

1 [Agreement - Potrero Neighborhood Collective, LLC - Potrero Yard Infrastructure Facility
2 Design-Build-Finance-Operate-Maintain Agreement - 2500 Mariposa Street - Endorsement of
3 Key Terms]

4 **Resolution generally endorsing the form of an Infrastructure Facility Design-Build-**
5 **Finance-Operate-Maintain Agreement (Form Project Agreement) for the San Francisco**
6 **Municipal Transportation Agency (SFMTA) Potrero Yard Modernization Project, and the**
7 **following pricing: 1) an initial milestone payment of up to \$75,000,000 at financial close,**
8 **2) a relocation payment of up to \$500,000 within 60 days of completing temporary**
9 **relocation of Potrero Yard operations, 3) a milestone payment of up to \$200,000,000 by**
10 **no later than 2033, and 4) an initial maximum annual availability payment of up to**
11 **\$42,200,000 (in Fiscal Year 2030 dollars) over a maintenance term not to exceed 30**
12 **years after the scheduled substantial completion date, anticipated in 2029, subject to**
13 **interest rate and credit spread fluctuations between commercial close and financial**
14 **close and annual Consumer Price Index adjustments, with the part of the payment**
15 **covering capital costs increasing 1% per year and sculpted to align with the SFMTA's**
16 **existing debt service obligations; and providing that the final terms of the agreement,**
17 **including final pricing and inclusion of a Small Business Enterprise/Disadvantaged**
18 **Business Enterprise Plan, shall be subject to approval of the Board of Supervisors.**

19
20 WHEREAS, The San Francisco Municipal Transportation Agency (SFMTA) has
21 determined it is critical to replace its outdated Potrero Yard facility at 2500 Mariposa Street in
22 the Mission District to provide the best quality transit service for all of San Francisco, one of
23 the most important tools we have to fight climate change; and

24 WHEREAS, The SFMTA's Potrero Yard Modernization Project (Project) includes the
25 joint development of a modern bus storage and maintenance facility (Bus Yard Component),

1 affordable and moderate-income housing with limited commercial space if financially feasible
2 (Housing Component), and shared infrastructure supporting both the Bus Yard and Housing
3 Components (Common Infrastructure), with a potential paratransit facility as an alternative if
4 constructing housing above the Bus Yard Component is not feasible; and

5 WHEREAS, The Bus Yard Component and Common Infrastructure are, collectively,
6 the Infrastructure Facility; and

7 WHEREAS, The Bus Yard Component will dramatically improve efficiency of Muni
8 operations and maintenance by providing adequate space and operational flow for bus
9 maintenance, parking, and circulation of the electric trolley bus fleet; and

10 WHEREAS, By improving the work environment for SFMTA frontline operations and
11 maintenance staff, who currently work in a 109-year-old facility that is significantly outdated
12 and undersized, buses can be repaired faster for more reliable Muni service; and

13 WHEREAS, The Project would be the nation's first known joint development of a bus
14 storage and maintenance transit facility with housing, and if feasible, would address a critical
15 housing need with up to 465 affordable rental units proposed for low and moderate income
16 households; and

17 WHEREAS, On April 7, 2020, by Resolution 200407-035, a copy of which is on file with
18 the Clerk of the Board of Supervisors in File No. 240136, the SFMTA Board of Directors
19 authorized the SFMTA to use a joint development procurement method to deliver the Project
20 and seek approval from the Board of Supervisors for that method; and

21 WHEREAS, On March 16, 2021, by Ordinance 38-21, a copy of which is on file with the
22 Clerk of the Board of Supervisors in File No. 240136, the Board of Supervisors approved a
23 joint development delivery method and a best-value selection of the developer for the Project
24 and exempted various Project agreements from certain San Francisco Administrative Code
25

1 requirements that are inconsistent with the joint development delivery method, with the
2 Ordinance being signed by the Mayor and effective on April 25, 2021; and

3 WHEREAS, On November 1, 2022, after a competitive solicitation process, by
4 Resolution No. 221101-105, the SFMTA Board of Directors authorized the Director of
5 Transportation to execute the Predevelopment Agreement for the Project with Potrero
6 Neighborhood Collective LLC (“Lead Developer”), wholly owned by Plenary Americas US
7 Holdings, a leading long-term investor, developer, and manager of public infrastructure; and

8 WHEREAS, The Predevelopment Agreement was fully executed as of November 2,
9 2022, and it was subsequently amended by a First Amendment to the Predevelopment
10 Agreement that was fully executed as of May 29, 2024, a copy of which is on file with the
11 Clerk of the Board of Supervisors in File No. 240937, and a Second Amendment to
12 Predevelopment Agreement dated as of October 1, 2024, a copy of which is on file with the
13 Clerk of the Board of Supervisors in File No. 240937, and which was approved by the Board
14 of Supervisors under Resolution No. 534-24; and

15 WHEREAS, Under the Predevelopment Agreement, the Lead Developer is responsible
16 for conducting predevelopment work and negotiating with the SFMTA specific transaction
17 documents to deliver the Project, including the Infrastructure Facility Design-Build-Finance-
18 Operate-Maintain Agreement (Project Agreement) for the Infrastructure Facility and housing
19 agreements for the Housing Component; and

20 WHEREAS, Construction of the Infrastructure Facility would commence before
21 construction of the Housing Component, and the SFMTA expects to submit forms of housing
22 agreements for the Housing Component to the SFMTA Board of Directors and the Board of
23 Supervisors in spring 2025; and

24 WHEREAS, The Project Agreement would serve as the primary contract between the
25 City, acting through the SFMTA, and a to-be-established entity (“Principal Project Company”)

1 that would be an affiliate of the Lead Developer, covering the design, construction, and
2 financing of the Infrastructure Facility, and the operation and maintenance of certain elements
3 over a 30-year period after the scheduled substantial completion date; and

4 WHEREAS, The SFMTA and the Lead Developer have negotiated the Form Project
5 Agreement, a copy of which is on file with the Clerk of the Board of Supervisors in File
6 No. 241136, which requires the SFMTA to pay any possessory interest tax assessed on the
7 Principal Project Company's interest under the Form Project Agreement, and will be modified
8 to substantially incorporate the Draft Small Business Enterprise/Disadvantaged Business
9 Enterprise Plan (SBE/DBE) Plan, a copy of which is on file with the Clerk of the Board of
10 Supervisors in File No. 241136; and

11 WHEREAS, The Form Project Agreement includes risk allocation, technical, regulatory,
12 and insurance requirements, performance standards, and a payment mechanism; and

13 WHEREAS, Under this payment mechanism, the SFMTA would make milestone
14 payments at various times up to no later than 2033, and annual availability payments, paid on
15 a quarterly basis, during the 30-year maintenance term; the availability payments would be
16 structured as single, combined payments covering project debt, performance, and equity
17 return, subject to deductions for non-compliance with specified performance standards; and

18 WHEREAS, Finalizing the pricing for the Form Project Agreement depends on the
19 Lead Developer's selection of a design-build contractor, completion of operations and
20 maintenance pricing, and completion of the structure, terms, and pricing of the Project's debt
21 financing, all of which require additional time and coordination; and

22 WHEREAS, The SFMTA has determined that obtaining the endorsement of the Form
23 Project Agreement from the Board of Supervisors before finalizing pricing demonstrates the
24 City's commitment to the Project, strengthens the ability to secure favorable financing terms,
25 and avoids delays that could increase costs or disrupt the project schedule, while ensuring

1 that final approval by the Board of Supervisors will be obtained once pricing and terms are
2 finalized and the terms of the Draft SBE/DBE Plan are substantially incorporated; and

3 WHEREAS, The SFMTA has also determined that obtaining the Board of Supervisors'
4 endorsement of the following pricing would help ensure budget discipline: (i) an initial
5 milestone payment of up to \$75,000,000 at financial close; (ii) a relocation payment of up to
6 \$500,000 within 60 days of completing temporary relocation of Potrero Yard operations; (iii) a
7 milestone payment of up to \$200,000,000 by no later than 2033; and (iv) an initial maximum
8 annual availability payment of up to \$42,200,000 (in Fiscal Year 2030 dollars) over a
9 maintenance term not to exceed 30 years after the scheduled substantial completion date,
10 anticipated in 2029, subject to interest rate and credit spread fluctuations between commercial
11 close and financial close, and annual Consumer Price Index (CPI) adjustments, with the part
12 of the availability payment covering capital costs increasing 1% per year and sculpted to align
13 with SFMTA's existing debt service obligations; and

14 WHEREAS, The Board of Supervisors wishes to generally endorse the Form Project
15 Agreement and the pricing set forth herein; and

16 WHEREAS, The National Environmental Policy Act (NEPA) process is currently
17 underway for the Project and anticipated to be completed in December 2024; the actions
18 contemplated in this Resolution do not commit the City to any proposed project or any project
19 alternative, modification, or mitigation regarding the Project until, unless, and before the NEPA
20 Approval is obtained and City approves the Project, alternative, modification or mitigation; and

21 WHEREAS, On January 11, 2024, by Motion No. 21482, a copy of which is on file with
22 the Clerk of the Board of Supervisors in File No. 231256, the Planning Commission certified
23 as adequate, accurate, and complete the Environmental Impact Report for the Project
24 (Final EIR) pursuant to the California Environmental Quality Act (Pub. Resources Code,
25

1 Sections 21000 et seq., "CEQA"), the CEQA Guidelines (Cal. Code Reg. tit. 14,
2 Sections 15000 et seq.), and Chapter 31 of the San Francisco Administrative Code; and

3 WHEREAS, On January 11, 2024, by Motion No. 21483, a copy of which is on file with
4 the Clerk of the Board of Supervisors in File No. 231256, the Planning Commission, based on
5 substantial evidence in the entire record of proceedings, made certain findings regarding the
6 environmental impacts of the Project analyzed in the FEIR, rejected alternatives as infeasible,
7 adopted the proposed mitigation monitoring and reporting program ("MMRP"), and set forth a
8 Statement of Overriding Considerations explaining why the benefits of the Project outweigh
9 the unavoidable adverse environmental effects identified in the FEIR and that those adverse
10 environmental effects are therefore acceptable; and

11 WHEREAS, The Planning Department has evaluated the revisions to the Project
12 contemplated in the Project Agreement, as conditionally approved by this Resolution and
13 determined based on the requirements of CEQA, that no additional environmental review is
14 necessary; said determination is on file with the Clerk of the Board of Supervisors in File
15 No. 231256 and is incorporated herein by reference; and

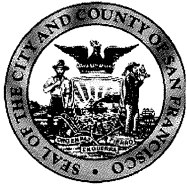
16 WHEREAS, The Board affirms the CEQA determination for the Project and based on
17 substantial evidence in the entire record of these proceedings, further affirms that there are no
18 substantial changes proposed for the Project, or the circumstances under which it will be
19 undertaken, that would require major revisions of the FEIR due to new significant
20 environmental effects or a substantial increase in the severity or previously identified
21 significant effects, and further, no new information of substantial importance that shows the
22 Project will have significant effects not discussed in the FEIR, substantially more severe
23 significant effects than discussed in the FEIR, or mitigation measures or alternatives that the
24 Project sponsor has declined to adopt; and
25

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

5 WHEREAS, On January 11, 2024, by Resolution No. 21484, the Planning Commission
6 recommended approval to the Board of Supervisors of the General Plan amendments
7 ordinance necessary to facilitate the Project ("General Plan Ordinance"), and by Resolution
8 No. 21485, recommended approval to the Board of Supervisors of the Planning Code and
9 Zoning Map amendments ordinance creating the Special Use District necessary to facilitate
10 the Project ("Special Use District Ordinance"), which are on file with the Clerk of the Board of
11 Supervisors in File Nos. 231256 and 240047, and are incorporated herein by reference; now,
12 therefore, be it

13 RESOLVED, That the Board of Supervisors generally endorses the Form Project
14 Agreement, and the following pricing: 1) an initial milestone payment of up to \$75,000,000 at
15 financial close, 2) a relocation payment of up to \$500,000 within 60 days of completing
16 temporary relocation of Potrero Yard operations, 3) a milestone payment of up to
17 \$200,000,000 by no later than 2033, and 4) an initial maximum annual availability payment of
18 up to \$42,200,000 (in Fiscal Year 2030 dollars) over a maintenance term not to exceed 30
19 years after the scheduled substantial completion date, anticipated in 2029, subject to interest
20 rate and credit spread fluctuations between commercial close and financial close and annual
21 Consumer Price Index adjustments, with the part of the payment covering capital costs
22 increasing 1% per year and sculpted to align with the SFMTA's existing debt service
23 obligations; and provides that the final terms of the agreement, including final pricing and
24 inclusion of a Small Business Enterprise/Disadvantaged Business Enterprise (SBE/DBE)
25 Plan, shall be subject to approval of the Board of Supervisors; and, be it

1 FURTHER RESOLVED, That as required by Administrative Code, Section 23.38, the
2 Board of Supervisors authorizes and approves the Form Project Agreement requirement that
3 the SFMTA pay any possessory interest tax assessed on the Principal Project Company's
4 interest under the Final Project Agreement.
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City and County of San Francisco

Tails Resolution

City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

File Number: 241136

Date Passed: December 10, 2024

Resolution generally endorsing the form of an Infrastructure Facility Design-Build-Finance-Operate-Maintain Agreement (Form Project Agreement) for the San Francisco Municipal Transportation Agency (SFMTA) Potrero Yard Modernization Project, and the following pricing: 1) an initial milestone payment of up to \$75,000,000 at financial close, 2) a relocation payment of up to \$500,000 within 60 days of completing temporary relocation of Potrero Yard operations, 3) a milestone payment of up to \$200,000,000 by no later than 2033, and 4) an initial maximum annual availability payment of up to \$42,200,000 (in Fiscal Year 2030 dollars) over a maintenance term not to exceed 30 years after the scheduled substantial completion date, anticipated in 2029, subject to interest rate and credit spread fluctuations between commercial close and financial close and annual Consumer Price Index adjustments, with the part of the payment covering capital costs increasing 1% per year and sculpted to align with the SFMTA's existing debt service obligations; and providing that the final terms of the agreement, including final pricing and inclusion of a Small Business Enterprise/Disadvantaged Business Enterprise Plan, shall be subject to approval of the Board of Supervisors.

December 04, 2024 Budget and Finance Committee - AMENDED, AN AMENDMENT OF THE WHOLE BEARING NEW TITLE

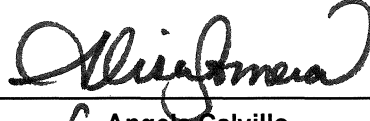
December 04, 2024 Budget and Finance Committee - RECOMMENDED AS AMENDED

December 10, 2024 Board of Supervisors - ADOPTED

Ayes: 10 - Chan, Dorsey, Engardio, Mandelman, Melgar, Peskin, Preston, Ronen, Safai and Walton

File No. 241136

I hereby certify that the foregoing
Resolution was ADOPTED on 12/10/2024 by
the Board of Supervisors of the City and
County of San Francisco.



f Angela Calvillo
Clerk of the Board



London N. Breed
Mayor

12/19/24

Date Approved