping above the sustainable yield; and

C. Company holds historical, prior and paramount rights, titles and interests, including blanket easement rights within its service territory, to lawfully place, replace, construct, reconstruct, relocate, enlarge, operate, control, inspect, repair, maintain, and protect its water rights and interests and its water production, transmission and distribution facilities and infrastructure. Company owns and operates certain pipelines and other facilities (“Facilities”) which are located adjacent, and in proximity, to the Property. Company is in the process of

developing new pipelines and related infrastructure (“New Infrastructure”) to replace, and no longer require use of, said Facilities. Company is actively pursuing grant funding for the New Infrastructure. The Facilities are more particularly described in Exhibit “B” attached hereto and incorporated herein; and

D. Company desires to acquire a portion of the Property (“Reservoir Property”) upon which it can develop additional water system storage capacity for provision of water service to its shareholders. The Reservoir Property is more particularly described in Exhibit “A;” and

E. Agency desires to acquire the Facilities in order to incorporate them into Agency’s system and thereby achieve material infrastructure cost savings.

#### POTENTIAL AGREEMENT TERMS

1. Agency will transfer and otherwise convey the Reservoir Property to Company subject to the following conditions:

- (a) Completion of the acquisition of the Property by Agency.
- (b) A lot line adjustment, subdivision or other land use approval which may be necessary to establish the Reservoir Property as a legal parcel. Company will be responsible, at its sole cost and expense, for all activities to establish the Reservoir Property as a separate parcel.
- (c) Agency’s investigation and approval of the Facilities, in Agency’s discretion. Company will cooperate with Agency in said investigation and will provide access to said Facilities. Agency will be responsible, at its sole cost and expense, for all activities to conduct said investigation.

2. Company will transfer and otherwise convey the Facilities to Agency subject to the following conditions:

- (a) Completion of all procedures for the conveyance of title to the Reservoir Property including, but not limited to, development/execution/recordation of title documents, to be set forth in the future agreement.
- (b) Development and execution of a Bill of Sale or other applicable document, to be set forth in the future agreement, to evidence the transfer and conveyance of title in the Facilities to Agency.
- (c) Company successfully obtaining grant funding for and completing the development of the New Infrastructure.

3. The transfer of the Reservoir Property to Company, and the transfer of the Facilities to Agency, shall be completed concurrently and as further set forth in the future agreement.

4. Environmental Compliance Each Party shall be responsible for obtaining any and all environmental permits and approvals as may be necessary for their respective activities including, but not limited to, compliance with requirements imposed under the California Environmental Quality Act (“CEQA”).

SAN GORGONIO PASS WATER AGENCY

SOUTH MESA WATER COMPANY

\_\_\_\_\_  
By: \_\_\_\_\_

Its: \_\_\_\_\_

Dated: \_\_\_\_\_

\_\_\_\_\_  
By: \_\_\_\_\_

Its: \_\_\_\_\_

Dated: \_\_\_\_\_

EXHIBIT "A"

Description of Property and Reservoir Property

## EXHIBIT "B"

### Description of Facilities