



Memorandum

AGENDA ITEM 6

DATE: March 19, 2026

TO: Transportation Authority Board

FROM: Carl Holmes - Deputy Director for Capital Projects
Anna LaForte - Deputy Director for Policy and Programming

SUBJECT: 4/14/2026 Board Meeting: Amend the Prop K Standard Grant Agreement for the Potrero Yard Modernization Project to Allow Use of \$1,000,000 in Prop K Funds for Milestone Payment 1 Costs Under the Infrastructure Facility Project Agreement

<p>RECOMMENDATION <input type="checkbox"/> Information <input checked="" type="checkbox"/> Action</p> <p>Amend the Prop K Standard Grant Agreement (SGA) (120-910070) for the Potrero Yard Modernization Project to Allow Use of \$1,000,000 in Prop K funds for Milestone Payment 1 Costs Under the Infrastructure Facility Project Agreement.</p> <p>SUMMARY</p> <p>The Potrero Yard Modernization Project (Project) will replace SFMTA’s Potrero bus yard in the Mission District with a modern bus maintenance and storage facility. The Project will be delivered through a Design-Build-Finance (DBF) arrangement with a private developer partner, selected by SFMTA in 2022 through an open and competitive procurement process. In February 2021, the Transportation Authority Board allocated \$5,773,403 in Prop K funds to SFMTA to support development of the Project, with \$1,000,000 of these funds restricted to be used only for compensation to proposers not selected by SFMTA to serve as lead developer through the Project procurement process. Since that time, SFMTA has compensated the unsuccessful proposer(s) using non-Prop K funds. On March 24, 2026, the San Francisco Board of Supervisors is anticipated to consider approval of the Potrero Yard Modernization Project Infrastructure Facility Project Agreement (Project Agreement), which will formally move the project into the delivery phase.</p>	<ul style="list-style-type: none"> <input type="checkbox"/> Fund Allocation <input type="checkbox"/> Fund Programming <input type="checkbox"/> Policy/Legislation <input type="checkbox"/> Plan/Study <input checked="" type="checkbox"/> Capital Project Oversight/Delivery <input type="checkbox"/> Budget/Finance <input type="checkbox"/> Contract/Agreement <input checked="" type="checkbox"/> Other: <u>Amendment to Prop K SGA</u>
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Financial Close is planned to follow in April 2026, at which time SFMTA will be obligated to make a first milestone payment of \$65,000,000 to the Project developer team. SFMTA has requested an amendment to the February 2021 allocation to allow \$1,000,000 in Prop K funds to be used for Milestone Payment 1 costs. This memorandum also provides an updated on the Project, including modifications to scope and delivery method since the Prop K funds were allocated.	
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BACKGROUND

SFMTA's Potrero Yard serves a large share of the Muni trolleybus fleet. The facility has been in continuous operation since 1915. It is functionally obsolete and vulnerable to an earthquake. The Project is SFMTA's highest priority major initiative within the agency's Building Progress Program, to repair, renovate, and modernize outdated transit facilities.

Procurement Process. In March 2021, the San Francisco Board of Supervisors adopted Ordinance #38-21, which granted SFMTA authority to use an integrated joint development procurement approach for the Project. This was the City's first legislation authorizing major project delivery through a public-private partnership (P3) approach.

SFMTA conducted an open and competitive procurement process to select a developer team to deliver the Project. A Request for Qualifications (RFQ) was issued in August 2020, resulting in the identification of three shortlisted teams. In April 2021, a Request for Proposals (RFP) was issued to the shortlisted teams. In September 2022, SFMTA selected Potrero Neighborhood Collective LLC (PNC) as the Project's lead developer. PNC is led by Plenary Americas, an experienced investor and developer of infrastructure projects in North America. SFMTA and PNC entered into a Predevelopment Agreement (PDA) in November 2022, to advance planning, design, and certain other pre-construction activities for the Project.

Prop K and Prop L Allocations. In February 2021, the Transportation Authority Board allocated \$5,773,403 in Prop K funds to support development of the Project. Of this funding, \$1,000,000 was restricted to be used by SFMTA only for compensation to proposers not selected to serve as the Project's lead developer through the Project procurement process.

In December 2023, the Transportation Authority Board allocated \$12,500,000 in Prop L funds to support continued progression of the project during the PDA phase.



Modifications to Project Scope and Delivery Method. The Project was conceived to include an affordable housing component. SFMTA is prohibited by the City Charter from funding housing design or construction; as such, the Project's housing component is contingent upon the developer securing independent financing. In 2025, the Project's scope was modified, due to the lack of affordable housing funding and budget constraints confronting the agency. This change removed the ability to construct approximately 365 units directly above the new transit facility, while preserving the potential for approximately 104 units adjacent to the facility along Bryant Street.

The Project's delivery method was originally planned as Design-Build-Finance-Operate-Maintain (DBFOM), whereby the developer would be responsible for certain facility operations/maintenance functions for an approximately 30-year term following construction, as well as financing a significant portion of the Project's capital cost over this same term. In order to keep the Project affordable, the long-term facility operations and maintenance services were removed from the developer's scope, and SFMTA is now moving forward with a DBF delivery method. Under the DBF structure, SFMTA will be responsible for all facility operations and maintenance activities; the developer's role following construction will be limited to financing a portion of the capital cost, as further described below.

SFCTA Oversight. Concurrent with the February 2021 allocation to SFMTA, the Board appropriated \$150,000 in Prop K funds to provide for our enhanced oversight of the Project through Financial Close. We have worked closely with SFMTA throughout the Project's PDA phase, including to provide support and input to the procurement process, funding plan, Project Agreement, and risk management activities, among other efforts.

DISCUSSION

Project Agreement Approvals and Contract Structure. On March 3, 2026, the SFMTA Board authorized the execution of the Project Agreement, for the design, construction, and long-term financing of the Project. On March 24, 2026, the Board of Supervisors is anticipated to consider approval of the Project Agreement. The Project Agreement has a contract term that extends for 30 years following substantial completion of the new transit facility.

The Project Agreement will be with PRG Potrero Properties LLC (PRG), which is a special purpose non-profit entity that will serve as the contractual counterparty to



SFMTA, in order to facilitate access to tax-exempt bond financing. The lead developer PNC will be responsible for design and construction, under a Project Implementation Agreement with PRG.

Capital Cost. The Project's capital cost is estimated at approximately \$833 million, excluding the borrowing cost of the financing provided by PRG. Of this amount, design and construction of the new transit facility have a negotiated cost of \$612 million. Total costs, including PRG's cost of borrowing, are approximately \$1.4 billion.

SFMTA Payment Obligations and Project Funding. Under the terms of the Project Agreement, SFMTA will be obligated to make the following payments to PRG:

- *Milestone Payment 1 (MP1): \$65M at Financial Close* - SFMTA has secured all funding for MP1, with the exception of the \$1 million in Prop K funds that are the subject of this memorandum. Funding for MP1 includes \$42 million in Regional Measure 3 funds allocated by the Metropolitan Transportation Commission (MTC) in December 2025.
- *Milestone Payment 2 (MP2): \$250M during Construction* - Of this amount, \$200 million of MP2 funding is planned to come from the Emergency Safety and Emergency Response (ESER) bond that will be before San Francisco voters in June 2026. The remainder of MP2 will be funded by SFMTA capital funds, including from cost savings on other SFMTA capital projects. Should the June 2026 bond measure not be approved, SFMTA would explore other revenue and/or financing options, including potential future bond measure(s).
- *Annual Payments (APs) with Estimated Cumulative Total of \$980M* - Commencing approximately one year after substantial completion, SFMTA will be obligated to make regular payments to PRG over the 30-year financing term, in the amount of approximately \$33 million per year. SFMTA plans to fund APs with capital funds programmed in future SFMTA Capital Improvement Programs (CIPs), including General Fund Population Baseline funds and State SB1 funds. SFMTA has also identified Transportation Authority sales tax funds as a potential funding source to support a portion of AP obligations; however, this would be subject Transportation Authority Board approval. Further, SFMTA also assumed sales tax funds from the successor to the Prop L expenditure plan in the later years of the repayment period.



In addition to these payment obligations, the Project Agreement includes a \$5 million development fee, payable to PNC as compensation for managing and overseeing design and construction (with \$4 million due at substantial completion and \$1 million upon achievement of specified post-completion milestones). Funding for the development fee will be sourced from the borrowing undertaken by PRG.

SFMTA has also budgeted approximately \$83 million for SFMTA staff/consultant costs during construction and for SFMTA-retained contingency. These costs are planned to be funded with Federal Transit Administration (FTA) Formula Funds, General Fund Population Baseline funds, State SB1 funds, and remaining Prop L funds from the December 2023 allocation.

Prop K SGA Amendment. SFMTA has requested an amendment to the February 2021 allocation to allow \$1,000,000 in Prop K funds to be used for MP1 costs. The original Prop K allocation designated this amount for compensation to unsuccessful proposers, as part of the Project's procurement process. SFMTA used non-Prop K funds to compensate the unsuccessful proposer(s).

We are recommending an amendment to the Prop K SGA (120-910070) for the Project, to allow \$1,000,000 in Prop K funds to support MP1 costs, as requested by SFMTA. The total MP1 amount of \$65 million will compensate the Project developer for costs incurred during the PDA phase, including design advancement, due diligence, and other pre-construction activities.

FINANCIAL IMPACT

The recommended action would amend the Prop K SGA (120-910070) for the Potrero Yard Modernization Project, to allow \$1,000,000 in Prop K funds to be used for MP1 costs under the Project Agreement. There is no impact on the adopted Fiscal Year 2025/26 budget since these funds were previously allocated and sufficient funds are included in the budget to accommodate the recommended action.

CAC POSITION

The CAC will consider this item at its March 25, 2026, meeting.

SUPPLEMENTAL MATERIALS

- Attachment 1 - Proposed SGA Amendment (120-910070)
- Attachment 2 - Revised Prop K Allocation Request Form

Attachment 1
Proposed Standard Grant Agreement (SGA) Amendment - Potrero Yard Modernization - Professional Services Reimbursement

Resolution	Prop K SGA Number	Project Name (Project Sponsor)	Need for Amendment and Project Description	Recommendations
21-30	120-910070	Potrero Yard Modernization - Professional Services Reimbursement (20M) (SFMTA)	<p>SFMTA's Potrero Yard services a large share of Muni's trolleybus fleet. The facility is more than 100 years old, is well past its useful life, and is vulnerable to an earthquake. The Potrero Yard Modernization Project will replace the existing facility with a modern, efficient transit yard that will serve SFMTA's electric trolley and future battery-electric bus fleets. The original project concept also included a Residential and Commercial component with 365 mixed-income housing units.</p> <p>In 2025, due to a lack of funding for developing affordable housing and budget constraints facing the agency, the SFMTA reduced the scope of the project to lower construction costs. Within the reduced scope, the SFMTA has preserved the ability for future construction of up to 100 units of affordable housing at the project site along Bryant Street.</p> <p>In February 2021, the Transportation Authority allocated \$1,000,000 in Prop K funds to compensate unsuccessful design-build proposers during the procurement process. SFMTA used non-Prop K funds for this compensation. In March 2026, the San Francisco Board of Supervisors is expected to approve the Final Project Agreement, moving the project to construction. Financial close is expected April 17, 2026. SFMTA requests amending the 2021 Prop K allocation to apply the unspent \$1,000,000 to Milestone Payment 1 – a \$65 million payment due at financial close for design, due diligence, underwriting, contract assembly, and other pre-construction work under the Infrastructure Facility Project Agreement.</p>	Amend the Prop K Standard Grant Agreement (SGA)(120-910070) for the Potrero Yard Modernization Project to Allow Use of \$1,000,000 in Prop K funds for Milestone Payment 1 Costs Under the Infrastructure Facility Project Agreement.

ATTACHMENT 2

San Francisco County Transportation Authority Allocation Request Form

FY of Allocation Action:	FY2025/26
Project Name:	Potrero Yard Modernization - Professional Services Reimbursement (20M) - Amendment - NEW
Primary Sponsor:	San Francisco Municipal Transportation Agency

EXPENDITURE PLAN INFORMATION

PROP L Expenditure Plans	Muni Maintenance
Current PROP K Request:	\$1,000,000
Supervisorial District	Citywide

REQUEST

Brief Project Description

The Potrero Yard Modernization Project (Project) will replace SFMTA's Potrero bus yard with a modern four-story bus maintenance and storage facility. The Project will use a Design-Build-Finance (DBF) delivery method, with completion planned for 2030, followed by a 30-year financing term. The Project's total estimated costs, including financing costs, are approximately \$1.4B. The new facility will expand storage capacity by ~68%, support SF's electric trolley and future zero-emission fleet, improve transit reliability, consolidate operations, and provide a safe and climate-resilient workspace.

Detailed Scope, Project Benefits and Community Outreach

Scope to be amended

In February 2021, the Transportation Authority Board allocated \$5.8 million in Prop K sales tax funds to SFMTA to support the development of the Project. Of this amount, \$1.0 million in Prop K sales tax funding was designated for Professional Services Reimbursement, to compensate the proposer(s) not selected by SFMTA to serve as the Project's lead developer through a competitive procurement process conducted beginning in 2020. The Request for Proposals (RFP) process required proposers to undertake design work, cost estimating, and financial modeling. The Professional Services Reimbursement mechanism helped to incentivize high-quality proposal deliverables from the proposing teams.

Amended scope

SFMTA paid the unsuccessful bidder(s) using non-Prop K funds and requests an amendment to allow the \$1 million in Prop K funds to be used to support SFMTA's fulfillment of the first Milestone Payment to the Project developer, as described in the DBF Project Agreement. This first Milestone Payment will compensate the developer's costs during the predevelopment phase, including but not limited to advancing the design of the bus yard, performing due diligence site investigation, community outreach and engagement, financial modeling and lender underwriting, contract assembly, and design-build contractor procurement.

1.0 INTRODUCTION

On March 24, 2026, the San Francisco Board of Supervisors will consider authorizing the execution of the Potrero Yard Modernization Project Infrastructure Facility Project Agreement (Project Agreement) for the design, construction, and financing of the Project. Below is a summary of the Project background, scope of work, and financial structure.

2.0 PROJECT BACKGROUND

The Project is SFMTA's first initiative under the Building Progress Program to repair, renovate, and modernize outdated transit facilities. The Project site is the existing Potrero Division bus yard at 2500 Mariposa Street, bounded by Bryant, 17th, Hampshire, and Mariposa streets, occupying 4.4 acres in the Mission District. The facility has been in continuous operation since 1915 and currently houses approximately 158 electric trolley buses in a two-story structure that is functionally obsolete and operating beyond capacity. The facility is more than 100 years old, well past its useful life, and vulnerable to earthquake damage.

SFMTA selected Potrero Neighborhood Collective LLC (PNC), led by Plenary Americas US Holdings Inc., as its private partner for delivery of the Project, through a full and open competitive procurement process. This process consisted of a Request for Qualifications (RFQ) issued in 2020, followed by the RFP issued to the three teams shortlisted through the RFQ. SFMTA and PNC entered into a Predevelopment Agreement (PDA) in November 2022, under which PNC was required to advance design, environmental review, financing analysis, and negotiation of project agreements at its own expense. Predevelopment work is now complete, and the Project is now planned to advance to the delivery phase.

The approval of the Project Agreement by the SFMTA Board and the Board of Supervisors will formally move the Project into delivery and will obligate SFMTA to a set of financial obligations to the developer partner. The Project Agreement will be with PRG Potrero Properties LLC (PRG), which is a flow-through non-profit entity that will serve as the contractual counterparty to SFMTA, in order to facilitate access to tax-exempt bond financing. The lead developer (PNC) will be responsible for design and construction, under a Project Implementation Agreement with PRG.

In March 2021, the Board of Supervisors adopted Ordinance #38-21, which granted SFMTA the authority to use an integrated joint development procurement approach for the Potrero Yard Modernization Project. This was the City's first legislation authorizing major project delivery through a public-private partnership approach. The Project will be delivered using a Design-Build-Finance (DBF) delivery model. Under the DBF arrangement, SFMTA will be responsible for all facility operations and maintenance; the developer's role following construction will be limited to financing a portion of the Project's costs.

3.0 SCOPE OF WORK

The Project will deliver a modern, four-story bus storage and maintenance facility through a DBF delivery model. The fixed design and construction price is \$612,107,000, with substantial completion planned for 2030. The Project will:

1. Replace the existing seismically deficient two-story structure and expand maintenance and storage capacity at the site by approximately 68%;
2. Support the SFMTA's electric trolley bus fleet and enable future transition to battery-electric vehicles, advancing the agency's zero-emission fleet goals;
3. Consolidate Muni operator training functions on-site and provide adequate working space for transit maintenance support functions;
4. Provide safe, naturally lit, and well-ventilated workspaces resilient to climate change and seismic events;
5. Improve transit service reliability by reducing breakdowns, increasing on-time performance, and reducing overcrowding; and
6. Comply with LEED sustainability standards.

A separate Lease Development and Disposition Agreement will provide for continued predevelopment of an affordable housing component adjacent to the bus facility, with approximately 104 affordable residential units and approximately 2,800 square feet of ground-floor commercial space. SFMTA is prohibited by Charter from funding housing design or construction; the housing component is contingent on the developer securing independent financing.

4.0 CONTRACTUAL AND FINANCING STRUCTURE

The estimated cost of the Project is approximately \$1.4 billion, including the developer's cost of borrowing. Under the Project Agreement, the developer will be compensated through the following structure:

4.1 Milestone Payment 1 - \$65,000,000

This payment is due at Financial Close, soon after approval of the Project Agreement. The payment will be funded from multiple sources, including the \$1,000,000 in SFCTA Prop K sales tax funds that are the subject of this request, as well as \$42,393,000 in MTC Regional Measure 3 Bridge Toll Funds; \$5,150,953 in Caltrans SB 1 State of Good Repair funds; \$5,750,000 in City General Fund (Prop B Transit); and \$10,706,047 in FTA Section 5307 Formula Funds.

4.2 Milestone Payment 2 - \$250,000,000

Of this amount, \$200 million is anticipated from a General Obligation (GO) Bond measure that will be before San Francisco voters in June 2026. Should the GO Bond not be approved, SFMTA will explore alternative revenue and/or financing options. The remaining \$50 million will be from other SFMTA sources, including from cost savings on other completed capital projects.

4.3 Development Fee - \$5,000,000

The development fee is payable to PNC, as compensation for managing and overseeing design and construction: \$4,000,000 at substantial completion and \$1,000,000 upon achievement of specified post-completion milestones. Funding for these amounts will be sourced from the borrowing issued by PRG.

4.4 Annual Availability Payments - Approximately \$980,000,000 Cumulative Total

Beginning in Fiscal Year 2032 and continuing for up to 30 years, the SFMTA will make annual availability payments to the developer. Payments are projected to be approximately \$33 million per year. The annual payments are planned to be funded from future capital funds programmed to SFMTA's Facilities Program in future Capital Improvement Programs (CIPs).

5.0 APPROVALS AND NEXT STEPS

The following approvals are required to advance the Project to construction:

1. SFMTA Board of Directors authorized the execution of the Project Agreement - March 3, 2026;
2. Board of Supervisors approval under Charter Section 9.118(b), required because the contract term exceeds 10 years - anticipated March 24, 2026;
3. Financial Close - approximately one month after commercial close; and
4. Substantial completion of the infrastructure facility - targeted June 2030, with a 30-year financing term expected to conclude in 2060.

The PDA expires March 31, 2026. The SFMTA Board has been authorized to amend the Predevelopment Agreement to extend its term, if necessary, to allow sufficient time to obtain the required approvals.

Project Location

2500 Mariposa Street, San Francisco (double block bound by Mariposa, Bryant, Hampshire and 17th Streets)

Is this project in an Equity Priority Community?	No
Does this project benefit disadvantaged populations?	No

Project Phase(s)

Design Engineering (PS&E)

5YPP/STRATEGIC PLAN INFORMATION

Type of Project in the Prop L 5YPP/Prop AA Strategic Plan?	Named Project
Is requested amount greater than the amount programmed in the relevant 5YPP or Strategic Plan?	Less than or Equal to Programmed Amount
PROP K Amount	\$1,000,000.00

San Francisco County Transportation Authority Allocation Request Form

FY of Allocation Action:	FY2025/26
Project Name:	Potrero Yard Modernization - Professional Services Reimbursement (20M) - Amendment - NEW
Primary Sponsor:	San Francisco Municipal Transportation Agency

ENVIRONMENTAL CLEARANCE

Environmental Type:	EIR/EIS
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PROJECT DELIVERY MILESTONES

Phase	Start		End	
	Quarter	Calendar Year	Quarter	Calendar Year
Planning/Conceptual Engineering (PLAN)	Jan-Feb-Mar	2018	Oct-Nov-Dec	2021
Environmental Studies (PA&ED)	Jan-Feb-Mar	2018	Oct-Nov-Dec	2024
Right of Way				
Design Engineering (PS&E)	Apr-May-Jun	2026	Apr-May-Jun	2027
Advertise Construction				
Start Construction (e.g. Award Contract)	Jan-Feb-Mar	2027		
Operations (OP)	Apr-May-Jun	2030		
Open for Use			Apr-May-Jun	2030
Project Completion (means last eligible expenditure)			Oct-Nov-Dec	2030

SCHEDULE DETAILS

Upcoming Milestones:

- Financial Close and NTP 1 Apr 17, 2026
- NTP 2 Jul 16, 2026
- Site Access Jul 16, 2026
- PGE Service Application (new service) Sep 15, 2026
- 100% design submittal Apr 01, 2027
- Site Permits May 27, 2027
- Demo Structure Jul 08, 2027
- Substantial Completion / Occupancy Jun 26, 2030
- Final Completion Dec 23, 2030

San Francisco County Transportation Authority Allocation Request Form

FY of Allocation Action:	FY2025/26
Project Name:	Potrero Yard Modernization - Professional Services Reimbursement (20M) - Amendment - NEW
Primary Sponsor:	San Francisco Municipal Transportation Agency

FUNDING PLAN - FOR CURRENT REQUEST

Fund Source	Planned	Programmed	Allocated	Project Total
EP-206: Muni Maintenance	\$0	\$0	\$3,118,982	\$3,118,982
FTA Formula Funds	\$0	\$0	\$11,056,047	\$11,056,047
General Fund Population Baseline	\$0	\$0	\$8,095,846	\$8,095,846
MTC Regional Measure 3	\$0	\$0	\$45,896,055	\$45,896,055
Prop K: EP-120M: Facilities - MUNI	\$0	\$1,000,000	\$4,773,403	\$5,773,403
SB1 State of Good Repair	\$0	\$0	\$8,281,609	\$8,281,609
SFMTA Operating Funds	\$0	\$0	\$1,000,000	\$1,000,000
Phases In Current Request Total:	\$0	\$1,000,000	\$82,221,942	\$83,221,942

FUNDING PLAN - ENTIRE PROJECT (ALL PHASES)

Fund Source	Planned	Programmed	Allocated	Project Total
PROP L	\$0	\$0	\$12,500,000	\$12,500,000
APs: SFMTA Capital Funds (multiple sources)	\$980,351,548	\$0	\$0	\$980,351,548
FTA Formula Funds	\$0	\$30,401,378	\$11,056,047	\$41,457,425
General Fund Population Baseline	\$0	\$21,442,773	\$8,095,846	\$29,538,619
MP2: GO Bond & SFMTA Capital Funds	\$0	\$250,000,000	\$0	\$250,000,000
MTC Regional Measure 3	\$0	\$0	\$45,896,055	\$45,896,055
Prop K: EP-120M: Facilities - MUNI	\$0	\$1,000,000	\$4,773,403	\$5,773,403
SB1 State of Good Repair	\$0	\$22,155,849	\$8,281,609	\$30,437,458
SFMTA Operating Funds	\$0	\$0	\$1,000,000	\$1,000,000
Funding Plan for Entire Project Total:	\$980,351,548	\$325,000,000	\$91,602,960	\$1,396,954,508

COST SUMMARY BY PHASE

Phase	Total Cost	Prop K Amendment - Current Request
PDA Phase - SFMTA Costs	\$18,221,942	
PDA Phase - Developer Costs	\$65,000,000	\$1,000,000
Delivery Phase - SFMTA Costs	\$83,381,018	
Delivery Phase - Facility Construction	\$612,107,000	
Delivery Phase - Other Developer Costs	\$54,667,751	
Developer's Cost of Borrowing	\$563,576,797	
Total:	\$1,396,954,508	\$1,000,000

% Complete of Design:	30.0%
As of Date:	12/17/2025
Expected Useful Life:	70 years