

SAN FRANCISCO
MUNICIPAL TRANSPORTATION AGENCY
BOARD OF DIRECTORS
RESOLUTION No. [_____]

WHEREAS, Under Charter Section 8A.100, the San Francisco Municipal Transportation Agency (SFMTA), a department of the City and County of San Francisco (city), is responsible for managing the city’s transportation system, which includes planning, designing, financing, constructing, delivering, and operating and maintaining transportation infrastructure to connect the city with safe, equitable and sustainable transportation choices (Public Benefits), which provision of Public Benefits constitute core governmental functions and responsibilities (Government Burdens) of the SFMTA; and,

WHEREAS, The SFMTA owns and operates the Potrero Division bus yard located at 2500 Mariposa Street, San Francisco (Assessor’s Block 3971, Lot 001) (Project Site), which has been in continuous operation since 1915 but no longer meets the operational, safety, seismic, or environmental needs of a modern transit system; and,

WHEREAS, The SFMTA is implementing the Potrero Yard Modernization Project (Project) to replace the existing Potrero Division bus yard with a modern, resilient, and efficient bus storage and maintenance facility designed to support the SFMTA’s transition to a zero-emission fleet and to improve reliability, safety, and efficiency of transit service (Infrastructure Facility); and,

WHEREAS, The Project contemplates the potential for the joint development of a housing component adjacent to the Infrastructure Facility at the Project Site, if feasible; and,

WHEREAS, On March 16, 2021, the Board of Supervisors adopted Ordinance No. 38-21, signed by the Mayor on March 26, 2021 (Procurement Ordinance), authorizing the SFMTA to procure and contract for all or any combination of design, construction, financing, operations, asset management, and related services (collectively, “Joint Development Services”) to deliver the Project using a joint development procurement delivery method, permitting best-value selection of a developer team, and exempting agreements for such services from certain provisions of San Francisco Administrative Code Chapters 6, 14B, and 21, while requiring compliance with prevailing wage, local business enterprise participation, and local hire policies; and,

WHEREAS, the Procurement Ordinance further authorizes the SFMTA to enter into one or more agreements for Joint Development Services with the selected respondent, and any ancillary agreements appropriate to deliver the Project without restriction on the form of agreement, but subject to any approval of the Board of Supervisors required under Charter Section 9.118; and,

WHEREAS, Pursuant to the Procurement Ordinance, the SFMTA conducted a full and open competitive solicitation process and selected Potrero Neighborhood Collective LLC (Lead Developer), with Plenary Americas US Holdings Inc., a Delaware corporation (Plenary), as its

lead equity member, as the preferred proposer and entered into a predevelopment agreement dated November 2, 2022 to advance design development, environmental review, regulatory approvals, financial analysis, and negotiation of agreements to deliver the Project (Predevelopment Agreement); and,

WHEREAS, SFMTA staff and the Lead Developer have evaluated multiple delivery and financing approaches and, based on financial analysis conducted under the Predevelopment Agreement, determined that delivering the Infrastructure Facility under a design-build-finance structure—without long-term operations and maintenance obligations—provides the best overall value to the SFMTA by reducing project costs, largely preserving the SFMTA’s preferred risk allocation for design and construction, while retaining public control over operations and maintenance; and,

WHEREAS, to optimize the Infrastructure Facility’s financing and delivery under this design-build-finance structure—and pursuant to the Procurement Ordinance—the SFMTA and Lead Developer determined to incorporate a non-profit conduit borrower structure to facilitate tax-exempt financing for the Infrastructure Facility, with such entity serving as conduit borrower and counterparty to the SFMTA under the design-build-finance agreement, while the Lead Developer retains responsibility for substantially all obligations and risks associated with the design and construction of the Infrastructure Facility, pursuant to a project implementation agreement with the non-profit entity; and the SFMTA Board of Directors finds that this financing and contractual structure is authorized by and consistent with the Procurement Ordinance; and

WHEREAS, While it is financially infeasible to develop housing above the Infrastructure Facility given current market conditions, SFMTA staff and the Lead Developer have determined it may be feasible to develop a housing project with approximately 104 affordable residential units and two units of ground-level commercial space collectively comprised of approximately 2,800 square feet adjacent to the Infrastructure Facility (Housing Project); and,

WHEREAS, The SFMTA therefore now proposes to enter into (a) an Infrastructure Facility Project Agreement (Project Agreement) for the design, construction, and financing of the Infrastructure Facility pursuant to a design-build-finance structure, and (b) a Lease Disposition and Development Agreement for the development of the Housing Project, which Lease Disposition and Development Agreement will be presented to the SFMTA Board of Directors for approval under a separate calendar item and action; and,

WHEREAS, Under the proposed Project Agreement, the contract term would commence upon execution of the agreement by both parties (Commercial Close) and continue until 30 years after substantial completion of the Infrastructure Facility (Substantial Completion), which is scheduled for 2030, resulting in an expected end date of 2060; and,

WHEREAS, the SFMTA’s design and construction period payment obligations would include (1) two milestone payments (Milestone Payments) of (a) \$65,000,000, payable on or around the close of the Infrastructure Facility financing (Financial Close) as partial compensation for predevelopment, planning, and design work, and (b) \$250,000,000, payable during

construction as partial payment and compensation for design and construction of the Infrastructure Facility; (2) a Substantial Completion Development Fee payment of \$5,000,000 as compensation for Lead Developer's successful completion of construction, payable after Substantial Completion; and (3) amounts payable for termination or delay events, if applicable, all as provided under the Project Agreement; and,

WHEREAS, Commencing approximately one year after anticipated Substantial Completion and continuing through the end of the contract term, the SFMTA would make annual availability payments payable on a quarterly basis (Availability Payments) for purposes of repayment of the project's debt financing and ongoing project administrative costs. These Availability Payments are currently projected to start at approximately \$33 million, with an estimated cumulative amount of \$980 million; and,

WHEREAS, These Availability Payments are subject to upward or downward adjustment between the amounts reflected in the Project Agreement at Commercial Close and those that will be incorporated as part of a subsequent amendment to the Project Agreement at Financial Close to account for interest rate and credit spread movements between the two dates, which will affect the portion of the Availability Payments used to service project debt, described below. A limited portion of the Availability Payments (\$426,613 in Fiscal Year 2032 dollars) used to pay certain project administration costs following Substantial Completion will be linked to inflation; and,

WHEREAS, the Project Agreement includes negotiated affordability protections, including defined limits and mechanisms intended to ensure that Availability Payments remain within agreed parameters until Financial Close, and establishes an "Affordability Event" to identify circumstances at Financial Close under which changes to Availability Payments—such as adjustments resulting from interest rate or credit spread movements—would require additional SFMTA Board of Directors consideration, all as set forth in the Project Agreement; and,

WHEREAS, In accordance with the Project Agreement, all payments due from the SFMTA under the Project Agreement, including any termination compensation, shall be paid solely from the available monies of the SFMTA in the applicable fiscal year, and no SFMTA payment obligation shall constitute a debt of the city or a pledge of its credit or taxing power or any other resources or properties of the city beyond the fiscal year for which funds have been appropriated for the benefit of the SFMTA and certified by the Controller for the benefit of the SFMTA; and,

WHEREAS, Provident Resources Group Inc. is a Georgia nonprofit corporation that is exempt from the payment of federal income tax under Section 501(a) of the Internal Revenue Code of 1986, as amended ("Code"), as an entity created under Section 501(c)(3) of the Code ("Provident"); and,

WHEREAS, One of the charitable purposes of Provident is to serve to lessen Government Burdens and foster economic development, which charitable purpose may be accomplished through various means, including without limitation, the development, construction, acquisition, ownership, management, maintenance, operation and disposition of

public facilities, public buildings, public works, essential housing and infrastructure of various types that serve the purposes and functions of government, the provisions of services and financial assistance, and the performance of activities that enable state and local government to proficiently carry out its functions and responsibilities to its citizens; and,

WHEREAS, In furtherance of its charitable mission, Provident has been asked and is willing to partner with the SFMTA to facilitate the financing and delivery of the Infrastructure Facility for the exclusive Public Benefits of the SFMTA and the city and in furtherance of Provident's charitable mission to serve to lessen Government Burdens and foster economic development; and,

WHEREAS, To accomplish this purpose, Provident has formed a wholly-owned subsidiary - PRG – Potrero Properties LLC, a Delaware limited liability company (Non-Profit Entity), which for federal income tax purposes is treated as part of Provident rather than a separate entity (a “disregarded” entity), and whose activities are attributed to and deemed to be nonprofit activities of Provident; and

WHEREAS, The Non-Profit Entity is organized exclusively for the purpose of lessening the Government Burdens and to facilitate the Public Benefits for the benefit of the SFMTA; and

WHEREAS, The SFMTA intends to enter into the Project Agreement with the Non-Profit Entity to provide access to lower cost tax-exempt financing for the Infrastructure Facility; and,

WHEREAS, The California Municipal Finance Authority (CMFA) is a joint powers authority authorized under California law to issue tax-exempt bonds for qualifying public and nonprofit projects, and it is expected that CMFA would issue bonds for a portion of Infrastructure Facility costs and loan the proceeds to the Non-Profit Entity on terms that are more favorable than could be achieved if the Project Agreement were entered into directly with the Lead Developer and funded by private financing; and,

WHEREAS, The SFMTA has determined that (1) the Infrastructure Facility will deliver Public Benefits, (2) the design, construction, and financing of the Infrastructure Facility constitute Government Burdens of the SFMTA, and (3) engaging the Non-Profit Entity to facilitate the issuance of tax-exempt bonds and delivery of the Infrastructure Facility will further the public interest by lessening those Government Burdens; and,

WHEREAS, The Non-Profit Entity has requested the city's Controller's Office of Public Finance to conduct a public hearing in accordance with Section 147(f) of the Code, and for the Board of Supervisors to approve the issuance of tax-exempt obligations by the CMFA on behalf of the Non-Profit Entity in accordance with the Code; and,

WHEREAS, Participation by Provident and the Non-Profit Entity is intended solely to support the financing and delivery of essential Public Benefits for the exclusive benefit of the public, and not for any private or proprietary purpose; and,

WHEREAS, Under the Project Agreement, the Non-Profit Entity will serve as the counterparty to the SFMTA primarily to facilitate the issuance of tax-exempt bonds as conduit borrower, while substantially all obligations and risks associated with the design and construction of the Infrastructure Facility set forth in the Project Agreement will be borne by the Lead Developer as the “Principal Project Company,” in accordance with the negotiated risk allocation for the Infrastructure Facility and pursuant to a Project Implementation Agreement between the Non-Profit Entity and the Principal Project Company; and,

WHEREAS, The Non-Profit Entity will enter into a Project Implementation Agreement with the Principal Project Company that requires the Principal Project Company to deliver the Infrastructure Facility and be responsible and accountable for performance of the design and construction obligations, consistent with the risk allocation negotiated under the Project Agreement; and,

WHEREAS, The Non-Profit Entity will remain responsible for its Project Agreement obligations that are not assumed by the Principal Project Company, for enforcing its rights against Principal Project Company under the Project Implementation Agreement, and for complying with its obligations and reporting requirements under the Infrastructure Facility financing documents, with the SFMTA responsible for any possessory interest taxes assessed on the Non-Profit Entity’s interest under the Project Agreement; and,

WHEREAS, Neither the SFMTA nor the city will have any direct legal obligation or liability with respect to repayment of any bonds or other indebtedness issued by CMFA on behalf of the Non-Profit Entity in connection with the Infrastructure Facility, and no such bonds or other indebtedness shall constitute an indebtedness or obligation, or the pledge of the faith and credit or taxing power of the city or of any properties or resources of the SFMTA or the city, and the SFMTA’s sole payment obligations in connection with the Infrastructure Facility shall be limited to the Milestone Payments, the Substantial Completion Development Fee, the Availability Payments, and potential termination or delay-event compensation, all as expressly provided for under the Project Agreement, in accordance with its terms and conditions; and,

WHEREAS, This design-build-finance delivery structure under the Project Agreement and Project Implementation Agreement principally preserves the Lead Developer’s role as the developer of the Infrastructure Facility, which ensures continuity from its predevelopment obligations under the Predevelopment Agreement and enables the SFMTA to obtain the financing benefits associated with the Non-Profit Entity’s participation without transferring primary construction and delivery risk from the Lead Developer; and,

WHEREAS, In order for Provident and the Non-Profit Entity to participate in the financing of the Infrastructure Facility on a tax-exempt basis, Provident requires that the SFMTA Board of Directors adopt findings acknowledging that delivery of the Infrastructure Facility is a Government Burden and engaging the Non-Profit Entity to assist in financing and facilitating delivery of the Infrastructure Facility will lessen that Government Burden and provide the Public Benefits; and,

WHEREAS, Such findings do not constitute (1) approval of any bonds or other indebtedness to be issued by the SFMTA, or (2) pledge of any revenues or properties of the SFMTA, or a pledge of any faith and credit, or taxing power of, the city or any resources thereof; and,

WHEREAS, SFMTA staff therefore requests that the SFMTA Board of Directors acknowledge, accept, authorize, and include in this Resolution the findings required by Provident and the Non-Profit Entity in connection with the Project Agreement and the related tax-exempt financing; and,

WHEREAS, SFMTA staff further requests that the SFMTA Board of Directors authorize the Director of Transportation to seek approval from the Board of Supervisors of the Project Agreement pursuant to Charter Section 9.118(b)—which requires Board of Supervisors approval for agreements involving anticipated expenditures of \$10,000,000 or more or a term of ten years or more—and, subject to such approval, to execute the Project Agreement with the Non-Profit Entity; and,

WHEREAS, If the Project Agreement is not executed before the Predevelopment Agreement expires on March 31, 2026, through no default of the Lead Developer, the SFMTA would be liable for a termination payment of up to \$15,546,566 under the Predevelopment Agreement; and,

WHEREAS, SFMTA staff requests that the SFMTA Board of Directors authorize the Director of Transportation, in consultation with the City Attorney, to execute on or more amendments to the Predevelopment Agreement, if necessary, to extend its term in order to allow sufficient time to obtain required approvals and execute the Project Agreement, provided that any such amendments do not materially increase the city's obligations or materially reduce its benefits under the Predevelopment Agreement; and,

WHEREAS, The Potrero Yard Modernization Project was described and analyzed in a Final Environmental Impact Report (FEIR) that the San Francisco Planning Commission certified as adequate, accurate, and complete by Motion No. 21482 on January 11, 2024. On January 11, 2024, by Motion No. 21483, the Planning Commission, based on substantial evidence in the entire recording of proceedings, also made certain findings regarding the environmental impacts of the Potrero Yard Modernization Project, rejected alternatives as infeasible, adopted the proposed mitigation monitoring and reporting program (“MMRP”), and set forth a “Statement of Overriding Considerations” explaining why the benefits of the Project outweigh the unavoidable adverse environmental effects identified in the FEIR and that those adverse environmental effects are therefore acceptable. By Ordinance No. 57-24 passed by the Board of Supervisors on March 12, 2024, and signed by the Mayor on March 22, 2024, the Board of Supervisors, having reviewed the FEIR, concurred with the Planning Commission's conclusions and affirmed the Planning Commission's certification of the FEIR. In addition, in Ordinance No. 57-24, the Board of Supervisors adopted and incorporated by reference the CEQA findings that the Planning Commission adopted in Motion No. 21483 including the Statement of Overriding Considerations and the MMRP; and,

WHEREAS, On October 25, 2024, the Planning Department issued a Memorandum to File, and issued a second Memorandum to File on February 4, 2026, which each reviewed proposed modifications to the Potrero Yard Modernization Project and found that the modified project would not cause new significant impacts or result in a substantial increase in the severity of the impacts identified in the Final EIR, and no new or revised mitigation measures would be required. In the Memoranda to File, the Planning Department determined that no additional environmental review is necessary for the reasons set forth in the Memoranda to File; and,

WHEREAS, Authorizing the Director of Transportation to execute the Project Agreement with PRG – Potrero Properties LLC and authorizing the Director of Transportation to seek Board of Supervisors approval under Charter Section 9.118(b) would not result in a direct or reasonably foreseeable indirect physical change to the environment beyond the scope analyzed in the FEIR and NTFs; and,

WHEREAS, Copies of the CEQA determinations, including the FEIR and Memoranda to File, as well as the CEQA Findings contained in Motion No. 21482, Motion No. 21483, the Statement of Overriding Considerations, and Ordinance No. 57-24, are on file with the Secretary to the SFMTA Board of Directors, and are incorporated herein by reference; and,

WHEREAS, The foregoing recitals are incorporated into this Resolution as findings of the SFMTA Board of Directors; now, therefore, be it

RESOLVED, That the SFMTA Board of Directors has reviewed and considered the Final EIR, the MMRP, the Memoranda to File, and the record as a whole, and by this reference incorporates and hereby adopts as its own the CEQA Findings contained in Motion No. 21482, Motion No. 21483, Ordinance No. 57-24, and the Statement of Overriding Considerations, and the Memoranda to File. The SFMTA Board of Directors finds that based on the record as a whole, including the Final EIR and the Memoranda to File for the Potrero Yard Modernization Project, the Final EIR reflects the independent judgment and analysis of the Planning Department and the SFMTA Board of Directors, is adequate and complete, and there is no substantial evidence that the proposed Infrastructure Facility at the Potrero Yard Project, given the implementation of the mitigation measures as stated in the Final EIR and the adoption of the MMRP, could have a significant effect on the environment as shown in the analysis of the Final EIR. The SFMTA Board of Directors hereby adopts the Final EIR and the MMRP; and

FURTHER RESOLVED, That the SFMTA Board of Directors hereby authorizes the Director of Transportation to execute Contract No. 1334, Infrastructure Facility Project Agreement (Project Agreement), with PRG – Potrero Properties LLC (Non-Profit Entity), for the design, construction, and financing of a bus storage and maintenance facility for the Potrero Yard Modernization Project, subject to Board of Supervisors approval, providing for: (1) a 30-year term commencing after substantial completion, scheduled for 2030, and expected to end in 2060; (2) two milestone payments of \$65,000,000 at or around financial close and \$250,000,000 during construction; (3) a \$5,000,000 development fee payable after substantial completion; (4) annual availability payments commencing approximately one year after anticipated substantial

completion and continuing through the end of the term, projected to start at approximately \$33 million, with an estimated cumulative total of approximately \$980 million; and (5) potential delay or termination compensation, all as provided in the Project Agreement and for an estimated not to exceed amount of \$1.4 billion, all expressed in nominal dollars; and,

FURTHER RESOLVED, That the SFMTA Board of Directors hereby authorizes the Director of Transportation to seek Board of Supervisors approval of the Project Agreement under Charter Section 9.118(b); and,

FURTHER RESOLVED, That, subject to approval of the Project Agreement by the Board of Supervisors pursuant to Charter Section 9.118(b), the SFMTA Board of Directors hereby authorizes the Director of Transportation, at their discretion and in consultation with the city Attorney, to: (1) take all actions and execute any amendment, agreements, certificates, instruments, understandings, and documents contemplated by the Project Agreement or determined by the Director of Transportation to be necessary or appropriate to implement and carry out the transactions and purposes of the Project Agreement, including but not limited to lender direct agreements, continuing disclosure agreements, certificates, and other ancillary documents related to the financing and delivery of the Infrastructure Facility; and (2) execute any additions, amendments, or other modifications to the Project Agreement that the Director of Transportation determines are in the best interests of the city or necessary or appropriate to implement and carry out the purposes and intent of the Project Agreement and this Resolution, provided that such additions, amendments, or modifications do not materially increase the city's obligations or materially reduce the rights or benefits of the city, including materially changing the risk allocation in the Project Agreement the effect of which would cause the city or the SFMTA to assume materially more risks related to the project; provided further that, for clarity, additions, amendments, or other modifications that adjust the amount, timing, or calculation of Availability Payments that do not constitute an Affordability Event—including adjustments resulting from interest rate movements, credit spread movements, or other formula-based or risk-allocated mechanisms contemplated in the Project Agreement—are within the authority delegated to the Director of Transportation under this Resolution; and be it

FURTHER RESOLVED, That the SFMTA Board of Directors hereby authorizes the Director of Transportation to execute one or more amendments to the Predevelopment Agreement as the Director of Transportation determines, in consultation with the City Attorney, are necessary or appropriate to extend the term of the Predevelopment Agreement in order to allow sufficient time, if necessary, to obtain required approvals and execute the Project Agreement; provided that any such amendments shall not materially increase the city's obligations or materially reduce its benefits under the Predevelopment Agreement; and be it

FURTHER RESOLVED, That the SFMTA Board of Directors hereby finds and determines that the design, construction, and financing of the Infrastructure Facility as part of the Potrero Yard Modernization Project will satisfy legitimate Government Burdens and provide the Public Benefits, and that approval of the Project Agreement is intended to accomplish and alleviate such Government Burdens and provide the Public Benefits; and be it

FURTHER RESOLVED, That the SFMTA Board of Directors hereby requests and approves the engagement of the Non-Profit Entity, whose sole member is Provident Resources Group Inc., a Georgia nonprofit corporation and a tax-exempt entity under Section 501(c)(3) of the Code, and whose activities are attributed to and deemed to be nonprofit activities of Provident for federal income tax purposes, to assist the SFMTA in lessening and achieving its Government Burdens pursuant to the Project Agreement by financing and facilitating delivery of the Infrastructure Facility for the exclusive Public Benefits of the city; and be it

FURTHER RESOLVED, That the SFMTA Board of Directors hereby finds and confirms that engaging the Non-Profit Entity to assist in financing and delivery of the Infrastructure Facility will lessen the Government Burdens by enabling delivery of essential public transportation infrastructure through tax-exempt financing and a design-build-finance delivery structure while preserving public ownership and control; and be it

FURTHER RESOLVED, That nothing in this Resolution shall be construed to create any direct legal obligation or liability of the SFMTA or the city with respect to any bonds or other indebtedness issued by the California Municipal Finance Authority, or any loan or other obligation of the Non-Profit Entity in connection therewith, and such bonds or indebtedness shall not constitute an indebtedness of the SFMTA or the city within the meaning of any constitutional or statutory provision.

I certify that the foregoing resolution was adopted by the San Francisco Municipal Transportation Agency Board of Directors at its meeting of March 3, 2026.

Secretary, Board of Directors
Municipal Transportation Agency