

THIS PRINT COVERS CALENDAR ITEM NO.: 10.5

**SAN FRANCISCO
MUNICIPAL TRANSPORTATION AGENCY**

DIVISION: Administration

BRIEF DESCRIPTION:

Authorizing the Director of Transportation of the San Francisco Municipal Transportation Agency (SFMTA) to execute a First Amendment to Lease Agreement (Lease Amendment) with the Transbay Joint Powers Authority (TJPA) for continued Muni operations at the Salesforce Transit Center (Transit Center) and exercise up to two ten-year extension options if mutually approved by the Director of Transportation and the TJPA.

SUMMARY:

- On June 5, 2018, the SFMTA Board of Directors adopted Resolution No. 180605-084 authorizing the Director of Transportation to execute a Transit Center Lease with TJPA (Lease) for a pilot program for bus facilities at the Transit Center.
- The Transit Center, owned and operated by TJPA, has added significant value to the transportation network in San Francisco. The SFMTA benefits operationally from this premier transit center, and it has been providing bus services from the street-level Bus Plaza and the Bus Deck level.
- The Lease term expires on July 13, 2025, and the First Amendment will extend the Lease term to December 31, 2050, with two 10-year extension options subject to the mutual approval of TJPA and the SFMTA.
- A fair-share operating charge determines the rent. When the Transit Center operating costs exceed revenues, the operating deficit will be paid by each Transit Center public transit provider based on its percentage of Transit Center exclusive use space. The SFMTA has 21.8% of the exclusive use space under the Lease, which would be its share of any annual operating deficit.
- The SFMTA has the right to terminate the Lease if the SFMTA's projected share of excess operating expenses for an upcoming fiscal year would exceed \$3,000,000.

ENCLOSURES:

1. SFMTAB Resolution
2. First Amendment to Lease Agreement

APPROVALS:

	DATE
DIRECTOR 	July 10, 2025
SECRETARY 	July 9, 2025

ASSIGNED SFMTAB CALENDAR DATE: July 15, 2025

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PURPOSE

Authorizing the Director of Transportation of the San Francisco Municipal Transportation Agency (SFMTA) to execute a First Amendment to Lease Agreement (Lease Amendment) with the Transbay Joint Powers Authority (TJPA) for continued Muni operations at the Salesforce Transit Center (Transit Center) and exercise up to two ten-year extension options if mutually approved by the Director of Transportation and TJPA.

STRATEGIC PLAN GOALS AND TRANSIT FIRST POLICY PRINCIPLES

This item will meet the following goals and objectives of the SFMTA Strategic Plan:

Goal 4: Make streets safer for everyone.

Goal 5: Deliver reliable and equitable transportation services.

Goal 6: Eliminate pollution and greenhouse gas emissions by increasing use of transit, walking, and bicycling.

This item will support the following Transit First Policy Principle:

Principle 1: To ensure quality of life and economic health in San Francisco, the primary objective of the transportation system must be the safe and efficient movement of people and goods.

Principle 9: The ability of the City and County to reduce traffic congestion depends on the adequacy of regional public transportation. The City and County shall promote the use of regional mass transit and the continued development of an integrated, reliable, regional public transportation system.

DESCRIPTION

The Salesforce Transit Center (Transit Center) located at First and Mission Streets was designed and constructed as a replacement facility for the former Transbay Terminal. It is the premier transit hub and connector for local and regional transit providers, including but not limited to, Muni, AC Transit, Golden Gate Transit, and Amtrak.

On June 5, 2018, the SFMTA Board of Directors adopted Resolution No. 180605-084 authorizing a Transit Center Lease with TJPA (Lease) and a License Agreement with Alameda-Contra Costa Transit District (AC Transit) for a pilot program for bus facilities at the Transit Center. The pilot program demonstrated successful coordination between agencies and consistent rider demand for bus services. As a result, the arrangement is now transitioning into an ongoing operational commitment.

The Transit Center provides the SFMTA with a facility to operate multiple lines of Muni service from both the Transit Center's Bus Plaza at street level and Bus Deck level. The SFMTA is the master tenant for the street level Bus Plaza, and AC Transit is the master tenant for the Bus Deck level.

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Multiple Muni lines operate at the Transit Center, including the 5/5R - Fulton, 7 - Haight, 38/38R - Geary, 25-Treasure Island, and 714 BART Early Bird. The Transit Center also serves AC Transit's transbay routes from the East Bay, WestCAT buses from Contra Costa County, Greyhound buses. Amtrak buses from Emeryville also stop nearby to connect passengers to the Transit Center.

The Transit Center also has below-grade space built to accommodate Caltrain and the California High Speed Rail. The design and construction of the Transit Center had been a closely coordinated effort of the TJPA, the SFMTA, AC Transit and other transit agencies since 2007, thereby ensuring that the final development is one that is consistent with a functionally efficient facility for the various transportation providers it was envisioned to serve.

The Lease provides approximately 50,436 square feet of exclusive-use space for Muni bus operations at the Transit Center and enhance the SFMTA's transportation network, improve its connectivity to other regional transit agencies, and provide improved facilities for both riders and operators. As part of the Lease, TJPA provides regular, on-going maintenance, janitorial, and security services to the Bus Plaza and the rest of the Transit Center, including in the SFMTA's exclusive-use areas, operator restrooms, and associated public areas.

The Transit Center's operating expenses and revenues will determine SFMTA's Lease rent. When operating expenses exceed revenues, the resulting deficit will be charged proportionally to each public transit operator based on the percentage of exclusive-use area it occupies. The SFMTA's Bus Plaza exclusive-use area contains approximately 50,436 square feet, or 21.8%, of the total exclusive-use area in the Transit Center. The SFMTA has the right to terminate the Lease if the SFMTA's projected share of excess operating expenses for an upcoming fiscal year would exceed \$3,000,000.

The Transit Center's operating expenses consist of management, janitorial, security, maintenance, utility, insurance, taxes, and additional repairs and expenses incurred by TJPA to operate the Transit Center. Transit Center revenues will come all revenue from all sources (including retail, advertising space, event space rental, regional funding measures, and naming rights/sponsorship agreements) other than the Transit Center public transit operator proportional payments for excess operating expenses. Therefore, one of the keys to minimizing the operating deficit and the SFMTA's Lease rent is the acquisition of strong, long-term commercial tenants and partners. One of the revenue streams is the naming rights agreement with Salesforce.com, Inc. to name the Transit Center the Salesforce Transit Center. TJPA has also engaged Colliers International to manage retail leasing strategy for the Transit Center. TJPA anticipates that with the future potential extension of Caltrain and California High Speed Rail to the Transit Center, the demand for retail space will increase because of the increased ridership levels, optimistically resulting in an increase in operating revenues to offset the Transit Center's operating costs.

Continuing operations at this location allows the SFMTA to maintain a critical connection point for multiple ridership Muni routes and to support efficient transfers between local and regional transit services. Accordingly, the Lease Amendment will extend the Lease term to December 31, 2050, with two 10-year extension options subject to the mutual approval of the SFMTA and TJPA.

STAKEHOLDER ENGAGEMENT

The SFMTA has conducted stakeholder engagement while negotiating this Lease Amendment. Those stakeholder representatives include SFMTA management, Real Estate staff, and TJPA management. The consensus derived from those negotiations was that by amending the period term via this Lease Amendment, the SFMTA will continue able to use the Transit Center, which is in the best interest of all parties and the public.

No direct outreach was conducted for the Lease Amendment as it merely extends the Lease term to continue Muni operations at the Transit Center.

ALTERNATIVES CONSIDERED

Multiple Muni lines have operated at the Transit Center since it opened in 2018. An alternative to the Lease Amendment is relocating those existing Muni lines from the Transit Center, but that would be enormous cost for the SFMTA. This alternative has not been seriously considered, nor does Staff recommend it, as it would not be in keeping with previous decisions to develop and operate a regional transit center with direct connections between Muni and regional transportation networks.

FUNDING IMPACT

The Lease Amendment would extend the Lease term to December 31, 2050, with two 10-year extension options if mutually approved by the SFMTA and TJPA. The SFMTA has the right to terminate the Lease if the SFMTA's projected share of excess operating expenses for an upcoming fiscal year would exceed \$3,000,000. The SFMTA's payment of its Lease rent is subject to an allocation of that amount in its budget. For the fiscal year 2025– 2026, the Lease rent is estimated to be \$1,203,280. For the fiscal year 2026 – 2027, the estimated Lease rent is projected to be \$1,130,000. It is anticipated that the Lease rent will decrease over time as the TJPA revenue program evolves.

ENVIRONMENTAL REVIEW

On June 4, 2025, the SFMTA, under authority delegated by the Planning Department, determined that the proposed Lease Amendment is not a “project” under the California Environmental Quality Act (CEQA) pursuant to Title 14 of the California Code of Regulations Sections 15060(c) and 15378(b).

A copy of the CEQA determination is on file with the Secretary to the SFMTA Board of Directors and is incorporated herein by reference.

OTHER APPROVALS RECEIVED OR STILL REQUIRED

Approval by the Board of Supervisors is required for the Lease Amendment with TJPA.

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The City Attorney's Office has reviewed this report.

RECOMMENDATION

Staff recommends that the Board of Directors authorize the Director of Transportation of the San Francisco Municipal Transportation Agency (SFMTA) to execute a First Amendment to Lease Agreement with the Transbay Joint Powers Authority (TJPA) for continued Muni operations at the Salesforce Transit Center (Transit Center) and exercise up to two ten-year extension options if mutually approved by the Director of Transportation and TJPA.

SAN FRANCISCO
MUNICIPAL TRANSPORTATION AGENCY
BOARD OF DIRECTORS

RESOLUTION No. _____

WHEREAS, The Salesforce Transit Center (Transit Center) was designed and constructed as a replacement for the former Transbay Terminal and as a transit hub and connector between local and regional transit, including Muni; and,

WHEREAS, On June 5, 2018, the SFMTA Board of Directors adopted Resolution No. 180605-084 authorizing a Transit Center Lease with TJPA (Lease) for a pilot program for bus facilities at the Transit Center; and,

WHEREAS, Multiple Muni lines operate at the Transit Center, including the 5/5R - Fulton, 7 - Haight, 38/38R - Geary, 25-Treasure Island, and 714 BART Early Bird. The Transit Center also serves AC Transit's transbay routes from the East Bay, WestCAT buses from Contra Costa County, and Greyhound buses, and Amtrak buses from Emeryville also stop nearby to connect passengers to the Transit Center; and,

WHEREAS, The Lease rent is a proportional share of the Transit Center's excess operating expenses, based on the SFMTA's exclusive use area under the Lease; and,

WHEREAS, The SFMTA has the right to terminate the Lease if the SFMTA's projected share of excess operating expenses for an upcoming fiscal year would exceed \$3,000,000; and,

WHEREAS, The Lease term expires on July 13, 2025, and the First Amendment will extend the Lease term to December 31, 2050, with two 10-year extension options subject to the mutual approval of TJPA and the SFMTA; and,

WHEREAS, The SFMTA seeks to continue operations at the Transit Center to preserve its strategic role as a central hub for Muni lines, improve service reliability, and strengthen multimodal connections with regional transit providers; and,

WHEREAS, On June 4, 2025, the SFMTA, under authority delegated by the Planning Department, determined that the proposed Lease Amendment is not a "project" under the California Environmental Quality Act (CEQA) pursuant Title 14 of the California Code of Regulations Sections 15060(c) and 15378(b); and,

WHEREAS, A copy of the CEQA determination is on file with the Secretary to the SFMTA Board of Directors, and is incorporated herein by reference; now, therefore, be it

RESOLVED, That the San Francisco Municipal Transportation Agency Board of Directors authorizes the Director of Transportation of the San Francisco Municipal Transportation Agency (SFMTA) to execute a First Amendment to Lease Agreement (Lease Amendment) with the Transbay Joint Powers Authority (TJPA) for continued Muni operations at

the Salesforce Transit Center (Transit Center) and exercise up to two ten-year extension options if mutually approved by the Director of Transportation and TJPA; and be it further

RESOLVED, That the San Francisco Municipal Transportation Agency Board of Directors authorizes the Director of Transportation to submit the First Amendment to Lease Agreement to the Board of Supervisors for its approval.

I certify that the foregoing resolution was adopted by the San Francisco Municipal Transportation Agency Board of Directors at its meeting July 15, 2025.

Secretary to the Board of Directors
San Francisco Municipal Transportation Agency

FIRST AMENDMENT TO LEASE AGREEMENT

This First Amendment to Lease Agreement ("Amendment"), is made and entered into as of _____, 2025 ("Amendment Date") and between the TRANSBAY JOINT POWERS AUTHORITY, a joint powers authority created under California Government Code sections 6500 *et seq.* ("TJPA"), as lessor, and the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation ("City"), acting by and through the SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY (the "SFMTA"), as lessee, (each, a "Party" and collectively, the "Parties").

RECITALS

- A. The Transbay Joint Powers Authority, a joint powers authority created under California Government Code Sections 6500 *et seq.* ("TJPA"), developed a new transit center generally located at First and Mission Streets in the City and County of San Francisco ("Transit Center") which includes, but is not limited to, a Bus Deck Level, a Bus Plaza, and, in Phase II, an extension of the Caltrain commuter rail system and California High Speed Rail into the Transit Center (the "Property").
- B. Pursuant to a Transit Center Lease dated June 15, 2018 ("2018 Lease"), the SFMTA leases the Bus Plaza portion of the Transit Center (the "Bus Plaza") from the TJPA and has rights of ingress and egress across the Property to access the Bus Plaza. Consistent with the 2018 Lease, the SFMTA may accommodate additional carriers on the Bus Plaza. Unless otherwise stated to the contrary, all initially-capitalized, undefined terms in this Amendment shall have the meanings given to them in the 2018 Lease.
- C. Pursuant to a letter dated June 8, 2022, SFMTA exercised its right to extend the term of the 2018 Lease to July 13, 2023.

- D. Pursuant to a letter dated July 27, 2023, SFMTA exercised its right to extend the term of the 2018 Lease to July 13, 2024.
- E. Pursuant to a letter dated March 25, 2024, SFMTA exercised its right to extend the term of the 2018 Lease to July 13, 2025.
- F. The term of the 2018 Lease expired on July 13, 2025, and pursuant to Section 3 of the 2018 Lease, the SFMTA continued to lease the Bus Plaza on a month-to-month tenancy on the terms and conditions of the 2018 Lease.
- G. The Parties wish to extend the month-to-month term of the 2018 Lease on the terms of this Amendment, which was approved by the SFMTA Board of Directors through Resolution No. _____ and by City's Board of Supervisors through Resolution No. _____. The 2018 Lease, as amended by this Amendment, shall be referred to as the "Lease Agreement".

NOW, THEREFORE, in consideration of the covenants, conditions, and agreements set forth herein, the SFMTA and the TJPA agree as follows:

Section 1. Revised Commencement Date.

Section 2 of the 2018 Lease shall be deleted in its entirety and replaced with the following language:

"The SFMTA's lease and use of the Premises shall commence on July 13, 2019 (the "Commencement Date"). The SFMTA shall commence operations at the Premises on the Commencement Date."

Section 2. Revised Expiration Date.

The first paragraph of Section 3 of the 2018 Lease is deleted in its entirety and replaced with the following language:

“The Lease shall terminate on December 31, 2050 (“Termination Date”) unless earlier terminated pursuant to Section 8 below. The term of the Lease may be extended up to two (2) ten (10)-year periods by mutual written agreement of the Parties prior to any termination of the Lease (each, an “Extended Term”). Each Extended Term, if any, shall be on all of the terms and conditions contained in this Lease.”

Section 3. Budgeting Process, Early Termination.

The ninth, tenth, and eleventh sentences of Section 8, subpart D of the 2018 Lease shall be deleted in their entirety.

Section 4. Updates in San Francisco Municipal Code.

A. All initially-capitalized, undefined terms used in this subsection (A) shall have the meanings given to them in San Francisco Administrative Code Section 1.25, as may be amended. As of June 24, 2024, City’s agreements with Government Entities are exempted from San Francisco Municipal Code provisions that impose obligations or other restrictions on contractors. Accordingly, the Parties agree that Sections 39, 42, 43, 44, 45, 48 and 49 of the 2018 Lease are deleted in their entirety.

B. Section 22 of the Joint Powers Agreement forming the TJPA requires the TJPA to comply with all restrictions and requirements prohibiting discrimination of any kind in employment and contracting under San Francisco Administrative Code Sections 12B, 12C, and 12D, as amended from time to time. As of January 4, 2024, San Francisco Administrative Code Chapters 12B (Nondiscrimination in Contracts) and 12C (Nondiscrimination in Property Contracts) were redesignated as Articles 131 (Nondiscrimination in Contracts) and 132 (Nondiscrimination in Property Contracts) respectively, of the San Francisco Labor and Employment Code. All references to San Francisco Administrative Code Section 12B or Section

12C in the 2018 Lease shall accordingly be modified to refer to San Francisco Labor and Employment Code Articles 131 and 132 respectively.

Section 5. Governing Law.

This Amendment shall be deemed to have been made in, and be construed in accordance with, the laws of the State of California.

Section 6. Effective Date.

This Amendment shall become effective as of the Amendment Date once it is duly executed and exchanged by the Parties.

Section 7. Corporate Authority.

Each Party represents and warrants to the other that it has full right, authority, and capacity to execute and perform its obligations under this Amendment; the execution and delivery of this Amendment has been duly authorized by all requisite actions of the Party; this Amendment constitutes a valid, binding, and enforceable obligation of the Party; and neither the execution of this Amendment nor the consummation of this Amendment violates any agreement, contract, or other restriction to which the Party is bound.

Section 8. References.

No reference to this Amendment is necessary in any instrument or document at any time referring to the 2018 Lease. Any future reference to the 2018 Lease shall be deemed a reference to such document as amended hereby.

Section 9. Miscellaneous.

(a) Except as expressly modified herein, the terms, covenants and conditions of the 2018 Lease shall remain unmodified and in full force and effect. (b) The Lease Agreement constitutes the entire agreement of the Parties concerning the subject matter hereof, and supersedes and cancels

any and all previous negotiations, agreements, or understandings, if any, regarding the matters contained herein. (c) The execution of this Amendment shall not constitute a waiver of relinquishment of any rights that either Party may have relating to the 2018 Lease. (d) The Parties hereby ratify and confirm all of the provisions of the Lease Agreement. (e) Neither Party shall record this Amendment.

Executed as set forth below in the City and County of San Francisco.

Execution Date: _____ TRANSBAY JOINT POWERS AUTHORITY

By: _____
Adam Van de Water
Executive Director

Transbay Joint Powers Authority
Board of Directors

Resolution No: _____
Adopted: _____
Attest:
Secretary, TJPA Board of Directors

APPROVED AS TO FORM

By _____
TJPA Attorney

Execution Date: _____ CITY AND COUNTY OF SAN FRANCISCO, ACTING
BY AND THROUGH ITS SAN FRANCISCO
MUNICIPAL TRANSPORTATION AGENCY

By: _____
Julie Kirschbaum
Director of Transportation

San Francisco Municipal Transportation Agency
Board of Directors

Resolution No: _____
Adopted: _____
Attest:
Secretary, SFMTA Board of Directors

APPROVED AS TO FORM

By _____
Carol Wong
Deputy City Attorney