

# City of Hesperia STAFF REPORT



**DATE:** May 20, 2025

**TO:** Mayor and Council Members  
Chair and Board Members, Hesperia Water District

**FROM:** Rachel Molina, City Manager

**BY:** Casey Brooksher, Assistant City Manager

**SUBJECT:** Agreement for the Acquisition of Wastewater Infrastructure Assets from Silverwood Development Phase 1, LLC

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## RECOMMENDED ACTION

It is recommended that the City Council and the Board of Directors of the Hesperia Water District authorize the City Manager to execute an Agreement for the Purchase and Sale Agreement with Silverwood Development Phase 1, LLC (the Developer) in the amount of \$6,332,931 for the acquisition of wastewater infrastructure assets constructed to support the Silverwood master-planned community.

## BACKGROUND

Silverwood (formerly known as the Tapestry Development) is a master-planned community located in the City of Hesperia. As part of the development obligations, Silverwood was initially required to construct a wastewater treatment plant (WWTP) to handle project flows. On May 17, 2022, the City and the Developer agreed to an Operating Memorandum – 1, whereby the City/Hesperia Water District (City) would construct the wastewater treatment plant, and the Developer would pay a fair share.

During FY 2022-23, the City issued a request for qualifications (RFQ) for interested firms to design and construct a wastewater treatment plant. The original project estimates totaled \$82,000,000, which increased to \$95 million. The growth in the projected cost resulted in a higher amount that needed to be financed, rising from an assumed \$14 million to \$29 million. The ratepayers would bear this amount, which would be funded. This means that the annual debt service for thirty (30) years would increase from approximately \$0.7 million to \$1.7 million. The increase in annual debt service would increase the yearly household sewer billing from roughly \$1,000 to \$5,000 for customers outside the Silverwood Development and \$8,000 for Silverwood Development customers.

Due to the projected cost increases, the City and the Developer determined that the best approach was to return the obligation to construct the WWTP and related infrastructure to the Developer. This was memorialized on April 9, 2024

During this period, the Developer engineered and constructed interim wastewater infrastructure, including upgrades to lift stations and conveyance systems, thereby enabling wastewater flow capacity for approximately 500 to 700 residential units. These assets were initially designed to interconnect with the City's existing wastewater system following the City's initial decision to pursue a single wastewater treatment plant (WWTP) located at the northern end of the City. These improvements included increasing the capacity of Lift Station 2 (LS2), located on I Avenue

near the golf course, as well as the conveyance line running south of LS2 to the Silverwood project on Rancho Road.

The infrastructure components constructed are no longer necessary for the Developer's ongoing use but have significant public utility value for the City's wastewater system.

## **ISSUES/ANALYSIS**

The City and Developer have negotiated a purchase agreement for the infrastructure assets, which include sewer lift stations, force mains, and other conveyance facilities that have been verified to meet applicable City, State, and Federal construction standards. These improvements were necessary to enable the connection of Silverwood's initial development phases to the City's water and sewer systems.

The associated technical memorandum prepared by PACE Advanced Water Engineering (dated January 26, 2024) outlines the design rationale, alignment revisions, and detailed costs incurred due to the shift in wastewater treatment approach. The memo substantiates that over \$7 million in infrastructure costs were borne by the Developer, exceeding the negotiated purchase price of \$6,332,931.

The City's Engineering Division has reviewed the contract documentation and associated expenditures submitted by the Developer. It has been confirmed that the scope of work, infrastructure constructed, and costs incurred are consistent with standard public works construction and engineering practices. This internal review supports the conclusion that the purchase price is fair and reasonable.

The purchase price is to be paid in two equal installments:

- \$3,166,466 by June 30, 2025
- \$3,166,465 by September 30, 2025

The infrastructure assets are depicted in Exhibit A of the agreement, and the cost justification is detailed in Exhibit B (PACE Tech Memo).

In the longer term, once Silverwood constructs and operates its wastewater treatment plant, the increased wastewater flows through the City's system are expected to enhance operational efficiencies and revenue recovery for the City's regional wastewater infrastructure. This represents a mutual benefit aligned with both the City's infrastructure utilization goals and the developer's long-range project phasing.

## **CITY GOAL SUPPORTED BY THIS ITEM**

**Infrastructure** – Maintain and enhance a safe, reliable, and sustainable infrastructure system.

**Financial Health** – Maintain a balanced budget and adequate reserves.

## **FISCAL IMPACT**

The total purchase cost of \$6,332,931 will be funded through Water District funds. The cost is structured in two equal payments:

- The first payment is due on or before June 30, 2025
- The second payment is due on or before September 30, 2025

Both payments will be included in the Proposed FY 2025-26 Budget. Upon acquisition, the infrastructure assets will be added to the City's wastewater system inventory and maintained as Water District assets.

**ALTERNATIVE(S)**

1. Provide alternative direction to staff.

**ATTACHMENT(S)**

1. Draft Agreement for Purchase and Sale of Wastewater Infrastructure Assets
2. Technical Memorandum – Silverwood WWTP Relocation Costs (PACE, Jan. 2024)