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October 2, 2024

The Honorable Members of the Board of Supervisors
City and County of San Francisco
1 Dr. Carlton Goodlett Place, Room 244
San Francisco, CA 94102

Subject: Request for Approval – Resolution retroactively approving the Second Amendment to the Predevelopment Agreement with Potrero Neighborhood Collective LLC, for the Potrero Yard Modernization Project, effective as of October 17, 2024, to increase the potential combined proposal and termination payments by \$5,556,566 for a total that will not exceed \$15,546,566, expand the scope, and extend the term to July 31, 2025.

Honorable Members of the Board of Supervisors:

The San Francisco Municipal Transportation Agency (SFMTA) requests that the San Francisco Board of Supervisors retroactively approve a resolution approving the Second Amendment to the Predevelopment Agreement with Potrero Neighborhood Collective LLC (PNC), for the Potrero Yard Modernization Project (Project), to increase the potential combined proposal and termination payments (Termination Payment) by \$5,556,566 for a total Termination Payment that will not exceed \$15,546,566, increase the scope, and extend the term to July 31, 2025.

Background

The Project is part of the SFMTA's Building Progress Program (Program), a \$2+ billion multi-year effort to repair, renovate, and modernize the SFMTA's aging facilities to improve the overall transportation service delivery system in San Francisco. Built in 1915, Potrero Yard is scheduled to be the first site that the SFMTA will modernize and improve under the Program due to the age of the current facility and changes in bus fleet technology that make the current facility obsolete. The Project will replace the current facility with a new, multilevel bus facility (Bus Facility) that will not only improve maintenance and storage capabilities, but also contribute to a greener, more sustainable, and more reliable transportation system for San Francisco. The new Bus Facility will increase the capacity of Potrero Yard by about 68 percent and provide the green infrastructure needed for an all-electric fleet. These improvements are needed to ensure space for 246 of the SFMTA's electric trolley buses, both 40-foot and 60-foot, which the current facility cannot accommodate.

A key component of the Program is to maximize the use of SFMTA properties through joint development. Accordingly, the Project also includes a housing component (Housing Component) designed to maximize the number of housing units in recognition of the physical parameters of



the Bus Facility and the design guidelines established for the overall Project. The Project would also include common infrastructure to be shared by the Bus Facility and the Housing Component (Common Infrastructure).

Over the last seven years, the SFMTA has engaged a complete City team on the Project, partnering with the San Francisco Planning Department (Planning Department), the Mayor's Office of Housing and Community Development, the Office of Economic and Workforce Development, and San Francisco Public Works.

The Developer Partner and Predevelopment Agreement (PDA),

On November 1, 2022, the SFMTA Board of Directors approved awarding the Project's Predevelopment Agreement to PNC as the preferred proposer following a competitive procurement process for a lead developer. Although the SFMTA remained the project sponsor for the Project's environmental review, the PDA requires that PNC perform all needed Project predevelopment activities, including the entitlement process, design advancement, community outreach, and supporting the SFMTA in the environmental review process. The PDA also requires the SFMTA and PNC to develop agreements (Project Agreements) for the design, financing, and construction of the Bus Facility, the maintenance of the Bus Facility infrastructure and the Common Infrastructure, and the design, financing, construction and operation of the Housing Component. Once the SFMTA and PNC mutually agree to the terms of those Project Agreements, they will be finalized and presented to the SFMTA Board of Directors and Board of Supervisors for final approval.

The PNC development team includes the following parties: Plenary Americas US Holdings, Inc. as the equity member; Mission Economic Development Agency and Tabernacle Community Development Corporation as the affordable housing developer; Plenary Potrero Housing LLC as the moderate income housing developer; Arcadis as the design consultant; Plant Construction Company, L.P. and The Allen Group, LLC as the construction management consultant; WT Partnership as the infrastructure facility maintenance consultant; and D&A Communications as the communications consultant.

Consistent with typical City contract provisions, the SFMTA maintains the right to terminate the PDA for convenience at any time. If the PDA terminates for any reason other than PNC default or the parties' execution of the Project Agreements, the SFMTA must make the Termination Payment pursuant to the PDA. The Termination Payment amount increases in each PDA phase of work and is subject to the PNC's qualified costs in performing the predevelopment work required for that phase of work. The maximum amount of the Termination Payment under the current PDA is \$9,990,000.



Community and Stakeholder Engagement

Since December 2017, the Project team has led an extensive, inclusive, and transparent stakeholder engagement process to develop and design the new Potrero Yard. Community engagement has guided the Project through initial planning, the lead developer procurement process, and the launch of the City's first public-private partnership that produced the 100 percent schematic designs we have today. Community and stakeholder engagement continues as the Project enters the final phase of the PDA. Since November 2022, the SFMTA and PNC have worked with the community and other stakeholders to further develop project design. Stakeholders were engaged on open decision points, such as the look and feel of the new building, ideas for the Project's community and commercial spaces, the streetscape on 17th Street, landscaping, and public art.

Bilingual English-Spanish communications have been part of the engagement from the start. Major outreach activities to educate the community about the Project and solicit feedback have included 18 community events and open houses, 44 public tours of Potrero Yard, 46 meetings of the Potrero Yard Neighborhood Working Group, and 50+ meetings and listening sessions with community organizations. The Project team has also participated in annual community-sponsored events, including Carnaval SF; District 9 Neighborhood Beautification Day; Fiesta de las Americas; Friends of Franklin Square Park Cleanups; KQED Fest; Phoenix Day; Potrero Hill Festival; Sunday Streets - Valencia Street; and Transit Month.

In addition, the Project has been presented in a variety of public hearing settings to date, where formal public comment has been received and documented. Most recently this has included the EIR certification process and entitlements approvals, including the Recreation and Parks Commission (December 21, 2023), the Planning Commission (January 11, 2024), Board of Supervisors Land Use and Transportation Committee (February 26, 2024), Board of Supervisors Budget and Finance Committee (February 28, 2024) and the full Board of Supervisors (March 5 and March 12, 2024).

Paralleling the community outreach effort has been an extensive in-reach effort to frontline staff at Potrero Yard, including maintenance, operations, and administrative employees. Since November 2022, six in-reach meetings were held to update and solicit input from frontline staff, in addition to involving leadership at the Potrero Yard in the design of interior spaces in the Bus Facility. The SFMTA is working to establish a workforce housing preference for SFMTA employees at the site. A staff survey was developed with feedback from labor partners and targeted input from transit operators, maintenance, and other frontline staff. The survey was completed on January 10, 2024, and assessed SFMTA employees' housing needs and interest in the proposed workforce housing.

PDA Amendments

On May 29, 2024, the SFMTA, through its delegated authority to the Director of Transportation, approved the First Amendment to the PDA (First Amendment), which extended the PDA term to



the maximum extent allowed under that delegation, October 18, 2024. The First Amendment also revised key delivery dates for the Project, including timing for executing all financial documents needed for the design and construction of Bus Facility and Common Infrastructure (together, the Infrastructure Facility) (amended to May 30, 2025) and for substantial completion of Infrastructure Facility (amended to November 30, 2029).

The SFMTA and PNC have mutually agreed that a second amendment to the PDA (Second Amendment) is necessary to extend the term of the PDA to July 31, 2025, allow the time necessary to seek potential federal funding for the Infrastructure Facility and increase the scope of work to provide for the execution of the Project Agreements and related Infrastructure Facility financing documents in spring 2025. Concurrent with the increase in time is also a request to increase the maximum Termination Payment by \$5,556,566, for a total maximum amount of \$15,546,566, to account for the increased scope of work and the extension in the PDA term. This includes (1) staff costs associated with extending the PDA term; (2) costs for SFMTA changes to the Project (e.g., maximizing joint development flexibility, maximizing flexibility for bus fleet type and size including increasing the number of buses, and seeking potential federal funding); (3) completing site due diligence and advancing third party utility planning and coordination; and (4) pursuing the Project site permit and paying the related application fee by November 30, 2024. The amount of the Termination Payment is currently available in the project budget and would only become due to PNC if the PDA terminates for any reason other than PNC's default or the execution of the Project Agreements.

The PDA will terminate as of October 18, 2024, unless extended by the Second Amendment. If executed, the Second Amendment will be retroactively effective as of October 17, 2024.

Authority for Second Amendment

The SFMTA respectfully requests that the San Francisco Board of Supervisors approve the resolution retroactively approving the Second Amendment.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Jeffrey P. Tumlin'.

Jeffrey P. Tumlin
Director of Transportation