

THIS PRINT COVERS CALENDAR ITEM NO.: 11A

**SAN FRANCISCO
MUNICIPAL TRANSPORTATION AGENCY**

DIVISION: Streets

BRIEF DESCRIPTION:

Authorizing the Director of Transportation to execute Contract No. 1334, Potrero Yard Modernization Project Infrastructure Facility Project Agreement, with PRG – Potrero Properties LLC, for the design, construction, and financing of a bus storage and maintenance facility for the Potrero Yard Modernization Project, subject to Board of Supervisors approval, providing for (1) a 30-year term commencing after substantial completion, scheduled for 2030, and expected to end in 2060; (2) milestone payments of \$65,000,000 at or around financial close and \$250,000,000 during construction, (3) a \$5,000,000 development fee payable after substantial completion, (4) annual availability payments commencing approximately one year after anticipated substantial completion and continuing through the end of the term, projected to start at approximately \$33 million, with an estimated cumulative total of approximately \$980 million; and (5) potential delay event or termination compensation, all as provided in the Project Agreement and for an estimated not-to-exceed amount of \$1.4 billion, all expressed in nominal dollars; and authorizing the Director of Transportation to seek Board of Supervisors approval of the Project Agreement under Charter Section 9.118(b).

SUMMARY:

- The SFMTA and Potrero Neighborhood Collective LLC (Lead Developer) entered into a Predevelopment Agreement dated November 2, 2022, to advance the Potrero Yard Modernization Project (Project).
- The Project consists of a modern bus storage and maintenance facility (Infrastructure Facility) and, if feasible, an affordable housing project (Housing Project).
- Initial predevelopment work for the Project is complete and the parties now propose to execute an Infrastructure Facility Project Agreement (Project Agreement) to deliver the Infrastructure Facility, and a form of lease development and disposition agreement (LDDA) for additional Housing Project predevelopment work.
- During predevelopment, the parties evaluated financing options for delivering the Infrastructure Facility and determined tax-exempt bond financing provided the most cost-effective financing structure. To implement this financing, PRG – Potrero Properties LLC will act as a conduit borrower and counterparty to the SFMTA, while the Lead Developer remains responsible for design and construction under a Project Implementation Agreement.

- The Project Agreement provides for a term of up to 30 years after substantial completion and compensation consisting of milestone payments, a development fee, annual availability payments, and potential delay event or termination compensation.
- Board of Supervisors approval under Charter Section 9.118(b) is required because the contract term exceeds 10 years.
- A separate calendar item seeks approval of the LDDA.

ENCLOSURES:

1. SFMTAB Resolution
2. Bus Yard Project Design-Build-Finance Agreement

APPROVALS:

DATE

DIRECTOR	 _____	February 26, 2026 _____
SECRETARY	 _____	February 26, 2026 _____

ASSIGNED SFMTAB CALENDAR DATE: March 3, 2026

PURPOSE

Authorizing the Director of Transportation to execute Contract No. 1334, Potrero Yard Modernization Project Infrastructure Facility Project Agreement, with PRG – Potrero Properties LLC, for the design, construction, and financing of a bus storage and maintenance facility for the Potrero Yard Modernization Project, subject to Board of Supervisors approval, providing for (1) a 30-year term commencing after substantial completion, scheduled for 2030, and expected to end in 2060; (2) milestone payments of \$65,000,000 at or around financial close and \$250,000,000 during construction, (3) a \$5,000,000 development fee payable after substantial completion, (4) annual availability payments commencing approximately one year after anticipated substantial completion and continuing through the end of the term, projected to start at approximately \$33 million, with an estimated cumulative total of approximately \$980 million; and (5) potential delay event or termination compensation, all as provided in the Project Agreement and for an estimated not-to-exceed amount of \$1.4 billion, all expressed in nominal dollars; and authorizing the Director of Transportation to seek Board of Supervisors approval of the Project Agreement under Charter Section 9.118(b).

STRATEGIC PLAN GOALS AND TRANSIT FIRST POLICY PRINCIPLES

This action is consistent with the following SFMTA Strategic Plan Goals:

- Goal 5: Deliver reliable and equitable transportation services.
- Goal 6: Eliminate pollution and greenhouse gas emissions by increasing use of transit, walking and bicycling.
- Goal 8: Deliver quality projects on-time and on-budget.
- Goal 9: Fix things before they break and modernize systems and infrastructure.
- Goal 10: Position the agency for financial success.

This action is consistent the following Transit First Policy Principles:

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.
2. Public transit, including taxis and vanpools, is an economically and environmentally sound alternative to transportation by individual automobiles. Within San Francisco, travel by public transit, by bicycle and on foot must be an attractive alternative to travel by private automobile.
8. New transportation investment should be allocated to meet the demand for public transit generated by new public and private commercial and residential developments.
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.
10. The City and County shall encourage innovative solutions to meet public transportation needs wherever possible and where the provision of such service will not adversely affect the service provided by the Municipal Railway.

DESCRIPTION

Introduction and Overview

The Potrero Yard Modernization Project—the SFMTA’s first initiative under the Building Progress Program to repair, renovate, and modernize outdated facilities and improve transportation service delivery in the city—is a proposed joint development at the Potrero Yard site in the Mission District (Project). The Project includes two components:

1. A modern, four-story bus maintenance and storage facility (Infrastructure Facility) and,
2. If financially feasible, an affordable housing component with limited ground-floor commercial space (Housing Project).

The SFMTA plans to deliver the Project in partnership with Potrero Neighborhood Collective LLC (Lead Developer), selected through a full and open competitive procurement process. The Lead Developer is led by Plenary Americas US Holdings Inc. (Plenary), an experienced investor and developer of public infrastructure projects across North America.

Scope Refinement and Two-Tier Design-Build-Finance Contracting Structure

Since the Project was last presented to the SFMTA Board, staff have refined its scope to ensure financial feasibility and deliverability of the Infrastructure Facility under a Design-Build-Finance delivery model.

Originally, the Housing Project was planned for both next to and above the Infrastructure Facility, and the Lead Developer’s scope included long-term operations and maintenance services for the Infrastructure Facility (IFM Services).

As predevelopment advanced, staff determined these elements significantly increased overall project costs:

- Constructing the Housing Project above the Infrastructure Facility required a substantially reinforced podium structure and significant space within the Infrastructure Facility dedicated to utilities, programming for building support spaces, and circulation for the Housing Project, adding major expense.
- Including IFM Services further increased the overall contract cost.

Building the Housing Project above the bus facility and including long-term maintenance services would have made the overall project too expensive to deliver.

To keep the project affordable, staff and the Lead Developer scaled back the Housing Project and eliminated IFM Services from the Lead Developer’s scope. These refinements were necessary to ensure the Infrastructure Facility could be built while still maintaining the core public transit objectives of the Project.

After making these refinements, staff reviewed different ways to finance and deliver the Infrastructure Facility to keep it affordable over the long term. This analysis showed that the most cost-effective approach was to use a Design-Build-Finance contract structured in two tiers, as described in the “Project Agreement” section, further below.

Requested SFMTA Board Action

This calendar item concerns approval of the Project Agreement for the design, construction, and financing of the Infrastructure Facility only. Because the agreement term exceeds 30 years, it requires Board of Supervisors approval under Charter Section 9.118(b).

Staff request authorization to:

- Request Board of Supervisors approval of the Project Agreement;
- Execute the Project Agreement, subject to Board of Supervisors approval and pricing and risk parameters established in Project Agreement;
- Execute related amendments and ancillary agreements necessary to finalize the Project Agreement and achieve financial close, as established in the Project Agreement; and
- Adopt certain findings required by Provident Resources Group, Inc. (Provident), the nonprofit facilitating the financing structure, to enable access to lower-cost, tax-exempt bond financing.

Concurrent Housing Component Action

Under a separate calendar item, staff will seek SFMTA Board approval of the Lease Development and Disposition Agreement (LDDA) for the Housing Component to allow continued predevelopment work independent of the Project Agreement.

Project Background – Infrastructure Facility

The existing Potrero Yard—built in 1915—occupies 4.4 acres bounded by Bryant, 17th, Hampshire, and Mariposa streets. Today, it houses approximately 158 40- and 60-foot electric trolley buses in a two-story structure that is functionally obsolete, operating beyond capacity, and rated as a seismic hazard. Rapid advances in bus technology further underscore the need for modernization.

The Infrastructure Facility would replace the current building with a modern, four-story, efficiently designed bus maintenance and storage facility that will:

- Support the SFMTA’s electric trolley bus fleet and enable future transition to battery-electric vehicles;
- Provide adequate working conditions and space for transit maintenance support functions;
- Consolidate Muni operator training functions;
- Provide safe, naturally lit, and well-ventilated workspaces, resilient to climate change and natural disasters;

- Improve transit service by reducing breakdowns, increasing on-time performance, and reducing overcrowding;
- Expand maintenance and storage capacity at the site by approximately 68 percent; and
- Serve as a visible commitment to modern work environments and reliable transit for San Francisco riders.

Construction of the Housing Component would not begin until work on the Infrastructure Facility is underway, and if it starts before substantial completion, it may proceed only if the same design-build contractor delivers both components to mitigate interface risk.

Procurement Authority – Joint Development

A key goal of the Building Progress Program is to maximize SFMTA property use through joint development—combining transit facilities with housing, commercial, and other compatible uses. This approach advances city policies such as Public Land for Housing while leveraging private investment to expand public benefits and potentially generate sustainable revenue for transit.

Delivering the Project through conventional procurement methods would have required multiple procurements and contracts, including for predevelopment services, design, construction, and financing, potentially creating coordination challenges, increasing risk, and driving up costs. To avoid these issues, the Board of Supervisors adopted Ordinance No. 38-21 in March 2021, granting the SFMTA authority to use an integrated joint development procurement approach.

Under this ordinance, the SFMTA may procure “Joint Development Services”—design, construction, financing, maintenance, asset management, and other services for the Project—through a single competitive process. This method provides key advantages:

- A single procurement reduces duplication, streamlines delivery, and allows for better coordination of transit and non-transit components.
- Significant design, construction, and financing risks are shifted to the SFMTA’s private partner, giving the SFMTA greater budget and schedule certainty.
- The ordinance permits selection based on overall best value—including design quality, life-cycle cost savings, and ability to meet project objectives—rather than lowest bid alone.
- While exempt from certain Administrative Code provisions that were incompatible with this procurement method (Chapters 6, 14B, and 21), agreements must still comply with prevailing wage, local hire, and small business participation requirements. The small business participation requirements are set forth in the December 2024 Small Business Enterprise/Disadvantaged Business Enterprise (SBE/DBE) Plan.

Procurement of Lead Developer

The SFMTA, in collaboration with San Francisco Public Works (DPW), launched a two-step full and open competitive process to select a private partner.

- Step 1: A Request for Qualifications (RFQ) issued in August 2020 resulted in three shortlisted teams.
- Step 2: A Request for Proposals (RFP) followed in April 2021, and all three shortlisted teams submitted proposals by December 2021. After evaluation, two teams advanced. In May 2022, the SFMTA requested revised proposals to ensure best value.

On July 26, 2022, the SFMTA received a single revised proposal from the Lead Developer. After thorough evaluation, the Lead Developer was selected as the preferred proposer on September 12, 2022.

Predevelopment Agreement

The SFMTA and the Lead Developer entered into a Predevelopment Agreement dated November 2, 2022, under which the Lead Developer had to perform certain predevelopment work for the Project required to achieve substantial completion of the Infrastructure Facility by November 30, 2030.

This predevelopment work included, among other tasks:

- Preparing and obtaining design documents, due diligence materials, and other development analyses;
- Developing the Project's commercial and financing structure;
- Procuring contracts for design and construction of the Infrastructure Facility; and
- Negotiating separate agreements with the SFMTA to deliver the Project—the Project Agreement (to design, construct, and finance the Infrastructure Facility) and the LDDA (to continue development of the Housing Project).

The Predevelopment Agreement required the Lead Developer to perform the predevelopment work at its own expense, but the Lead Developer was entitled to receive a \$4,350,000 continuation payment if it secured the entitlements needed to construct and operate the Project. The Board of Supervisors approved that payment on March 5, 2024, and payment was made to the Lead Developer.

In addition, the Lead Developer is entitled to a termination payment for its qualified predevelopment costs up to \$16,046,566 if the Predevelopment Agreement expires or terminates for any reason other than (i) the execution of the Project Agreement and approval of the LDDA or (ii) Lead Developer's default under the Predevelopment Agreement. The Lead Developer is not in default under the Predevelopment Agreement, and the Predevelopment Agreement term expires on March 31, 2026.

If the Predevelopment Agreement expires or is terminated, the Lead Developer must transfer all prepared materials and assign usage rights to the SFMTA. SFMTA staff have determined that any termination payment made to the Lead Developer will be less than the total value of work materials the Lead Developer will be required to provide to the SFMTA.

To date, SFMTA staff and the Lead Developer have collaborated extensively to negotiate and develop the Project's transaction documents, including the Project Agreement and LDDA, to transition the Infrastructure Facility from the predevelopment phase into the delivery phase and continue certain Housing Project predevelopment work.

Project Agreement

Commercial Structure

The Project Agreement is the primary contract that establishes the framework for financing, designing, and constructing the Infrastructure Facility under a Design-Build-Finance model. Under this model, one entity is responsible to the SFMTA for designing, building, and financing the facility.

The Project Agreement incorporates tax-exempt bond financing, which significantly reduces borrowing costs compared to taxable financing. Federal tax law requires that tax-exempt bond proceeds be used for projects serving a public purpose—not for private business use. If the SFMTA contracted directly with the Lead Developer to borrow bond proceeds, the IRS would treat the arrangement as private use, disqualifying the bonds from tax-exempt status.

To comply with these requirements, the SFMTA and Lead Developer adopted a two-tier contract structure for the Project Agreement, as follows:

- (1) A flow-through Non-Profit Entity will serve as the contractual counterparty to the SFMTA and act as conduit borrower to facilitate access to tax-exempt bonds.
- (2) The Lead Developer, as Principal Project Company, remains responsible for substantially all design and construction obligations and risks under a Project Implementation Agreement it enters with the Non-Profit Entity. This agreement flows down to the Principal Project Company the performance and delivery requirements, consistent with the risk allocation negotiated between the SFMTA and Lead Developer during the predevelopment phase.

Although most design and construction duties are passed to the Principal Project Company, the Non-Profit Entity retains important responsibilities under the Project Agreement. These include enforcing its rights against Principal Project Company under the Project Implementation Agreement if the Principal Project Company fails to perform, and meeting all financing-related obligations such as reporting and certifications required by lenders and bond documents. The SFMTA will be responsible for any possessory interest taxes assessed on the Non-Profit Entity's interest under the Project Agreement.

This structure not only satisfies federal tax requirements but also enables tax-exempt financing through bonds issued by the California Municipal Finance Authority (CMFA), significantly reducing borrowing costs compared to taxable financing, while preserving continuity and negotiated risk allocation.

As part of fulfilling its obligations under the Project Implementation Agreement, Principal Project Company would enter into a design-build subcontract (D&C Contract) with Webcor and other contractors experienced with major construction projects in San Francisco (D&C Contractor). The D&C Contractor would be the design-build contractor for the Infrastructure Facility.

The Project Agreement, the Project Implementation Agreement, and the D&C Contract would be entered into concurrently in connection with execution of the Project Agreement.

Key Commercial Terms

The key commercial terms of the Project Agreement include:

- Contract term: 30 years following substantial completion of the Infrastructure Facility.
- Milestone Payments: Two milestone payments—one at Financial Close in the amount of \$65,000,000 and one during construction in the amount of \$250,000,000, \$50 million of which is payable upon the Substantial Completion Deadline.
- Substantial Completion Development Fee: \$5,000,000 (with \$4,000,000 due at Substantial Completion and \$1,000,000 after specified post-Substantial Completion work).
- Availability Payments: Annual payments, payable quarterly, for up to 30 years after Substantial Completion, beginning with a first-year amount (in FY2032 dollars) projected at approximately \$33,287,658, subject to adjustment between Commercial Close and Financial Close for interest-rate and credit-spread movements across the entire payment stream. Thereafter, a portion of the annual payments are fixed at an amount of \$32,861,045, with a smaller portion escalating with CPI-linked adjustments estimated at an annual rate of 3%. This smaller portion of the annual availability payment is estimated at \$426,613 for the first year to cover various finance, legal, and administrative costs borne by the Non-Profit Entity.
- Potential termination compensation may be payable to the Non-Profit Entity if the Project Agreement is terminated early.

Neither the SFMTA nor the city would have any direct legal obligation or liability for repayment of bonds issued by CMFA or other Non-Profit Entity indebtedness; the city's obligations are limited to the payments described above. All payments due from the SFMTA, including availability payments and any termination compensation, are subject to appropriation, meaning the funds would need to be appropriated by the city through its normal budget process. These CMFA bonds would not constitute city indebtedness or a pledge of the city's faith and credit or taxing power.

Summarized below are some of the Project Agreement's other key provisions.

Commercial Close and Financial Close

The execution of the Project Agreement (Commercial Close) is the first step in finalizing the transaction. At Commercial Close, the parties agree to all contractual terms governing design, construction, and financing, and the Non-Profit Entity commits to deliver the Infrastructure Facility under those terms. However, financing is not yet in place at Commercial Close.

Financial Close occurs after Commercial Close—typically about one month later—once the Non-Profit Entity has satisfied all conditions precedent and delivered the full suite of financing documents. These include the Initial Financing Agreements, bond and loan documents, lender direct agreements, and the final financial model. Financial Close is when tax-exempt bonds are issued through the CMFA and loaned to the Non-Profit Entity, locking in base interest rates and credit spreads.

This sequencing is standard for DBF transactions because:

- Commercial Close secures the contractual framework and allows the Non-Profit Entity to finalize lender commitments.
- Financial Close reflects actual market conditions at the time of bond pricing, which cannot be fixed until the bonds are sold.
- Pricing details—including the availability payment schedule—are not final until financial close, because they depend on base interest rate and credit spread movements between commercial close and financial close. The Project Agreement provides for adjustments to the capital portion of the availability payment to reflect these movements.

Following commercial close, the Non-Profit Entity would be required to deliver certain key subcontracts, including the Project Implementation Agreement and the D&C Contract, and deliver financing documents to achieve financial close. These financing documents include the Non-Profit Entity's financial model and loan/bond documents. These financing documents will define the Non-Profit Entity's debt sources, certificates, and representations and warranties. The Project Agreement also includes Non-Profit Entity's lenders' rights and how any potential refinancing is addressed.

The Project Agreement requires the city to:

- Provide the SFMTA's most recent audited financial statements and economic information.
- Agree to customary financial and securities disclosures.
- Deliver customary certificates and undertakings reasonably requested in connection with financing.

Until financial close is achieved, the city's payment obligations remain contingent, and the Project Agreement includes protections if financial close does not occur by the deadline.

Pricing, Term, and Completion

The Project Agreement would obligate the Non-Profit Entity to complete design and construction of the Infrastructure Facility on a fixed price basis and reach substantial completion by the Substantial Completion Deadline, June 26, 2030. This fixed price and date certain completion are subject to relief provisions described in the Project Agreement that may increase cost or extend the completion date, should certain conditions related to specified relief events be satisfied.

Following substantial completion, the Non-Profit Entity must achieve final acceptance and contract close-out and include a two-year warranty period, whereby the Non-Profit Entity warrants the design and construction of the Infrastructure Facility and is obligated to correct, repair, and cure defects and noncompliance elements in the design and construction of the Infrastructure Facility.

Delivery Methodology

The Infrastructure Facility will be delivered using design-build-finance delivery.

The Project Agreement includes performance-based technical requirements that govern how the Non-Profit Entity must design and build the Infrastructure Facility. These design criteria and technical requirements include general provisions for project and construction management, performance-based design criteria, environmental compliance requirements, and general requirements for design and construction.

Payment Mechanism

Under the proposed Project Agreement, the SFMTA's payment obligations would include:

1. two milestone payments of \$65,000,000 at financial close and \$250,000,000 during construction,
2. a Substantial Completion Development Fee after Substantial Completion, as described below, and
3. availability payments, described below.

Following substantial completion of the Infrastructure Facility the SFMTA would make annual availability payments payable on a quarterly basis for a period not to exceed 30 years. This payment schedule is currently projected to start at approximately \$33 million (Fiscal Year 2032 dollars), with an estimated cumulative total of \$980 million (Fiscal Year 2032 dollars).

These availability payment projections are subject to adjustment between the amounts reflected in the Project Agreement at commercial close and those that will be incorporated as part of a subsequent amendment of the Project Agreement at financial close due to base interest rate and credit spread movements between the two dates, which will affect the entire series of availability payments, currently estimated at approximately \$33 million per year.

To protect the city from material cost increases, the Project Agreement includes an affordability safeguard. If adjustments to financing terms between Commercial Close and Financial Close

result in significant changes to the capital portion of the availability payment stream, the transaction cannot proceed without additional review and approval by the SFMTA Board of Directors and the Board of Supervisors. This mechanism ensures that major shifts in financing costs receive appropriate oversight before the city commits to the revised payment schedule.

The availability payment schedule is structured such that a portion of these annual payments is fixed in an amount equal to \$32,861,045; and another portion of the availability payment, representing the various finance, legal, and administrative costs borne by the Non-Profit Entity, is subject to CPI-linked adjustments estimated at 3% per year. Under this structure, annual availability payments are currently projected to rise from approximately \$33,287,658 in Fiscal Year 2032 to approximately \$33,837,104 by Fiscal Year 2060 but could ultimately be more or less depending on the actual CPI index movements for the portion of the payments covering administrative costs.

The annual availability payments are unitary payments that comprise payment for all these functions.

The second milestone payment (during construction) would be subject to deductions for non-compliance with performance standards during design and construction. Deductions would be calculated based on the criticality and duration of any performance lapse, incentivizing timely and high-quality design and construction. The annual availability payments are not subject to deductions.

Substantial Completion Development Fee

As compensation to Principal Project Company for its efforts to manage, oversee, and help administer the design and construction of the Infrastructure Facility, the city would pay a substantial completion development fee to Principal Project Company of \$5,000,000 (SCDF).

The SCDF is comprised of two separate payments: (i) \$4,000,000 payable upon substantial completion of the Infrastructure Facility; and (ii) \$1,000,000, which is divided into three separate sub-elements, upon the completion and achievement of certain milestones and obligations occurring after substantial completion.

Except for a potential deduction of \$100,000 for a failure to achieve LEED status within 12 months after substantial completion, the SCDF is not subject to deduction.

Other Obligations

The Project Agreement requires the Non-Profit Entity to be responsible for obtaining regulatory approvals during design and construction of the Infrastructure Facility and for complying with all regulatory approvals and processes; and to comply with all applicable laws, including environmental compliance with respect to the certified EIR under CEQA.

The Project Agreement requires Non-Profit Entity to coordinate with affected utility owners, both in terms of utility conflicts and adjustments, as well as bringing new utility service to the Infrastructure Facility. This work includes coordination with PG&E.

The Project Agreement requires city to review submittals in a timely manner and in accordance with its technical requirements, and to provide reasonable assistance to Principal Project Company for obtaining regulatory approvals.

Termination

Consistent with typical city contract provisions, the SFMTA maintains the right to terminate the Project Agreement for convenience at any time.

If the Project Agreement terminates for any reason, including a default by Non-Profit Entity, the city must pay termination compensation in accordance with the terms in the Project Agreement. The amount of the compensation will be determined at the time of termination using formulas included in the Project Agreement. These formulas vary depending on the reason for the termination and generally ensure that outstanding project debt is repaid in most scenarios, which is critical to securing affordable financing.

However, if termination occurs due to a Non-Profit Entity default, debt protection may be reduced, meaning lenders could bear some risk in that circumstance. The formulas also allow deductions for city damages and other losses in the event of a Non-Profit Entity default.

Some of the potential termination scenarios include:

- Non-Profit Entity default: If the Non-Profit Entity fails to meet key obligations and cannot correct the issue in a timely manner, the city may terminate the Project Agreement, with compensation adjusted accordingly.
- City default: The Non-Profit Entity can terminate if the city defaults on its obligations and does not timely resolve the issue, with compensation owed by the city as specified in the Project Agreement.
- Termination for convenience: The city may terminate at its discretion, with compensation due to the Non-Profit Entity as specified in the Project Agreement.
- Extended force majeure: If a prolonged unforeseen event prevents progress, either party may terminate the agreement, with compensation as specified in the Project Agreement.
- Insurance unavailability: If essential insurance cannot be obtained and no solution is reached, either party may terminate, with compensation as specified in the Project Agreement.
- For failure to reach financial close: If financing is not secured by the deadline, either party may terminate, with compensation determined by financial commitments made up to that point and whether the failure to achieve financial close is excused under the terms of the Project Agreement or unexcused.

If there is a termination of the Project Agreement after financial close, the Project Agreement describes the termination procedures and duties which include a collaborative approach to developing a transition plan for the orderly transition of work, whereby as specified in the

Project Agreement Non-Profit Entity relinquishes control of the Infrastructure Facility and city may elect to continue any key contracts.

Lender Oversight

The Project Agreement includes “step-in rights” for lenders (for them to protect the Project Agreement, which is their only means for repayment), which generally leads to considerable lender involvement and oversight of the Non-Profit Entity.

Lenders may exercise these rights by appointing a replacement counterparty to the Project Agreement and/or selecting a new contractor to complete the Infrastructure Facility if necessary. This oversight structure can provide an added layer of protection for the SFMTA by helping ensure project completion and continuity in the event of developer default or financial distress.

Key Risks

The Project Agreement allocates a number of project risks as between the parties. Among them:

- Financial close risk: Generally borne by the Non-Profit Entity unless reason falls under an exception (e.g., major adverse market issue, city fault, etc.).
- Financing risk: Borne by the city.
- Interest rate/spread risk: Borne by city
- Design and construction risks: Generally borne by the Non-Profit Entity, but there are exceptions for various site conditions risks and event events borne by the city.
- Site condition risks: The Non-Profit Entity is generally responsible for site condition risks, other than certain unknown/unforeseen conditions which remain the risk of the city.
- Infrastructure Facility operations and maintenance risks: Borne by the city.
- Refinancing gain: 100% to city.

Delay Events

As part of the risk allocation set forth in the Project Agreement, the Project Agreement shifts considerable risk to the Non-Profit Entity. Notwithstanding that risk transfer, the city retains risk for certain specified delay events. Delay events relate to certain site conditions (essentially unknown/unknowable items), city actions/delay and force majeure.

Depending on the nature and impact of the delay event, the Non-Profit Entity may be entitled to some or all of (i) a time extension on completion milestones (e.g., an extension of the deadline to achieve substantial completion); (ii) direct costs/extra work costs; (iii) financing delay costs (the additional costs incurred in connection with the financing as a result of delayed completion); and (iv) delay damages (the additional costs, essentially delay and disruption damages and extended overhead, incurred as a result of delayed completion).

The relief (time and compensation) provided, if any, depends on the delay event, the actual impact of the delay event and compliance by the Non-Profit Entity with various obligations

regarding such delay event (e.g., notification, mitigation, and non-fault/causation by the Non-Profit Entity).

Provident’s Required Findings for the Non-Profit Entity’s Participation

Provident Resources Group Inc. is a Georgia nonprofit corporation and an organization exempt from the payment of federal income tax under Section 501(a) of the Internal Revenue Code of 1986, as amended (“Code”), as an entity created under Section 501(c)(3) of the Code (Provident).

One of the charitable purposes of Provident is to serve to lessen the burdens of government and foster economic development, which charitable purpose may be accomplished through various means, including without limitation, the development, construction, acquisition, ownership, management, maintenance, operation and disposition of public facilities, public buildings, public works, essential housing and infrastructure of various types that serve the purposes and functions of government, the provisions of services and financial assistance, and the performance of activities that enable state and local government to proficiently carry out its functions and responsibilities to its citizens.

Provident has been asked and is willing to partner with the SFMTA to facilitate the financing and delivery of the Infrastructure Facility for the exclusive public benefits of the SFMTA and the city, and in furtherance of Provident’s charitable mission. Provident has formed a wholly-owned subsidiary - PRG – Potrero Properties LLC, a Delaware limited liability company (Non-Profit Entity), who is regarded as an entity separate and apart from Provident for federal income tax purposes, and whose activities are attributed to and deemed to be activities of Provident, the nonprofit corporation, for federal income tax purposes.

Under the proposed Project Agreement, the Non-Profit Entity would serve as the counterparty to the SFMTA primarily for purposes of facilitating the issuance of tax-exempt bonds, while substantially all obligations and risks associated with the design and construction of the Infrastructure Facility set forth in the Project Agreement would be borne by Lead Developer, acting through its designated affiliate, as the “Principal Project Company,” in accordance with the negotiated risk allocation for the Infrastructure Facility.

In order for Provident and the Non-Profit Entity to participate in the financing of the Infrastructure Facility on a tax-exempt basis, Provident requires that the SFMTA Board of Directors adopt findings acknowledging that delivery of the Infrastructure Facility constitutes a legitimate governmental burden and a core governmental function and engaging the Non-Profit Entity to assist in financing and facilitating delivery of the Infrastructure Facility will lessen those governmental burdens and provide certain public benefits. These findings include the following—which have been incorporated into this item’s resolution:

- The SFMTA Board of Directors hereby finds and determines that the design, construction, and financing of the Infrastructure Facility as part of the Potrero Yard Modernization Project will satisfy legitimate governmental burdens and functions of the

SFMTA and provide the public benefits, and that approval of the Project Agreement is intended to accomplish and alleviate such governmental burdens and provide for the public benefits.

- The SFMTA Board of Directors hereby requests and approves the engagement of PRG – Potrero Properties LLC, a Delaware limited liability company, whose sole member is Provident Resources Group Inc., a Georgia nonprofit corporation and a tax-exempt entity under Section 501(c)(3) of the Code, and whose activities are attributed to and deemed to be activities of Provident, the nonprofit corporation for federal income tax purposes, to assist the SFMTA in lessening and achieving its governmental burdens pursuant to the Project Agreement by financing and facilitating delivery of the Infrastructure Facility for the exclusive public benefits of the city.
- The SFMTA Board of Directors hereby finds and confirms that engaging PRG – Potrero Properties LLC to assist in financing and delivery of the Infrastructure Facility—and undertaking obligations that the SFMTA could legally perform itself—will in actuality lessen the governmental burdens by enabling delivery of essential public transportation infrastructure through tax-exempt financing and a design-build-finance delivery structure, while preserving public ownership and control.
- Nothing in the resolution shall be construed to create any direct legal obligation or liability of the SFMTA or the city with respect to any bonds or other indebtedness issued by the California Municipal Finance Authority, or any loan or other obligation of the Non-Profit Entity in connection therewith, and such bonds or indebtedness shall not constitute an indebtedness of the SFMTA or the city within the meaning of any constitutional or statutory provision.

These findings do not constitute (i) approval of any bonds or other indebtedness to be issued by the SFMTA, (ii) a pledge of any revenues or properties of the SFMTA, or a pledge of any faith and credit, or taxing power of, the city or any resources thereof, (iii) approval of any housing development.

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 design we have today.

Feedback from stakeholders substantially informed the SFMTA's solicitation documents, including a public benefit vision for the Project. This document, titled Public Benefit Principles, was appended to the solicitation documents, and described the essential public benefit

concepts that the proposers should incorporate, depicted them through examples, and allowed the proposers flexibility and interpretation to present how they would be achieved in their submitted proposals.

Stakeholders also provided significant feedback on the overall program for the Housing Component and the Design Guidelines. Since November 2022, the SFMTA and Potrero Neighborhood Collective 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 location of public art.

During the 2025 confidential final pricing phase, cost-cutting measures ultimately reduced the project's proposed housing component significantly. This required a phase of outreach focused on bringing this project scope reduction message forward. This community outreach started in September 2025 at a neighborhood working group meeting and was followed in quick succession by additional outreach events, held both in person in the Mission District and Potrero Hill, and online. This phase included an event targeted at community-based organizations, two community events (advertised online, in news media and via mailers), and participation in the Potrero Hill Festival street fair. The Project team also communicated these changes through yard tours and attending online meetings with groups such as the Latino Task Force.

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 20 community events and open houses, 50 public tours of Potrero Yard, 53 meetings of the Potrero Yard Neighborhood Working Group, and 50+ meetings and listening sessions with community organizations. The Project team has also participated in 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 Rhythm & Blues 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 endorsement of the Form Project Agreement by the SFMTA Board of Directors (Dec. 3, 2024) and Board of Supervisors (Dec. 10, 2024); the CEQA certification and entitlements approvals, including the Recreation and Parks Commission (Dec. 21, 2023), the Planning Commission (Jan. 11, 2024), Board of Supervisors Land Use and Transportation Committee (Feb. 26, 2024), Board of Supervisors Budget and Finance Committee (Feb. 28, 2024) and the full Board of Supervisors (Mar. 5 and Mar. 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, eight 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.

ALTERNATIVES CONSIDERED

An alternative to approval of the Project Agreement is to delay action. However, delay could result in increased project costs due to design-build cost escalation, potentially making the Project unaffordable. Delay might also result in the loss of the Lead Developer/Principal Project Company and the design-build contractor, jeopardizing project delivery as intended.

Furthermore, such delays would lead to expiration of the Predevelopment Agreement, which would trigger termination provisions and obligate the SFMTA to pay the Lead Developer for qualified project costs up to \$16,046,566 (the maximum amount of the Termination Payment). All ongoing workstreams related to the Project would cease, severely impacting any future efforts to continue. Additionally, delaying action could undermine market interest in future projects under the SFMTA’s Building Progress Program, reducing competition and increasing costs for subsequent projects.

FUNDING IMPACT

The final fixed price for the design and construction of the Bus Yard Project is \$612,107,000. This is in addition to costs payable at Financial Close, allowances carried by the Non-Profit Entity, the Substantial Completion Development Fee, and the sum of interest accrued and other project expenses due to the Non-Profit Entity paid via the annual availability payments. The cost to construct the Housing Component is not included in the Project Agreement and is subject to the Lead Developer’s ability to obtain financing, outlined in the terms of the Lease Development and Disposition Agreement. Per its charter, the SFMTA is prohibited from funding the design and construction of housing.

Approval of the Project Agreement will obligate the city to the following:

1. A milestone payment in an amount not to exceed \$65,000,000 to be paid upon financial close.

Source	Amount (\$)
Caltrans -SB 1 State of Good Repair (FY23-FY26)	5,150,953
SFCTA - Prop K Sales Tax	1,000,000
MTC - Regional Measure 3 Bridge Toll Funds (RM3)	42,393,000
City General Fund (2014 Prop B - Transit)	5,750,000
FTA - Section 5307 Formula Funds (FY22-FY24)	10,706,047
Total	65,000,000

2. A milestone payment in an amount not to exceed \$250,000,000 during construction. A total of \$200,000,000 of this milestone payment is anticipated to be paid from future General Obligation (GO) Bonds, which go to voters for approval in June 2026. Should a GO Bond not be approved, the SFMTA would explore other revenue or financing options. The remaining \$50,000,000 of this milestone payment would be sourced from SFMTA capital project savings.
3. A Substantial Completion Development Fee comprised of two separate payments: (i) \$4,000,000 payable upon substantial completion of the Infrastructure Facility; and (ii) \$1,000,000, which is divided into three separate sub-elements, upon the completion and achievement of certain milestones and obligations occurring after substantial completion, sourced from borrowing issued by the Non-Profit Entity.
4. Annual availability payments are due each year beginning in Fiscal Year 2032 and paid over a financing term not to exceed thirty years. The first payment is approximately \$33,287,658 subject to interest rate and credit spread fluctuations between commercial and financial close, as well as annual CPI adjustments for a portion of these payments. The annual availability payments, paid quarterly, are expected to be paid from future revenues anticipated to be programmed to the Facilities Program in future Capital Improvement Programs (CIPs).

The table below shows the overall total project cost, including costs of financing.

ENVIRONMENTAL REVIEW

The Potrero Yard Modernization Project was described and analyzed in a Final Environmental Impact Report (FEIR) that the San Francisco Planning Commission certified as adequate, accurate, and complete by Motion No. 21482 on January 11, 2024. On January 11, 2024, by Motion No. 21483, the Planning Commission, based on substantial evidence in the entire recording of proceedings, also made certain findings regarding the environmental impacts of the Potrero Yard Modernization Project, rejected alternatives as infeasible, adopted the proposed mitigation monitoring and reporting program ("MMRP"), and set forth a "Statement of Overriding Considerations" explaining why the benefits of the Project outweigh the unavoidable adverse environmental effects identified in the FEIR and that those adverse environmental effects are therefore acceptable. By Ordinance No. 57-24 passed by the Board of Supervisors on March 12, 2024, and signed by the Mayor on March 22, 2024, the Board of Supervisors, having reviewed the FEIR, concurred with the Planning Commission's conclusions and affirmed the Planning Commission's certification of the FEIR. In addition, in Ordinance No. 57-24, the Board of Supervisors adopted and incorporated by reference the CEQA findings that the Planning Commission adopted in Motion No. 21483 including the Statement of Overriding Considerations and the MMRP.

On October 25, 2024, the Planning Department issued a Memorandum to File, and issued a second Memorandum to File on February 4, 2026, which each reviewed proposed modifications to the Potrero Yard Modernization Project and found that the modified project would not cause new significant impacts or result in a substantial increase in the severity of the impacts identified in the Final EIR, and no new or revised mitigation measures would be required. In the Memoranda to File, the Planning Department determined that no additional environmental review is necessary for the reasons set forth in the Memoranda to File. Authorizing the Director of Transportation to execute the Project Agreement with PRG – Potrero Properties LLC and authorizing the Director of Transportation to seek Board of Supervisors approval under Charter Section 9.118(b) would not result in a direct or reasonably foreseeable indirect physical change to the environment beyond the scope analyzed in the FEIR and Memoranda to File.

Copies of the CEQA determinations, including the FEIR and Memoranda to File, as well as the CEQA Findings contained in Motion No. 21482, Motion No. 21483, the Statement of Overring Considerations, and Ordinance No. 57-24, are on file with the Secretary to the SFMTA Board of Directors, and are incorporated herein by reference.

OTHER APPROVALS RECEIVED OR STILL REQUIRED

The Project Agreement will require approval of the Board of Supervisors under Charter Section 9.118(b) because the term of the Project Agreement would exceed 10 years. Staff anticipate seeking their approval on March 24, 2026.

The City Attorney's Office has reviewed the report.

RECOMMENDATION

Staff recommends authorizing the Director of Transportation to execute Contract No. 1334, Potrero Yard Modernization Project Infrastructure Facility Project Agreement, with PRG – Potrero Properties LLC, for the design, construction, and financing of a bus storage and maintenance facility for the Potrero Yard Modernization Project, subject to Board of Supervisors approval, providing for (1) a 30-year term commencing after substantial completion, scheduled for 2030, and expected to end in 2060; (2) milestone payments of \$65,000,000 at or around financial close and \$250,000,000 during construction, (3) a \$5,000,000 development fee payable after substantial completion, (4) annual availability payments commencing approximately one year after anticipated substantial completion and continuing through the end of the term, projected to start at approximately \$33 million, with an estimated cumulative total of approximately \$980 million; and (5) potential delay event or termination compensation, all as provided in the Project Agreement and for an estimated not-to-exceed amount of \$1.4 billion, all expressed in nominal dollars; and authorizing the Director of Transportation to seek Board of Supervisors approval of the Project Agreement under Charter Section 9.118(b).

**SAN FRANCISCO
MUNICIPAL TRANSPORTATION AGENCY
BOARD OF DIRECTORS**

RESOLUTION No. _____

WHEREAS, Under Charter Section 8A.100, the San Francisco Municipal Transportation Agency (SFMTA), a department of the City and County of San Francisco (city), is responsible for managing the city's transportation system, which includes planning, designing, financing, constructing, delivering, and operating and maintaining transportation infrastructure to connect the city with safe, equitable and sustainable transportation choices (Public Benefits), which provision of Public Benefits constitute core governmental functions and responsibilities (Government Burdens) of the SFMTA; and,

WHEREAS, The SFMTA owns and operates the Potrero Division bus yard located at 2500 Mariposa Street, San Francisco (Assessor's Block 3971, Lot 001) (Project Site), which has been in continuous operation since 1915 but no longer meets the operational, safety, seismic, or environmental needs of a modern transit system; and,

WHEREAS, The SFMTA is implementing the Potrero Yard Modernization Project (Project) to replace the existing Potrero Division bus yard with a modern, resilient, and efficient bus storage and maintenance facility designed to support the SFMTA's transition to a zero-emission fleet and to improve reliability, safety, and efficiency of transit service (Infrastructure Facility); and,

WHEREAS, The Project contemplates the potential for the joint development of a housing component adjacent to the Infrastructure Facility at the Project Site, if feasible; and,

WHEREAS, On March 16, 2021, the Board of Supervisors adopted Ordinance No. 38-21, signed by the Mayor on March 26, 2021 (Procurement Ordinance), authorizing the SFMTA to procure and contract for all or any combination of design, construction, financing, operations, asset management, and related services (collectively, "Joint Development Services") to deliver the Project using a joint development procurement delivery method, permitting best-value selection of a developer team, and exempting agreements for such services from certain provisions of San Francisco Administrative Code Chapters 6, 14B, and 21, while requiring compliance with prevailing wage, local business enterprise participation, and local hire policies; and,

WHEREAS, the Procurement Ordinance further authorizes the SFMTA to enter into one or more agreements for Joint Development Services with the selected respondent, and any ancillary agreements appropriate to deliver the Project without restriction on the form of agreement, but subject to any approval of the Board of Supervisors required under Charter Section 9.118; and,

WHEREAS, Pursuant to the Procurement Ordinance, the SFMTA conducted a full and open competitive solicitation process and selected Potrero Neighborhood Collective LLC (Lead Developer), with Plenary Americas US Holdings Inc., a Delaware corporation (Plenary), as its lead equity member, as the preferred proposer and entered into a predevelopment agreement dated November 2, 2022 to advance design development, environmental review, regulatory approvals, financial analysis, and negotiation of agreements to deliver the Project (Predevelopment Agreement); and,

WHEREAS, SFMTA staff and the Lead Developer have evaluated multiple delivery and financing approaches and, based on financial analysis conducted under the Predevelopment Agreement, determined that delivering the Infrastructure Facility under a design-build-finance structure—without long-term operations and maintenance obligations—provides the best overall value to the SFMTA by reducing project costs, largely preserving the SFMTA’s preferred risk allocation for design and construction, while retaining public control over operations and maintenance; and,

WHEREAS, to optimize the Infrastructure Facility’s financing and delivery under this design-build-finance structure—and pursuant to the Procurement Ordinance—the SFMTA and Lead Developer determined to incorporate a non-profit conduit borrower structure to facilitate tax-exempt financing for the Infrastructure Facility, with such entity serving as conduit borrower and counterparty to the SFMTA under the design-build-finance agreement, while the Lead Developer retains responsibility for substantially all obligations and risks associated with the design and construction of the Infrastructure Facility, pursuant to a project implementation agreement with the non-profit entity; and the SFMTA Board of Directors finds that this financing and contractual structure is authorized by and consistent with the Procurement Ordinance; and,

WHEREAS, While it is financially infeasible to develop housing above the Infrastructure Facility given current market conditions, SFMTA staff and the Lead Developer have determined it may be feasible to develop a housing project with approximately 104 affordable residential units and two units of ground-level commercial space collectively comprised of approximately 2,800 square feet adjacent to the Infrastructure Facility (Housing Project); and,

WHEREAS, The SFMTA therefore now proposes to enter into (a) an Infrastructure Facility Project Agreement (Project Agreement) for the design, construction, and financing of the Infrastructure Facility pursuant to a design-build-finance structure, and (b) a Lease Disposition and Development Agreement for the development of the Housing Project, which Lease Disposition and Development Agreement will be presented to the SFMTA Board of Directors for approval under a separate calendar item and action; and,

WHEREAS, Under the proposed Project Agreement, the contract term would commence upon execution of the agreement by both parties (Commercial Close) and continue until 30 years after substantial completion of the Infrastructure Facility (Substantial Completion), which is scheduled for 2030, resulting in an expected end date of 2060; and,

WHEREAS, the SFMTA's design and construction period payment obligations would include (1) two milestone payments (Milestone Payments) of (a) \$65,000,000, payable on or around the close of the Infrastructure Facility financing (Financial Close) as partial compensation for predevelopment, planning, and design work, and (b) \$250,000,000, payable during construction as partial payment and compensation for design and construction of the Infrastructure Facility; (2) a Substantial Completion Development Fee payment of \$5,000,000 as compensation for Lead Developer's successful completion of construction, payable after Substantial Completion; and (3) amounts payable for termination or delay events, if applicable, all as provided under the Project Agreement; and,

WHEREAS, Commencing approximately one year after anticipated Substantial Completion and continuing through the end of the contract term, the SFMTA would make annual availability payments payable on a quarterly basis (Availability Payments) for purposes of repayment of the project's debt financing and ongoing project administrative costs. These Availability Payments are currently projected to start at approximately \$33 million, with an estimated cumulative amount of \$980,351,550; and,

WHEREAS, These Availability Payments are subject to upward or downward adjustment between the amounts reflected in the Project Agreement at Commercial Close and those that will be incorporated as part of a subsequent amendment to the Project Agreement at Financial Close to account for interest rate and credit spread movements between the two dates, which will affect the portion of the Availability Payments used to service project debt, described below. A limited portion of the Availability Payments (\$426,613 in Fiscal Year 2032 dollars) used to pay certain project administration costs following Substantial Completion will be linked to inflation; and,

WHEREAS, the Project Agreement includes negotiated affordability protections, including defined limits and mechanisms intended to ensure that Availability Payments remain within agreed parameters until Financial Close, and establishes an "Affordability Event" to identify circumstances at Financial Close under which changes to Availability Payments—such as adjustments resulting from interest rate or credit spread movements—would require additional SFMTA Board of Directors consideration, all as set forth in the Project Agreement; and,

WHEREAS, In accordance with the Project Agreement, all payments due from the SFMTA under the Project Agreement, including any termination compensation, shall be paid solely from the available monies of the SFMTA in the applicable fiscal year, and no SFMTA payment obligation shall constitute a debt of the city or a pledge of its credit or taxing power or any other resources or properties of the city beyond the fiscal year for which funds have been appropriated for the benefit of the SFMTA and certified by the Controller for the benefit of the SFMTA; and,

WHEREAS, Provident Resources Group Inc. is a Georgia nonprofit corporation that is exempt from the payment of federal income tax under Section 501(a) of the Internal Revenue Code of 1986, as amended (Code), as an entity created under Section 501(c)(3) of the Code (Provident); and,

WHEREAS, One of the charitable purposes of Provident is to serve to lessen Government Burdens and foster economic development, which charitable purpose may be accomplished through various means, including without limitation, the development, construction, acquisition, ownership, management, maintenance, operation and disposition of public facilities, public buildings, public works, essential housing and infrastructure of various types that serve the purposes and functions of government, the provisions of services and financial assistance, and the performance of activities that enable state and local government to proficiently carry out its functions and responsibilities to its citizens; and,

WHEREAS, In furtherance of its charitable mission, Provident has been asked and is willing to partner with the SFMTA to facilitate the financing and delivery of the Infrastructure Facility for the exclusive Public Benefits of the SFMTA and the city and in furtherance of Provident's charitable mission to serve to lessen Government Burdens and foster economic development; and,

WHEREAS, To accomplish this purposed, Provident has formed a wholly-owned subsidiary - PRG – Potrero Properties LLC, a Delaware limited liability company (Non-Profit Entity), which for federal income tax purposes is treated as part of Provident rather than a separate entity (a "disregarded" entity), and whose activities are attributed to and deemed to be nonprofit activities of Provident; and,

WHEREAS, The Non-Profit Entity is organized exclusively for the purpose of lessening the Government Burdens and to facilitate the Public Benefits for the benefit of the SFMTA; and,

WHEREAS, The SFMTA intends to enter into the Project Agreement with the Non-Profit Entity to provide access to lower cost tax-exempt financing for the Infrastructure Facility; and,

WHEREAS, The California Municipal Finance Authority (CMFA) is a joint powers authority authorized under California law to issue tax-exempt bonds for qualifying public and nonprofit projects, and it is expected that CMFA would issue bonds for a portion of Infrastructure Facility costs and loan the proceeds to the Non -Profit Entity on terms that are more favorable than could be achieved if the Project Agreement were entered into directly with the Lead Developer and funded by private financing; and,

WHEREAS, The SFMTA has determined that (1) the Infrastructure Facility will deliver Public Benefits, (2) the design, construction, and financing of the Infrastructure Facility constitute Government Burdens of the SFMTA, and (3) engaging the Non-Profit Entity to facilitate the issuance of tax-exempt bonds and delivery of the Infrastructure Facility will further the public interest by lessening those Government Burdens; and,

WHEREAS, The Non-Profit Entity has requested the city's Controller's Office of Public Finance to conduct a public hearing in accordance with Section 147(f) of the Code, and for the Board of Supervisors to approve the issuance of tax-exempt obligations by the CMFA on behalf of the Non-Profit Entity in accordance with the Code; and,

WHEREAS, Participation by Provident and the Non-Profit Entity is intended solely to support the financing and delivery of essential Public Benefits for the exclusive benefit of the public, and not for any private or proprietary purpose; and,

WHEREAS, Under the Project Agreement, the Non-Profit Entity will serve as the counterparty to the SFMTA primarily to facilitate the issuance of tax-exempt bonds as conduit borrower, while substantially all obligations and risks associated with the design and construction of the Infrastructure Facility set forth in the Project Agreement will be borne by the Lead Developer as the "Principal Project Company," in accordance with the negotiated risk allocation for the Infrastructure Facility and pursuant to a Project Implementation Agreement between the Non-Profit Entity and the Principal Project Company; and,

WHEREAS, The Non-Profit Entity will enter into a Project Implementation Agreement with the Principal Project Company that requires the Principal Project Company to deliver the Infrastructure Facility and be responsible and accountable for performance of the design and construction obligations, consistent with the risk allocation negotiated under the Project Agreement; and,

WHEREAS, The Non-Profit Entity will remain responsible for its Project Agreement obligations that are not assumed by the Principal Project Company, for enforcing its rights against Principal Project Company under the Project Implementation Agreement, and for complying with its obligations and reporting requirements under the Infrastructure Facility financing documents, with the SFMTA responsible for any possessory interest taxes assessed on the Non-Profit Entity's interest under the Project Agreement; and,

WHEREAS, Neither the SFMTA nor the city will have any direct legal obligation or liability with respect to repayment of any bonds or other indebtedness issued by CMFA on behalf of the Non-Profit Entity in connection with the Infrastructure Facility, and no such bonds or other indebtedness shall constitute an indebtedness or obligation, or the pledge of the faith and credit or taxing power of the city or of any properties or resources of the SFMTA or the city, and the SFMTA's sole payment obligations in connection with the Infrastructure Facility shall be limited to the Milestone Payments, the Substantial Completion Development Fee, the Availability Payments, and potential termination or delay-event compensation, all as expressly provided for under the Project Agreement, in accordance with its terms and conditions; and,

WHEREAS, This design-build-finance delivery structure under the Project Agreement and Project Implementation Agreement principally preserves the Lead Developer's role as the developer of the Infrastructure Facility, which ensures continuity from its predevelopment obligations under the Predevelopment Agreement and enables the SFMTA to obtain the financing benefits associated with the Non-Profit Entity's participation without transferring primary construction and delivery risk from the Lead Developer; and,

WHEREAS, In order for Provident and the Non-Profit Entity to participate in the financing of the Infrastructure Facility on a tax-exempt basis, Provident requires that the SFMTA

Board of Directors adopt findings acknowledging that delivery of the Infrastructure Facility is a Government Burden and engaging the Non-Profit Entity to assist in financing and facilitating delivery of the Infrastructure Facility will lessen that Government Burden and provide the Public Benefits; and,

WHEREAS, Such findings do not constitute (1) approval of any bonds or other indebtedness to be issued by the SFMTA, or (2) pledge of any revenues or properties of the SFMTA, or a pledge of any faith and credit, or taxing power of, the city or any resources thereof; and,

WHEREAS, SFMTA staff therefore requests that the SFMTA Board of Directors acknowledge, accept, authorize, and include in this Resolution the findings required by Provident and the Non-Profit Entity in connection with the Project Agreement and the related tax-exempt financing; and,

WHEREAS, SFMTA staff further requests that the SFMTA Board of Directors authorize the Director of Transportation to seek approval from the Board of Supervisors of the Project Agreement pursuant to Charter Section 9.118(b)—which requires Board of Supervisors approval for agreements involving anticipated expenditures of \$10,000,000 or more or a term of ten years or more—and, subject to such approval, to execute the Project Agreement with the Non-Profit Entity; and,

WHEREAS, If the Project Agreement is not executed before the Predevelopment Agreement expires on March 31, 2026, through no default of the Lead Developer, the SFMTA would be liable for a termination payment of up to \$15,546,566 under the Predevelopment Agreement; and,

WHEREAS, SFMTA staff requests that the SFMTA Board of Directors authorize the Director of Transportation, in consultation with the City Attorney, to execute on or more amendments to the Predevelopment Agreement, if necessary, to extend its term in order to allow sufficient time to obtain required approvals and execute the Project Agreement, provided that any such amendments do not materially increase the city's obligations or materially reduce its benefits under the Predevelopment Agreement; and,

WHEREAS, The Potrero Yard Modernization Project was described and analyzed in a Final Environmental Impact Report (FEIR) that the San Francisco Planning Commission certified as adequate, accurate, and complete by Motion No. 21482 on January 11, 2024. On January 11, 2024, by Motion No. 21483, the Planning Commission, based on substantial evidence in the entire recording of proceedings, also made certain findings regarding the environmental impacts of the Potrero Yard Modernization Project, rejected alternatives as infeasible, adopted the proposed mitigation monitoring and reporting program ("MMRP"), and set forth a "Statement of Overriding Considerations" explaining why the benefits of the Project outweigh the unavoidable adverse environmental effects identified in the FEIR and that those adverse environmental effects are therefore acceptable. By Ordinance No. 57-24 passed by the Board of Supervisors on March 12, 2024, and signed by the Mayor on March 22, 2024, the Board of

Supervisors, having reviewed the FEIR, concurred with the Planning Commission's conclusions and affirmed the Planning Commission's certification of the FEIR. In addition, in Ordinance No. 57-24, the Board of Supervisors adopted and incorporated by reference the CEQA findings that the Planning Commission adopted in Motion No. 21483 including the Statement of Overriding Considerations and the MMRP; and,

WHEREAS, On October 25, 2024, the Planning Department issued a Memorandum to File, and issued a second Memorandum to File on February 4, 2026, which each reviewed proposed modifications to the Potrero Yard Modernization Project and found that the modified project would not cause new significant impacts or result in a substantial increase in the severity of the impacts identified in the Final EIR, and no new or revised mitigation measures would be required. In the Memoranda to File, the Planning Department determined that no additional environmental review is necessary for the reasons set forth in the Memoranda to File; and,

WHEREAS, Authorizing the Director of Transportation to execute the Project Agreement with PRG – Potrero Properties LLC and authorizing the Director of Transportation to seek Board of Supervisors approval under Charter Section 9.118(b) would not result in a direct or reasonably foreseeable indirect physical change to the environment beyond the scope analyzed in the FEIR and NTFs; and,

WHEREAS, Copies of the CEQA determinations, including the FEIR and Memoranda to File, as well as the CEQA Findings contained in Motion No. 21482, Motion No. 21483, the Statement of Overriding Considerations, and Ordinance No. 57-24, are on file with the Secretary to the SFMTA Board of Directors, and are incorporated herein by reference; and,

WHEREAS, The foregoing recitals are incorporated into this Resolution as findings of the SFMTA Board of Directors; now, therefore, be it

RESOLVED, That the SFMTA Board of Directors has reviewed and considered the Final EIR, the MMRP, the Memoranda to File, and the record as a whole, and by this reference incorporates and hereby adopts as its own the CEQA Findings contained in Motion No. 21482, Motion No. 21483, Ordinance No. 57-24, and the Statement of Overriding Considerations, and the Memoranda to File. The SFMTA Board of Directors finds that based on the record as a whole, including the Final EIR and the Memoranda to File for the Potrero Yard Modernization Project, the Final EIR reflects the independent judgment and analysis of the Planning Department and the SFMTA Board of Directors, is adequate and complete, and there is no substantial evidence that the proposed Infrastructure Facility at the Potrero Yard Project, given the implementation of the mitigation measures as stated in the Final EIR and the adoption of the MMRP, could have a significant effect on the environment as shown in the analysis of the Final EIR. The SFMTA Board of Directors hereby adopts the Final EIR and the MMRP; and, be it further

RESOLVED, That the SFMTA Board of Directors hereby authorizes the Director of Transportation to execute Contract No. 1334, Infrastructure Facility Project Agreement (Project

Agreement), with PRG – Potrero Properties LLC (Non-Profit Entity), for the design, construction, and financing of a bus storage and maintenance facility for the Potrero Yard Modernization Project, subject to Board of Supervisors approval, providing for: (1) a 30-year term commencing after substantial completion, scheduled for 2030, and expected to end in 2060; (2) two milestone payments of \$65,000,000 at or around financial close and \$250,000,000 during construction; (3) a \$5,000,000 development fee payable after substantial completion; (4) annual availability payments commencing approximately one year after anticipated substantial completion and continuing through the end of the term, projected to start at approximately \$33 million, with an estimated cumulative total of approximately \$980 million; and (5) potential delay or termination compensation, all as provided in the Project Agreement and for an estimated not to exceed amount of \$1.4 billion, all expressed in nominal dollars; and, be it further

RESOLVED, That the SFMTA Board of Directors hereby authorizes the Director of Transportation to seek Board of Supervisors approval of the Project Agreement under Charter Section 9.118(b); and, be it further

RESOLVED, That, subject to approval of the Project Agreement by the Board of Supervisors pursuant to Charter Section 9.118(b), the SFMTA Board of Directors hereby authorizes the Director of Transportation, at their discretion and in consultation with the city Attorney, to: (1) take all actions and execute any amendment, agreements, certificates, instruments, understandings, and documents contemplated by the Project Agreement or determined by the Director of Transportation to be necessary or appropriate to implement and carry out the transactions and purposes of the Project Agreement, including but not limited to lender direct agreements, continuing disclosure agreements, certificates, and other ancillary documents related to the financing and delivery of the Infrastructure Facility; and (2) execute any additions, amendments, or other modifications to the Project Agreement that the Director of Transportation determines are in the best interests of the city or necessary or appropriate to implement and carry out the purposes and intent of the Project Agreement and this Resolution, provided that such additions, amendments, or modifications do not materially increase the city's obligations or materially reduce the rights or benefits of the city, including materially changing the risk allocation in the Project Agreement the effect of which would cause the city or the SFMTA to assume materially more risks related to the project; provided further that, for clarity, additions, amendments, or other modifications that adjust the amount, timing, or calculation of Availability Payments that do not constitute an Affordability Event—including adjustments resulting from interest rate movements, credit spread movements, or other formula-based or risk-allocated mechanisms contemplated in the Project Agreement—are within the authority delegated to the Director of Transportation under this Resolution; and, be it further

RESOLVED, That the SFMTA Board of Directors hereby authorizes the Director of Transportation to execute one or more amendments to the Predevelopment Agreement as the Director of Transportation determines, in consultation with the City Attorney, are necessary or appropriate to extend the term of the Predevelopment Agreement in order to allow sufficient time, if necessary, to obtain required approvals and execute the Project Agreement; provided

that any such amendments shall not materially increase the city's obligations or materially reduce its benefits under the Predevelopment Agreement; and, be it further

RESOLVED, That the SFMTA Board of Directors hereby finds and determines that the design, construction, and financing of the Infrastructure Facility as part of the Potrero Yard Modernization Project will satisfy legitimate Government Burdens and provide the Public Benefits, and that approval of the Project Agreement is intended to accomplish and alleviate such Government Burdens and provide the Public Benefits; and, be it further

RESOLVED, That the SFMTA Board of Directors hereby requests and approves the engagement of the Non-Profit Entity, whose sole member is Provident Resources Group Inc., a Georgia nonprofit corporation and a tax-exempt entity under Section 501(c)(3) of the Code, and whose activities are attributed to and deemed to be nonprofit activities of Provident for federal income tax purposes, to assist the SFMTA in lessening and achieving its Government Burdens pursuant to the Project Agreement by financing and facilitating delivery of the Infrastructure Facility for the exclusive Public Benefits of the city; and, be it further

RESOLVED, That the SFMTA Board of Directors hereby finds and confirms that engaging the Non-Profit Entity to assist in financing and delivery of the Infrastructure Facility will lessen the Government Burdens by enabling delivery of essential public transportation infrastructure through tax-exempt financing and a design-build-finance delivery structure while preserving public ownership and control; and, be it further

RESOLVED, That nothing in this Resolution shall be construed to create any direct legal obligation or liability of the SFMTA or the city with respect to any bonds or other indebtedness issued by the California Municipal Finance Authority, or any loan or other obligation of the Non-Profit Entity in connection therewith, and such bonds or indebtedness shall not constitute an indebtedness of the SFMTA or the city within the meaning of any constitutional or statutory provision.

I certify that the foregoing resolution was adopted by the San Francisco Municipal Transportation Agency Board of Directors at its meeting of March 3, 2026.

Secretary to the Board of Directors
San Francisco Municipal Transportation Agency