

1 [Approval of Potrero Bus Yard Predevelopment Agreement with a \$4,350,000 Continuation
2 Payment and a Potential Termination Payment of up to \$9,990,000 - Potrero Neighborhood
3 Collective LLC - 2500 Mariposa]

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4 **Resolution approving a Predevelopment Agreement between Potrero Neighborhood**
5 **Collective LLC and the City and County of San Francisco, acting by and through the**
6 **San Francisco Municipal Transportation Agency, dated as of November 2, 2022,**
7 **including a \$4,350,000 continuation payment and a potential termination payment of up**
8 **to \$9,990,000; and making environmental findings under the California Environmental**
9 **Quality Act.**

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11 WHEREAS, The San Francisco Municipal Transportation Agency (“SFMTA”) has
12 determined it is critical to replace its outdated Potrero Yard facility at 2500 Mariposa Street in
13 the Mission District (“Project Site”) to provide the best quality transit service for all of San
14 Francisco, one of the most important tools we have to fight climate change; and,

15 WHEREAS, The SFMTA’s Potrero Yard Modernization Project (“Project”) includes the
16 simultaneous joint development and construction of a new facility with a modern four-story
17 bus storage and maintenance component (“Bus Yard Component”) and, if feasible, a multi-
18 family housing and commercial component (“Housing Component”) at the Project Site, with a
19 potential paratransit facility if it is not feasible to construct housing above the Bus Yard
20 Component; and,

21 WHEREAS, The Project will expand capacity for the electric trolley bus fleet at the
22 Project Site by over 50 percent, and allow Muni to continue as a national leader in delivering
23 sustainable transit service by helping to facilitate its transition to a 100 percent zero-emission
24 fleet; and,

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1 WHEREAS, The new facility will dramatically improve efficiency of Muni operations and
2 maintenance by providing adequate space and operational flow for bus maintenance, parking,
3 and circulation of the electric trolley bus fleet; and,

4 WHEREAS, By improving the work environment for SFMTA frontline operations and
5 maintenance staff, who currently work in a 110-year-old facility that is significantly outdated
6 and undersized, buses can be repaired faster for more reliable Muni service; and,

7 WHEREAS, The Project will be the nation’s first known joint development of a bus
8 storage and maintenance transit facility with housing, and if feasible, will address a critical
9 housing need with one of San Francisco’s largest affordable housing developments with up to
10 465 affordable rental units for low and moderate income households; and,

11 WHEREAS, On April 7, 2020, the San Francisco Municipal Transportation Agency
12 (“SFMTA”) Board of Directors approved Resolution 200407-035, a copy of which is on file with
13 the Clerk of the Board of Supervisors in File No. 240136, authorizing the SFMTA to use a joint
14 development procurement method to deliver the Project and seek approval from the Board of
15 Supervisors for that method; and,

16 WHEREAS, On March 16, 2021, the Board of Supervisors adopted Ordinance 38-21, a
17 copy of which is on file with the Clerk of the Board of Supervisors in File No. 240136, to
18 approve a joint development delivery method and a best-value selection of the developer for
19 the Project and exempted various Project agreements from certain San Francisco
20 Administrative Code requirements that are inconsistent with the joint development delivery
21 method, with the ordinance being signed by the Mayor and effective on April 25, 2021; and,

22 WHEREAS, After a competitive process for a predevelopment agreement for the
23 Project (“PDA”) that included a request for qualifications and a request for proposals, the
24 SFMTA Board of Directors adopted Resolution 221101-105 on November 1, 2022, a copy of
25 which is on file with the Clerk of the Board of Supervisors in File No. 240136, to authorize the

1 SFMTA Director of Transportation to execute the PDA with Potrero Neighborhood Collective,
2 LLC (“PNC”), which has Plenary Americas US Holdings Inc. (Plenary) as its sole member, for
3 a term that will not exceed 568 days; and,

4 WHEREAS, The PDA was fully executed as of November 2, 2022, a copy of which is
5 on file with the Clerk of the Board of Supervisors in File No. 240136; and,

6 WHEREAS, Except for limited SFMTA predevelopment obligations described in the
7 PDA, the PDA requires PNC to perform the majority of the predevelopment work needed for
8 the Project at its sole cost during the PDA term, including but not limited to developing
9 schematic designs, maintenance plans, and financing plans, securing Project financing,
10 obtaining Project entitlements, and procuring design-build and maintenance contractors; and,

11 WHEREAS, The PDA requires that the SFMTA and PNC negotiate the terms of
12 agreements for the design, construction and certain maintenance of the Bus Yard
13 Component, the design, construction and operation of the Housing Component, and the
14 design, construction and maintenance of the common infrastructure that would be shared by
15 the Bus Yard Component and the Housing Component (“Project Documents”); and,

16 WHEREAS, If City staff and PNC mutually agree to the forms of the Project Documents
17 during the PDA term, the SFMTA will seek approval to those Project Documents from the
18 SFMTA Board of Directors and the Board of Supervisors before the expiration of the PDA
19 term; and,

20 WHEREAS, The SFMTA can terminate the PDA at any time for convenience, and if the
21 PDA terminates for any reason other than PNC’s default or the parties’ execution of the
22 Project Documents, the PDA includes a termination payment to PNC that will not exceed
23 \$9,990,000; and,

24 WHEREAS, The PDA requires the SFMTA to pursue all needed review under the
25 California Environmental Quality Act (“CEQA”) for the Project; and,

1 WHEREAS, The PDA requires PNC, at its sole cost, provide certain materials
2 submitted to the City’s Planning Department for Project’s CEQA review and to obtain the
3 special use district, conditional use authorization, General Plan Referral, and related General
4 Plan amendments needed for the Project (“Entitlements”); and,

5 WHEREAS, Under the PDA, if there is final certification of the environmental impact
6 report (“EIR”) for the Project under CEQA and the Entitlements are approved by, as
7 applicable, the Planning Commission and the Board of Supervisors and become effective (the
8 “EIR/Entitlement Milestone”), then PNC’s predevelopment work will automatically be
9 suspended unless the SFMTA elects, in its sole discretion, to issue a notice for PNC to
10 continue that predevelopment work (“Continuation Notice”); and,

11 WHEREAS, If the SFMTA issues the Continuation Notice, it must pay PNC a
12 continuation payment of \$4,350,000 (“Continuation Payment”), and the SFMTA cannot make
13 the Continuation Payment without the prior approval from the Board of Supervisors under
14 Section 9.118 of the San Francisco Charter because the Continuation Payment and any
15 potential termination payment would be over \$10,000,000; and,

16 WHEREAS, The SFMTA has determined that PNC has incurred substantial
17 predevelopment costs in pursuing the Entitlements, supporting the SFMTA’s efforts for the
18 Project’s CEQA review, and performing its PDA predevelopment work obligations, which
19 would have been otherwise borne by the SFMTA; and,

20 WHEREAS, The SFMTA has determined that the Entitlements are critical to the timely
21 completion of the Project and will increase the value of the Project Site by more than the
22 amount of the Continuation Payment, and that the amount of the Continuation Payment is no
23 more than fair market value; and,

24 WHEREAS, On January 11, 2024, by Motion No. 21482, a copy of which is on file with
25 the Clerk of the Board of Supervisors in File No. 231256, the Planning Commission certified

1 as adequate, accurate, and complete the Environmental Impact Report for the Project ("Final
2 EIR") pursuant to CEQA, the CEQA Guidelines (Cal. Code Reg. Sections 15000 et seq.), and
3 Chapter 31 of the Administrative Code; and in accordance with the actions contemplated in
4 this resolution, the Board of Supervisors has reviewed the Final EIR, concurs with its
5 conclusions, affirms the Planning Commission's certification of the Final EIR, and finds that
6 the actions contemplated in this resolution are within the scope of the Project described and
7 analyzed in the Final EIR; and,

8 WHEREAS, On January 11, 2024, by Motion No. 21487, which is on file with the Clerk
9 of the Board of Supervisors in File No. 240136, the Planning Commission approved the
10 conditional use authorization for the Project and determined that the Project is consistent with
11 the General Plan, and the Board of Supervisors affirms that determination; and,

12 WHEREAS, On January 11, 2024, by Resolution No. 21484, the Planning Commission
13 recommended approval to the Board of Supervisors of the General Plan amendments
14 ordinance necessary to facilitate the Project ("General Plan Ordinance"), and by Resolution
15 No. 21485, recommended approval to the Board of Supervisors of the Planning Code and
16 Zoning Map amendments ordinance creating the Special Use District necessary to facilitate
17 the Project ("Special Use District Ordinance"), which are on file with the Clerk of the Board of
18 Supervisors in File Nos. 231256 and 240047, and are incorporated herein by reference; and,

19 WHEREAS, In approving the Project at its hearing on January 11, 2024, by Motion
20 No. 21483, the Planning Commission adopted findings, including a rejection of alternatives
21 and a statement of overriding considerations (the "CEQA Findings") and a Mitigation
22 Monitoring and Reporting Program ("MMRP"), and the Board of Supervisors adopts as its own
23 and incorporates by reference as though fully set forth herein the CEQA Findings, including
24 the statement of overriding considerations and the MMRP; and,

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1 WHEREAS, If the Board of Supervisors approves the General Plan Ordinance and the
2 Special Use District Ordinance and they take effect, the EIR/Entitlement Milestone will be
3 reached and the SFMTA will seek to timely issue a Continuation Notice to PNC and pay the
4 Continuation Payment to continue PNC's predevelopment work for the Project under the PDA;
5 and,

6 WHEREAS, If City makes the Continuation Payment, City's payment obligations under
7 the PDA could exceed \$10,000,000, which requires the approval of the Board of Supervisors
8 under City Charter Section 9.118; now, therefore, be it

9 RESOLVED, If the Board of Supervisors approves the SUD and General Plan
10 Ordinances and they take effect, the Board of Supervisors approves the PDA and authorizes
11 the SFMTA Director of Transportation to issue the Continuation Notice and make the
12 Continuation Payment to PNC on the terms and conditions in the PDA.

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