Potrero Yard Neighborhood Working Group Meeting Minutes
Tuesday, February 4, 2020, 6:00 p.m. to 8:00 p.m.
Potrero Yard, 2500 Mariposa Street

Note - the meeting minutes capture the overall tone of the group's discussion and is not meant to be an exact transcription.

Attendees

Present:
Alexandra Harker
Brian Renehan
Claudia DeLarios Moran
J.R. Eppler
Magda Freitas
Alexander Hirji
Scott Feeney

Not Present:
Erick Arguello
Kamilah Taylor
Mary Haywood Sheeter
Thor Kaslofsky
Roberto Hernandez
Benjamin Bidwell

SFMTA Staff:
Rafe Rabalais
Adrienne Heim

Kerstin Magary

Other Attendees:
Jolene Yee (Friends of Franklin Square)
Ignacio Barandiaran (Arup)
Christian Figueroa (Arup)
Abigail Rolon (Arup)
Rosie Dilger (consultant)
Jim McHugh (consultant)

Purpose of the meeting:
To learn about project updates, discuss the scheduling of future meetings and hear an informational presentation from Arup, who is supporting the development of the RFQ/RFP to solicit a developer for the project.

Item 1. Welcome
Rosie Dilger welcomed everyone to the meeting.

Item 2. Working Group Member Announcements
Kerstin Magary shared the news that Licinia Iberri has given birth to her child.

Item 3. General Project Update
Rafe Rabalais shared that the project team has been working on a 6 to 9 month outreach plan which includes public meetings the project will be hosting and community and employee events the project will be participating in. He also shared that the project is holding a major community meeting in late March or early April to update the community, inform them about the solicitation of a development partner and hold a CEQA scoping meeting to solicit public comments regarding the environmental impact on the project. They just started the plan.

Adrienne Heim shared that the project team is scheduling individual meetings with members in order to get a sense of how they feel the direction the project is going and to have an in-depth conversation.

Rafe Rabalais referred to last year's meetings and gave some general projects updates.

Staff encouraged members to inform the project team about community events they should be aware of and welcomed their ideas and suggestions.

Item 4: Meeting Logistics and 2020 Scheduling Discussion
Rosie Dilger asked members for their thoughts regarding the scheduling of future meetings.

J.R. Eppler: I would say that since you are looking at the first week of the month, looking at alternating Monday and Tuesday meetings would probably be best.

Rosie Dilger: We can also make sure that when we decide these days, and put them out to the rest of the group, that we put them on people's calendars, so if someone has a wedding, or three day weekend, we will know ahead of that time that we already have the meetings scheduled.

Scott Feeney: I don't think anybody in the group has done this, but in theory if one of us is not able to make one of the meetings we could send an alternate in our place right?

Rosie Dilger: Like a proxy? What does the group think?

Adrienne Heim: I would say that if we do an alternate, we should onboard them just so they can be up to date about the project. I do not say no to that.

Rosie Dilger: The meetings are also open to the public, so if you are unable to go you can bring in a colleague, and they can come and listen in, even if they do not weigh in the same way working group members do.

Staff shared that they are exploring options for members to participate remotely, and that although the space presents challenges, those discussions are ongoing.

Rosie Dilger: It's more convenient to be sitting in the room than doing remote participation, unless someone is really interested in doing it, but it's also hard to follow when someone is not present.

Brian Renehen: Maybe something to consider if you need to discuss something in between the meetings, and when we need to take in a more active role as the process intensifies, is that we have a check-in phone call.

Rafe Rabalais: I think that is a great suggestion.

Item 5: Review Project's Schedule
Rafe Rabalais *went over the CEQA and RFQ/RFP timelines, as well as the project outreach timelines and the scoping meetings.*

Magda Freitas: It is not clear for me how this CEQA public meeting works.

Rafe Rabalais: We are not entirely clear on that either, to be perfectly candid. We have a meeting with the Planning Department because there are certain legal requirements. Our understanding is that it is an opportunity for public comment on the project. We will have more information later, but that is really the substance of the CEQA aspect of the outreach at that meeting. We may have the opportunity to kind of piggyback other kinds of outreach in the same meeting because it is hard to get a bunch of people into the room at the same time to advertise. So, what we are still working on is what that substance looks like in addition to what is required.

Adrienne Heim: Because essentially it is more like a public hearing setup in a sense, and we want it to be more engaging and educational about what the process looks like.

Rafe Rabalais: And just like all the previous meetings, we would come to you guys in early March with what some of those draft materials look like and show what we are thinking about with the substance and format of the meeting, and you guys would be able to suggest ways to make them clear and improve on the presentation. So early March is when we should go in-depth on that.

Rosie Dilger: It's more of a technical hearing that is legally required, and people can make public comments. It's really all on the CEQA side, as opposed to the community meetings we normally do, which are on the public engagement and outreach side. So, what we are hoping to do when we meet with the Planning Department this week is to get a sense of what is required so we can make it the type of organic outreach event we are used to doing.

Item 6: Arup Presentation on RFQ/RFP Process and Q/A
Ignacio Barandiaran introduced himself and his staff and began his presentation. He explained that a project that integrates a bus yard and residential development has not been done in California, and Arup was brought on by the SFMTA and SF Public Works due to their expertise working in similar projects around the world. The presentation went over the goals of procurement, similar case studies and the key drivers that are specific to this project in developing a procurement process.

Mr. Barandiaran shared that in order to have a successful project, Arup is developing a contractual structure in which the City of San Francisco would have a project agreement (single point of responsibility) with a project company and the project company is set up by a developer to be responsible for the integrated delivery of the project.

He then explained the procurement process, with 6 goals, which has four of them, more focused into the project itself,and while the procurement process is different from the CEQA process, they have to be synchronized. Ignacio continued explaining the presentation and the outcome of the procurement, and the 4 stages of it.

We are currently developing proposal timeline that begins with a Request for Qualifications (RFQ) being issued, followed by a RFP. An RFQ tells potential developers what our goals are and what the ground rules for procurement are. The RFQ also tells developers the qualifications we are looking for in order for them to deliver this project successfully. Once the RFQ process is completed, a shortlist, which will likely consist of three developers will be created. Those on the shortlist move onto the Request for Proposals (RFP) stage, in which we will then ask the developers for more specifics for a submission of a proposal. It was then explained that since putting together a credible proposal is expensive, developing a shortlist will ensure that the firm selected will have the capacity to complete the project successfully.

Scott Feeney: Just how many responses do you expect in the RFP stage - you said three?

Ignacio Barandiaran: In the RFQ, it could be as many as 10 that submit qualifications because preparing a qualifications package is not very expensive. So, it could be as many as 10, maybe more. Once we shortlist to 3, then only those 3 will receive the RFP to develop more detailed proposals, such as design and financial proposals.

Rafe Rabalais: Something we are trying to figure out process-wise is input on the RFQ and RFP. We do not have any intention to write this ourselves and we would like to share with the group and broader community in both phases what we are looking for based on feedback we received. This is getting into the next stages of the working group's task, but there may be homework for the working group to go more in depth. We can envision sharing a Google Document or SharePoint to give the group opportunities to weigh in and figure out a way to present that to the broader community for input.

Ignacio Barandiaran: Another lesson learned from the case studies is that that running transparent process, in which documents are made public, leads to greater success in the procurement process. The highest quality developers look for transparent opportunities because they know they lead to a successful closure.

Magda Freitas: Just to be clear, from what I understand a design-build process, the integrated process is going to give a better result in the end?

Ignacio Barandiaran: Yes.

Magda Freitas: I want to make sure that I understand that it is going to have a better design, that we worked, not that is best for the contractor, but what is better for us after this design-build process.

Ignacio Barandiaran: The way we achieve that, because in the RFP process itself, each developer team will have an architect and engineer team and will develop a design proposal, which will be evaluated as part of the entire proposal. Their proposals have many different parts to them including, design, construction and financial aspects.

Magda Freitas: It is not only the financial, I want to be clear.

Ignacio Barandiaran: Absolutely not. Part of the procurement process is called the "best value" selection process. To enable that, the SFMTA and SF Public Works are working with the City Attorney to develop enabling legislation, specifically for this project which will be approved by the Board of Supervisors prior to issuing the RFP to the shortlisted developers. This will make clear that the legal basis and policy basis for doing the best value selection is established in the legislation.

Rafe Rabalais: And the best value selection is distinct from the lowest bid.

Brian Renehan: And the best value for the role of this group is to have input on the criteria that comprises that best value.

Rafe Rabalais: The other thing to say to is that regardless of who the developer is, there are regulatory processes that they would have to go through. There is the standard design process that the Planning Department has, and that since it is a public project, it has to go through a civic design process though the Arts Commission, so there is a higher standard for aesthetic quality.

Magda Freitas: During the bid process or after?

Rafe Rabalais: The things that I just described would be following the bid process once they are on board.

Ignacio Barandiaran completed the phase portion of the presentation.

Jolene Yee: I guess I am just curious, I understand the incentive behind having the design build, so you know to minimize risks, costs, things like that. But I am wondering, how many firms would be qualified to do that? Because I'm imagining it's probably pretty hard to have a firm that is both qualified to do residential as well as a bus station, right? There are probably not that many. I am just wondering, does it narrow it down so much that you might not actually get that many competitive bids?

Ignacio Barandiaran: That is a great question, and the answer is yes and no in the sense that, the larger the project, the fewer contractors that have the resources and the financial backing. A project of this size in a market like this in California, there are probably a couple of dozen general contractors that can take on a project of this size. In the Bay Area today, we have many

projects of this size or bigger that are under construction. So, in that sense, this is a very good market. The other component of your question is not just the size, but also the type. Because you have this combination. That is a little trickier because you have a type of construction that is less common to have these two architectural programs combined. On the other hand, you think about a lot of high-rise housing projects that are built on top of parking. Although regular parking is different than bus parking in terms of operation, in terms of construction they are actually not that different. The main difference is not about the structure, it is that the buses have to have a maintenance facility. That is the part where it becomes more specialized and so there will be a general contractor that will have the expertise for the overall structure and a subcontractor that will perform the more specialized work.

Jolene Yee: So, when you do the RFQ, are you specifying that they can subcontract that? That those subcontractors have to have those certain qualifications?

Ignacio Barandiaran: Correct, absolutely.

Ignacio completed his presentation by going over the next steps portion of the presentation.

Rosie Dilger began the formal Q&A portion of the presentation.

Brian Renehan: I am wondering if you have discussed the concept of a stipend or any type of compensation for designs in the opening round as part of that initial phase?

Ignacio Barandiaran: Good question. I would say, generally speaking the preference of most owners in these processes is to not offer a stipend. A stipend is money that you pay those who are not successful in the RFP phase of the process. In some cases, owners, in order to incentivize developers to come forward, consider offering incentives to the losing proposers. We may not need to do that because the project is attractive enough for proposers to take the risk of being involved in the competition. We are exploring that, but our preference would be to not offer stipends.

Rafe Rabalais: The city has offered stipends for public projects before, but the dollar figure for those projects were much smaller. The mental hurdle of cutting a check for $300,000-$500,000 is much higher.

Brian Renehan: I guess my thought behind it was, to your point, the movements of the project, the design, the creativity that is going to be required to make everything we are talking about here. So, my mind goes to, if you get a few bids in, it might be nice to take some of the concepts, even from those who do not ultimately get selected, but incorporate them into the project because it is such a, at least in my mind like a, how the heck are we going to do all of this type of situation.

Ignacio Barandiaran: It is an item that we are studying during the market sounding process. But also, we need to weigh what the feasibility is of even doing it as part of the special legislation. It would have to be part of the special legislation and that could create other problems.

Claudia DeLarios Moran: Can you tell me why the image on the "Key driver Joint Development" slide looks the way it does and what this rendering represents?

Ignacio Barandiaran: This rendering is an image of a feasibility study that was done by SFMTA's consultants previously. It is not meant to be an exact rendering, but rather a potential iteration of one way to solve the three-dimensional puzzle of this project.

Claudia DeLarios Moran: OK. So, can you just tell me why the mixed income residential development is separated out from the affordable development? Obviously, you guys chose to put those two indicators there, so why would they be separated out number one, and then also graphically, why would the mixed income be on top of the affordable housing? What was the thinking behind those two pieces?

Rafe Rabalais: Essentially, that split to get to 50% affordability you have the cross-subsidy income market rate units and you have the direct subsidies that comes from the public sector. This goes back to when we were looking at this concept with the Mayor's Office of Housing. Do we treat this as a singular project, where there is a single developer rather than a 100% affordable development or mixed income development where 40% of the units are affordable? For modeling purposes, the recommendation of the Mayor's office was exactly this. That they are used to financing and building is a 100% affordable development. That is the template. It is not necessarily the only way to do it or the right way to do it. That is a perfect example of how we can craft RFP language to push the developer in a certain direction. That is a pattern the city has followed and we can have those conversations.

Rosie Dilger: In trying to speak to what Claudia is saying, is that we are looking at a rendering that has affordable units at the bottom and the market rate units on the top. This project has not been designed at this level and no decisions have been made regarding what floor the affordable units will be on versus market rate. Where the affordable units get placed is still to be determined.

Claudia DeLarios Moran: Is that something that we are going to have a chance to weigh in on, whether it is integrated or whether it is separated.

Rosie Dilger: Absolutely. I think that is one of the most important things that this group and the public can have input in.

Ignacio Barandiaran: The RFP will want to define the outcome that San Francisco wants for this project. It will be clearly defined in the document.

Rafe Rabalais: The rendering is almost a physical map of the station and gives the level of detail required to start the CEQA process. It is kind of like a base level print. We know that there is a huge amount of decision space between that and the solicitation that goes out to the development community about what it ultimately looks like. That kind of middle space where we are working with you right now is working with you guys and the community to say what are those parameters and desires beyond the base level that is here.

Claudia DeLarios Moran: I remember during the last public event that we had, there were boards that were saying where the bus entrance and residential entrance will be. This type of thing was decided already right? Or is it going to change? Because it was on the board, we understand that way, but if it sticks in the air, it can go back and forth, that is kind of complicated, right?

Rafe Rabalais: For CEQA purposes, we have to make basic assumptions about what are logical places you can have a residential entrance to the building. Completely irrespective of whether or not there are two separate components or one integrated component. One of the answers is that there are not that many spots since you have four block faces and given the layout of the bus facility there are not that many options. So, we have had to make some assumptions to start the CEQA process, but that doesn't mean that we cannot change direction. It is a delicate design dance at this point.

Claudia DeLarios Moran: Yes, because it was out of my neighbor's window there and they saw where it is, and now it is not like that?

Rafe Rabalais: I think the emphasis was conceptual. It was enough information from an environmental review standpoint, but not locking us in so that there is no opportunity for flexibility.

Rosie Dilger: There is also a balance between what we are doing technically and what we need to do technically in order to make a project work and how to balance the policy priorities of that. We know that we have general assumptions on the technical side, but on a policy side there is understanding the space and needs of the community, for example for not putting the affordable units in the less desirable area.

Scott Feeney: One of the things that may be different about how, you were talking about how it is almost like having apartments over a parking lot, just for buses. But buses can be relatively loud and create a lot of vibration. Some of the concerns that a lot of people have had is that how do you make sure that in the apartments it is not super loud, or the walls aren't shaking when a bus drives by. I was just curious at what point of the project is somebody going to propose here is how I am going to do noise and vibration insulation and then the city and maybe the public can evaluate whether those work.

Ignacio Barandiaran: Part of our due diligence is uncovering those kind of issues. There are many others as well, such as emergency exits for fire safety. You are right, that is a key issue.

For the RFP, industry standards would have to be defined for what is the acceptable level of noise and vibration in housing units and you have to meet those. That is the performance specification, but the other is, are the specifications achievable? Is it feasible to achieve and what are the different strategies? One might be to separate the bus yard from housing as much as possible. Another might be to isolate the equipment. We need to anticipate what those strategies are, so we can write an RFP that lays out what the ground rules are.

Alexandria Harker: So, they write down a different concept?

Ignacio Barandiaran: Correct.

Rafe Rabalais: I would say that we have the benefit of having trolley buses rather than diesel, so they are pretty ambient. I think the bigger issue is some of the noise generating equipment. So that is a question about sound insulation.

Brian: But it is not just a design issue as well. You talked about the ongoing operations. Presumably there will be metrics they have to hit on an ongoing basis when someone goes and measures sound. If it is loud three years in there is a mechanism to address that.

Ignacio: The last thing you want is the vibration affecting residents, but also residents imposing restrictions on SFMTA's operations because that would affect the bus operations of the entire city. It is a very important topic about how the two programs can be good neighbors to each other and why it is so important to get the maintenance piece right.

Jolene Yee: You mentioned the Mayor's Office of Housing said that they are used to getting segregated 100%. Is that just a request that they made to you?

Rafe Rabalais: Request?

Jolene: Well maybe that is not quite the right word, but are there outside policies, whether it is with the Mayor's Office of Housing or height issues, because I think you can go higher if it is more affordable or something like that?

Rafe Rabalais: Not necessarily. It is not a rule, you can certainly negotiate that.

Jolene: But like the Mayor's Office of Housing is open to having is raised?

Rafe Rabalais: They are, and to be candid it is a department that is in flux. But the Acting Director for the Mayor's Office of Housing has said that they are amenable to alternative approaches from a modeling standpoint. What they said is they are used to financing 100% affordable. For that reason, we have looked at it that way, but that is not to say that we cannot pose that to the developer in the RFP. Part of the advantage is that we know what we don't know at this stage and that one of the advantages of bringing on a sophisticated development

team is that they will almost certainly have a different kind of twist on project delivery that hopefully is a more efficient way to deliver the project and achieve community goals.

Jolene: Generally, when we do our RFP or RFQ are we asking for one design developer for all of it?

Rafe Rabalais: We would ask in the RFQ, what are the legs of the stool basically. We know we have to have somebody that is experienced in infrastructure, housing and affordable housing specifically. Whether they can be consolidated is still an open question.

J.R. Eppler: Does the model from the Mayor's Office of Housing suppose that the subsidy from MOHCD only goes to the 100% affordable component?

Rafe Rabalais: That is how we modeled it currently. But it is a little different development and financial structure if you have 100 units of affordable housing plus 460 units of mixed income housing. Those are two separate projects.

J.R. Eppler: So, the mixed residential developers, getting for 40% roughly of theirs?

Rafe Rabalais: Right. Without the Mayor's Office of Housing subsidy.

Ignacio: And if you run a procurement, you can find that different developers can take a different strategy.

Rafe Rabalais: To get to the CEQA levels, to say you want a project that is 50% affordable that is great, but what does it look like? Some of the feedback we have received already is that we want to make sure it is family housing and deeply affordable units. All of that guidance are things we can sort into the RFP. We are just starting the outline of what those components could look like and I envision a dialogue with the working group and larger community about sharing graphs and getting feedback on that.

Claudia: What is the timeline on that?

Rafe Rabalais: We are looking at Spring of this year for the RFQ and summer is when we say what we would like to see in the proposal.

Scott Feeney: Part of the future meeting topics is green open space. Has the Department of Rec and Park been involved in this conversation so far?

Rafe Rabalais: Rec and Park has been involved when we have talked about shadows on Franklin Square. We have not had a detailed conversation about open space. We would have to have open space for the residents and have to have open space for SFMTA, how feasible it is to have public space is an open question. Rec and Park would be more of an extra resource on

that rather than a manager. In similar projects, Rec and Park has not taken on management of open space.

Rosie Dilger: The list of meeting topics is based on what we have heard from the last several meetings. They are things we know that need to be talked about and want to keep them on the slide.

Rafe Rabalais: All of the items on the slide were touched on in the November working group meeting and all of these are visualized to determine this gap in detail between what was presented to the public in October and what will be in the RFP. The challenge is conveying the core priorities of the development community without giving a laundry list of the things that the project has to have.

Ignacio Barandiaran: One of the benefits of running a procurement process where the design is looked at jointly is that the different teams have certain methods that can give ideas to the architect teams, which unlocks opportunities that other teams may not recognize.

Rosie Dilger: And especially some of the ones that are community driven. Doing the process this way gives a good opportunity to present a package that is more attractive than listing requirements.

Rafe Rabalais: We want them to be core requirements. The things that we perched feedback on, we do not want to be silent on.

Jolene Yee: You mentioned RPD said something about a shadow. Can you share that?

Rafe Rabalais: We had a meeting with Rec and Park staff in early 2019 and the feedback was that we should design the best project we can. They would like to see as little shadow as possible, but if it is a good project that improves the community then we should not look at a small shadow as a fatal flaw.

Rosie Dilger: There was an understanding that the three-story bus facility was going to have an impact and that including housing we would not exacerbate that.

Rafe Rabalais: That is the development assumption we have gone with so far. No net shadow beyond what the bus facility brings.

Jolene Yee: And you already shared what that shadow implication is with the group?

Rafe Rabalais: Yes. With this group and the public.

Scott Feeney: What is the current thinking on the financial structure of how the operator of the apartments will compensate the SFMTA for the land?

Rafe Rabalais: At this point we are solving for two things. Assuming that we have a target of 50% affordability, we are solving for the extent to which the housing can contribute to shared construction costs. Some of the costs are the domain of the housing development and costs that are the domain of the bus facility, and then there is a shared category, such as the basement or foundation cost. The first analysis was to what extent can the residential development contribute to the shared costs and the answer was it depends on fundamental assumptions. Conservatively, they can share some costs, but beyond that we could lease revenue back to the SFMTA, under a moderate set of assumptions we were not anticipating that it would contribute, but under the most optimistic circumstances then there would be some lease revenue back into the SFMTA.

Scott Feeney: Is like just a one time deal of getting the best thing SFMTA can get right now? Or even if in 20 years, the rights to operating those apartments are more valuable than they are now, is the city able to capture that increase?

Kerstin Magary: The first joint development we had done was Hotel Vitale. We had a 65-year lease, 51 and then 14 years. We have a land lease and we get a base rent and a participation rent. After year 30, there is a reappraisal of the value of the land base. A similar thing can be done.

Scott Feeney: What would be the time to discuss that?

Kerstin Magary: Probably during the RFP.

Ignacio Barandiaran: One of the potential goals is to generate revenue as much as feasible.

Rafe Rabalais: One of the differences between the two projects (Hotel Vitale vs. Potrero Yard) is that there is a big piece of public infrastructure in this project (Potrero). There is a bigger bill to the SFMTA to build this facility because of that infrastructure.

Ignacio Barandiaran: There are countering factors. One is the market. But the other one is if you were building housing that is not on a bus yard, it is a different type of construction then building on open land. Construction costs will be higher than what they would normally be for a project that size. There is also a 50% affordable target which is higher than normal for San Francisco.

Rafe Rabalais: As a model, we are not showing that with a 50% affordable target, that there is a project giving revenue to the SFMTA. With sharing infrastructure costs, under the most favorable circumstances then yes, potentially. As currently modeled the SFMTA will not be raking in millions of dollars a year.

Item 7: Next Steps in Working Group Schedule
The group established that the next meeting will be on a Monday and that the time is set to a 6 p.m. start.