



**COUNTY OF SAN MATEO**  
**Inter-Departmental Correspondence**  
County Manager's Office



**DATE:** May 21, 2013  
**BOARD MEETING DATE:** June 4, 2013  
**SPECIAL NOTICE/HEARING:** None  
**VOTE REQUIRED:** 4/5ths

**TO:** Honorable Board of Supervisors

**FROM:** John C. Beiers, County Counsel

**SUBJECT:** Lease with United States/Federal Aviation Administration and Ground Sublease/Water Extraction Agreement with Montara Water & Sanitary District for wells at Half Moon Bay Airport.

**RECOMMENDATION:**

Adopt a Resolution authorizing the:

1. President of the Board of Supervisors to execute a Lease with the United States/Federal Aviation Administration for wells at the Half Moon Bay Airport;
2. President of the Board of Supervisors to execute a Ground Sublease/Water Extraction Agreement with the Montara Water & Sanitary District for a term of 20 years, with two options to extend for an additional 10 years on each option; and
3. County Manager or his designee to accept or execute notices, options, and documents associated with the Lease and Sublease agreements including but not limited to extension or termination of the Lease and/or Sublease under the terms set forth therein and amendment of the Lease and/or Sublease so long as no new fiscal obligation is imposed upon the County by such amendment(s).

**BACKGROUND:**

The Half Moon Bay Airport (the "Airport") property was deeded to the County of San Mateo by the federal government in the 1940s, with certain restrictions requiring the property to be used for general aviation purposes. At the time, extraction wells at the Airport provided water to the local community through a predecessor to Montara Water & Sanitary District ("MWSD"). MWSD assumed operations of the wells, and prior to 2008 MWSD pumped water from the wells pursuant to a license agreement. After MWSD initiated litigation against the County in an attempt to take the wells and stopped paying for water extraction, ownership of the wells reverted to the United States government/the Federal Aviation Administration (the "FAA"). The litigation has since been resolved by settlement between the County, MWSD, and the FAA. Under the terms of the settlement, the FAA is leasing the wells to the County by way of the attached Lease, and MWSD has agreed to sublease the wells from the County and pay for all water extracted. Under the terms of the settlement, MWSD has agreed to pay the County

unpaid water extraction fees for the period between 2008 and 2013, and moving forward MWSD and the County will enter into the attached Ground Sublease/Water Extraction Agreement (the "Sublease").

**DISCUSSION:**

The proposed Lease returns the wells to County control pursuant to the conditions which were originally placed on the entire airport property when it was deeded to the County. Pursuant to the Lease, the County will be able to sublease the wells to MWSD, and the County may use any proceeds from the Sublease to support airport operations.

The proposed Sublease will provide security for MWSD regarding an ongoing source of water to provide its Coastside customers, and the Sublease will ensure a fair return to the County to assist in paying for Airport operations. Under the terms of the Sublease, MWSD will secure use of and access to the wells at \$0.25 per square foot per month for the 2,188 square foot area of the wells (total: \$547 per month) plus an additional fee of \$500.00 per month for each of three well-sites (total: \$1,500 per month). In addition, MWSD will pay the County for water extracted from the wells at two-thirds of the current rates charged by Hetch Hetchy for comparable water. The \$0.25 per square foot rate is the County's standard rental rate for unimproved land, and the \$500 per well site fee is based on the impact operation of the wells has on general Airport operations. The water extraction rates are a negotiated value based on a fraction of the rate that the City and County of San Francisco charges customers for Hetch Hetchy water based on the quality of the Airport well water, which needs additional treatment to make it potable for customers.

County Counsel has reviewed and approved the Lease, Sublease, and Resolution as to form. The Director of Public Works concurs in this recommendation.

Approval of the Lease and Sublease contributes to the Shared Vision 2025 outcome of a Collaborative Community by establishing an agreement that increases the use of Airport facilities by the general public and helps MWSD provide water to residences and businesses on the Coastside.

**FISCAL IMPACT:**

The fees will be collected quarterly and deposited into the Airport Enterprise Fund.

cc:/enc:        Jim Porter, Director, Public Works  
                  Gretchen Kelly, Airports Manager