

LEGISLATIVE DIGEST

[Administrative Code Waivers - Project Delivery Procedure - SFMTA Potrero Yard Modernization Project]

Ordinance authorizing the San Francisco Municipal Transportation Agency to exempt certain design, construction, finance, maintenance, and real estate agreements for the development of the Potrero Yard Modernization Project from Chapters 6, 14B, 21, and 23 of the Administrative Code, but requiring the payment of prevailing wages, implementation of a local business enterprise utilization program, and compliance with the City’s local hire policy and first source hiring ordinance, as applicable, and permitting a best-value selection of the developer team if the City elects to proceed with the Project after completing its review under the California Environmental Quality Act.

Amendments to Current Law

There are no amendments to current law. This is an action to approve a joint-development procedure to deliver the Potrero Yard Modernization Project (“Project”) if the City elects to proceed with it. The Project is in its conceptual planning and study phase. If the Board of Supervisors adopts this ordinance and the San Francisco Municipal Transportation Agency (“SFMTA”) elects to enter into a pre-development agreement with a qualified private entity to further study and develop the Project, that agreement would not include the requirements of Administrative Code Chapters 6, 14B, 21 and 23. Only if the SFMTA elects to proceed with the Project after completing CEQA review, the SFMTA would negotiate one or more subsequent agreements with the same private entity to deliver the Project, which would also be exempt from certain contracting requirements in Administrative Code Chapters 6, 14B, 21, and 23.

Background Information

The SFMTA is exploring the technical and financial feasibility to simultaneously develop and integrate a new bus maintenance and storage facility (Bus Facility) with private multi-family housing, including affordable housing, and commercial space at its Potrero Yard property in the Mission District. The SFMTA estimates the Project could accommodate a range of 525 to 575 residential units, for which the SFMTA would establish a goal of at least 50 percent affordable units, and encourage the Project to seek additional funds to maximize affordable units up to 100 percent.

The SFMTA estimates the cost to construct the Project would be approximately \$500 million (in 2019 dollars and exclusive of costs not directly related to construction, such as architectural, engineering, financing, administrative, and permitting costs), and anticipates construction of the Project could commence in mid-2023 and be completed by late 2026.

Based on the unique risks involved in potentially integrating an operating Bus Facility with private housing and commercial components, the SFMTA has determined it is appropriate and in the City's best interest at this time to pursue a joint development approach to further study, develop, and deliver the Project on time and within budget.

Under a joint development approach, the SFMTA could contract with a single private entity and transfer to that entity all or portions of the Project's design, construction, financing, maintenance, and real estate risks, giving the SFMTA budget and schedule certainty and making joint development financially feasible while operating the Bus Facility safely, efficiently, and reliably in a manner compatible with the Project's joint development components. This contract and any related agreements would be submitted to the Board of Supervisors for approval to the extent required under Charter Section 9.118.

The ordinance describes the procurement method the SFMTA would follow for the Project, would allow design stipends to be paid to certain qualified respondents, and exempts the Project from certain contracting requirements under Chapters 6, 14B, 21, and 23, but still requires compliance with the payment of prevailing wages and the implementation of a local business enterprise utilization program, and compliance with the City's local hire policy and first source hiring ordinance, as applicable.

The SFMTA plans to issue the request for proposals for the joint development services in the summer of 2020, to negotiate the terms of those services with the selected respondent, if any, and if negotiations are successful, to submit the proposed joint development service agreement with any selected respondent to the Board of Supervisors for approval in the third or fourth quarter of 2022.

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