

THIS PRINT COVERS CALENDAR ITEM NO.: 10.2

**SAN FRANCISCO
MUNICIPAL TRANSPORTATION AGENCY**

DIVISION: Finance and Information Technology

BRIEF DESCRIPTION:

Authorizing the SFMTA to use a joint development procurement method for the Potrero Yard Modernization Project; and authorizing the Director of Transportation to seek approval from the Board of Supervisors for a Project-specific ordinance to implement the joint development procurement method in a manner that is most efficient for the Project.

SUMMARY:


- The Potrero Yard Modernization Project (Project) includes the simultaneous development of a modern bus storage and maintenance facility with multi-family housing above the facility.
- The SFMTA will deliver the Project under its Building Progress Program and consistent with the citywide Public Land for Housing initiative, which encourages development of housing on publicly owned sites.
- Based on the Project’s public and private features, staff have determined it is appropriate and in the City’s best interest to deliver the Project utilizing a joint development procurement method.
- The joint development solution provides a single point-of-responsibility for managing technical challenges (e.g., the interface of housing and a bus facility), financing, and successfully delivering the Project.
- A joint development procurement method shifts the liability and risk for cost containment, project completion, and life-cycle maintenance from the SFMTA to a private entity.
- The SFMTA has partnered with the Department of Public Works to deliver the Project and plans to issue a Request for Qualifications and subsequent Request for Proposals to procure the services of a joint development partner.
- The SFMTA requires a Project-specific ordinance from the Board of Supervisors because existing authority to utilize the joint development procurement method does not currently exist in the Administrative Code.
- The Project-specific ordinance is required before the SFMTA and Department of Public Works issue the RFP for the joint development services in the summer of 2020.

ENCLOSURES:

1. SFMTAB Resolution

APPROVALS:

DATE

DIRECTOR 

March 30, 2020

SECRETARY 

March 30, 2020

ASSIGNED SFMTAB CALENDAR DATE: April 7, 2020

PURPOSE

Authorizing the SFMTA to use a joint development procurement method for the Potrero Yard Modernization Project; and authorizing the Director of Transportation to seek approval from the Board of Supervisors for a Project-specific ordinance to implement the joint development procurement method in a manner that is most efficient for the Project.

STRATEGIC PLAN GOALS AND TRANSIT FIRST POLICY PRINCIPLES

The SFMTA will further the following goals of the SFMTA Strategic Plan by utilizing the joint development procurement method to deliver the Project:

Strategic Plan Goals/Objectives

Goal 1: Create a safer transportation experience for everyone.

Objective 1.1: Achieve Vision Zero by eliminating all traffic deaths.

Objective 1.2: Improve the safety of the transit system.

Goal 2: Make transit and other sustainable modes of transportation the most attractive and preferred means of travel.

Objective 2.1: Improve transit service.

Objective 2.2: Enhance and expand use of the city's sustainable modes of transportation.

Objective 2.3: Manage congestion and parking demand to support the Transit First Policy.

Goal 3: Improve the quality of life and environment in San Francisco and the region

Objective 3.1: Use agency programs and policies to advance San Francisco's commitment to equity.

Objective 3.2: Advance policies and decisions in support of sustainable transportation and land use principles.

Objective 3.4: Provide environmental stewardship to improve air quality, enhance resource efficiency, and address climate change.

Objective 3.5: Achieve financial stability for the agency.

Goal 4: Create a workplace that delivers outstanding service

Objective 4.1: Strengthen morale and wellness through enhanced employee engagement, support, and development

Objective 4.2: Improve the safety, security, and functionality of SFMTA work environments

Objective 4.3: Enhance customer service, public outreach, and engagement

Objective 4.5: Increase the efficiency and effectiveness of business processes and project delivery through the implementation of best practices

The SFMTA will further the following Transit First Policy Principles by utilizing the joint development procurement method to deliver the Project

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.

3. Decisions regarding the use of limited public street and sidewalk space shall encourage the use of public rights of way by pedestrians, bicyclists, and public transit, and shall strive to reduce traffic and improve public health and safety.
5. Pedestrian areas shall be enhanced wherever possible to improve the safety and comfort of pedestrians and to encourage travel by foot.
6. Bicycling shall be promoted by encouraging safe streets for riding, convenient access to transit, bicycle lanes, and secure bicycle parking.
7. Parking policies for areas well served by public transit shall be designed to encourage travel by public transit and alternative transportation.
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

Project Background

Under its Building Progress Program and consistent with the citywide Public Land for Housing initiative, the SFMTA plans to renovate or replace a number of its outdated facilities to improve transit operations and pursue complementary joint-development opportunities for housing. The Potrero Yard Modernization Project (Project) is one of the Program's first major projects.

The Project will replace the Potrero Yard's obsolete maintenance building and bus yard with a modern, three-story, efficient bus maintenance and storage facility (Bus Facility). The SFMTA needs the Bus Facility to maintain and store its expanding fleet of buses, including new battery-electric buses, improve working conditions for staff, ensure resiliency to climate change and natural disasters, and improve transit service by helping to reduce vehicle breakdowns, increase on-time performance, and reduce passenger overcrowding.

Under the City's Public Land for Housing program, the SFMTA partnered with other City departments, including San Francisco Planning, the Mayor's Office of Housing and Community Development, and the Office of Economic and Workforce Development, to develop housing integrated with the Bus Facility. Based on internal analyses and an extensive public outreach program, the SFMTA has determined that housing is a feasible and compatible use at the site and proposes that housing be a principal component of the Project. The SFMTA estimates the Project

can accommodate a range of 525 to 575 residential units, with a 50% affordability target resulting in approximately 262 to 288 affordable units.

The SFMTA estimates the cost to construct the Bus Facility is approximately \$400 – 450 million and anticipates starting construction in 2023 and completing construction in 2026. The cost of the housing component will be financed from non-SFMTA sources. The SFMTA has partnered with the Department of Public Works to assist with procurement and delivery of the Project.

Based on the Project’s features and objectives, described below, staff has determined it is appropriate and is in the City’s best interest to deliver the Project utilizing a joint-development procurement method. The SFMTA reached this determination after reviewing precedents using this delivery method in California, nationally, and internationally.

The SFMTA seeks a project-specific ordinance from the Board of Supervisors because existing authority to utilize the joint-development procurement method does not currently exist in the Administrative Code.

Project Objectives

The SFMTA’s objectives for the Project are as follows:

1. Rebuild, expand, and modernize the SFMTA’s Potrero Bus Yard by 2026 to efficiently maintain and store a growing Muni bus fleet;
2. Provide at the Bus Facility infrastructure for battery electric buses to facilitate Muni’s transition to an all-electric bus fleet, in accordance with San Francisco and California policy;
3. Construct the Bus Facility in a manner resilient to earthquakes and projected climate change effects and provide a safe, secure environment for the SFMTA’s employees and physical assets;
4. Maximize the reuse of Potrero Yard’s 4.4-acre site in a central, mixed-use neighborhood by creating a dense, mixed-use development with mixed-income housing, including a substantial percentage of below-market rate units;
5. Build a project that is financially feasible, meaning that the cost of the Bus Facility will be within the financial capacity of the SFMTA; and
6. Ensure that the housing component of the project is financially feasible and is able to achieve a substantial percentage of affordability with the level of City subsidy that is currently programmed into the project budget.

Joint-Development Procurement Method

Unlike conventional methods of contracting for new construction, in which discrete functions are procured through separate solicitations, joint development projects use a single private entity that has the full responsibility and financial liability for performing a significant number of services in connection with a project.

The joint-development procurement method provides a long-term contractual arrangement between the SFMTA and a joint development partner. Under this arrangement, the joint development partner will be the single point-of-responsibility for managing contractors (e.g., design-build contractors, maintenance contractors for private housing development) and successfully delivering the Project.

The SFMTA would retain ownership of the of the overall site and the Bus Facility, while the joint development partner would deliver the entire Project and would obtain ownership rights to the private housing development for the duration of the long-term contract (based on air rights or another contractual mechanism).

The SFMTA would pay the joint development partner for the Bus Facility as a public infrastructure project via long-term performance-based payments. The joint development partner's compensation for the private housing development would be as a customary, at-risk private development via real estate revenue streams such as rents collected by the developer from tenants.

The joint development procurement method offers compelling advantages to meet the Project's objectives:

1. Mitigates cost and schedule risk by (a) selecting a joint development partner early in the CEQA process to provide input and develop a functional and attractive design that reflects input from the community; (b) agreeing on a fixed-price, date-certain contract with the private partner; and (c) incentivizing on-schedule construction by linking payments for the Bus Facility to occupancy readiness or substantial completion of the facility
2. Transfers to the joint development partner the technical challenges of integrating the public Bus Facility and the private housing development and establishes the partner as single point of responsibility for the Project.

Selection Process for Joint Development Partner

There are different types of joint development project delivery models to fit the specific characteristics of a particular project. The SFMTA wishes to engage a joint development partner to develop the method most appropriate for the Project. A qualified joint development partner will have experience in developing housing; will have experience in delivering public infrastructure projects in a timely, efficient manner; and will bring to the Project financial flexibility and resources that a purely public project would not have

The SFMTA plans to convene a competitive two-step procurement, consisting of a request for qualifications (RFQ) and subsequent request for proposals (RFP). The SFMTA plans to issue the RFQ in the spring of 2020, in response to which it will receive statements of qualifications (SOQs). The SFMTA will evaluate all SOQs against evaluation criteria that focus on respondents' experience in successfully delivering joint development projects with components similar to the Project.

The evaluation criteria will be set forth in the RFQ and will include, for example, experience in assembling and managing teams with expertise in design, public works construction, market and affordable housing development, financing, and long-term operations and maintenance of facilities alongside facilities operated by public agencies.

Based on its evaluation of the SOQs, the SFMTA will select a shortlist of the three to four highest scoring respondents, who will respond to the RFP. The shortlisting step is necessary to narrow the field to the highest qualified entities. This will streamline the Project's RFP phase and give shortlisted proposers the confidence to devote substantial resources to their proposals and submit thoughtful, compelling proposals given the stronger odds of being selected from a shortlist of only three to four firms.

Staff will return to the SFMTA Board in the summer of 2020 for authorization to issue the RFP in July-August, in response to which it will receive detailed proposals. The SFMTA anticipates selecting a joint-development partner by the end of 2020.

Once selected, the SFMTA and the Department of Public Works plan to negotiate a predevelopment agreement (PDA) with the joint development partner to establish the terms of the relationship between the City and the joint development partner during the financing, detailed design, and construction bidding phases of the Project. These predevelopment tasks will likely culminate in execution of a long-term contractual arrangement with the City under the jurisdiction of the SFMTA.

Project-Specific Legislation

Delivery of public infrastructure projects is governed by Chapter Six of the San Francisco Administrative Code. Chapter Six provides detailed guidance to City agencies for the procurement and contracting of traditional public works projects where the City contracts directly for the design and construction of projects paid for directly with public money. In the case of the Project, the SFMTA wishes to contract with a single, private entity responsible for delivering a project that combines both a private asset (i.e., housing) with a major public facility on public land.

The Administrative Code does not currently authorize such a project delivery method. The purpose of the project-specific legislation is to authorize the SFMTA to use a joint development procurement method to deliver the Project. Project-specific ordinances are common when departments have proposed utilization of novel project delivery methods not yet codified in the Administrative Code. Examples include the use of Construction Manager General Contractor (CM/GC) project delivery for the Zuckerberg General Hospital Rebuild and the new Public Safety Building. The 49 South Van Ness project also required special authorization by the Board of Supervisors.

As currently drafted, the project specific legislation for Potrero would accomplish the following:

1. Allow the procurement of a joint development partner who would be selected using a two-step, "best value" procurement method rather than a low bid method. A best value approach will allow the SFMTA and the Department of Public Works to more holistically evaluate the track record, capacity, skill, and quality of bidders rather than just selecting on the basis of price.
2. Allow the SFMTA to enter into one or more agreements with the joint development partner for the design and construction of the project and the maintenance of the non-transit components of the project.

3. Authorize the payment of a stipend to the two shortlisted proposers that are not selected through the RFP process, in an amount to be determined by the Director of Transportation. The purpose of a stipend, if deemed necessary, would be to defray a portion of the costs of preparing a response to the RFP, which would necessarily include extensive design work. By mitigating the cost to proposers, the SFMTA may receive more competitive, compelling proposals through the RFP process.
4. Exempt the procurement from otherwise applicable sections of Administrative Code Chapters 6, 14B, 21 and 23, so long as the project agreements require payment of prevailing wages pursuant to Section 6.22(e) and Article VII of Chapter 23, compliance with the City's Local Hire Policy pursuant to Chapter 83, and implementation of a Local Business Enterprise (LBE) program in consultation with the City's Contract Monitoring Division (CMD).

If the SFMTA Board endorses this approach, the SFMTA would expect the project specific ordinance to be introduced to the Board of Supervisors in April 2020.

STAKEHOLDER ENGAGEMENT

Since the launch of the Building Progress initiative in 2017, the SFMTA has led an extensive community outreach effort for the Project. Major outreach activities have included numerous community events and open houses, tours of Potrero Yard, regular meetings of the Potrero Yard Working Group, and grassroots outreach to individual residents and community organizations.

The SFMTA has received extensive feedback from the community on numerous aspects of the Project, and this feedback was reflected in the project application that was submitted to the Planning Department in November 2019 to initiate environmental review. To date, outreach activities have focused on the conceptual design of the Project (e.g. size of the bus facility, number and affordability of the housing units). Outreach in the spring and summer of 2020 will shift to procurement of the joint development partner and the substance of the forthcoming RFP. In April, the SFMTA will host mini-open houses or "community office hours" to discuss the forthcoming RFQ process.

Accompanying these community office hours will be written materials to increase community awareness of the joint-development procurement method.

The SFMTA is also planning to host a major community workshop in the summer of 2020 that will allow the community to weigh in on the values and principles to be memorialized in the forthcoming RFP. The RFP will communicate to potential joint development partners the SFMTA's expectations for the Potrero Project. It is essential that those expectations be aligned, to the extent feasible, with the community's expectations for the Project.

Paralleling the community outreach effort will be a continued, extensive in-reach effort. The SFMTA will continue to coordinate closely with elected officials and partner City agencies (Planning, Public Works, Office of Economic and Workforce Development, Mayor's Office of Housing and Community Development) as the Project shifts toward procurement of a development partner. The SFMTA will continue dialog with staff at Potrero Yard and with labor to answer questions about the project and solicit feedback to inform the substance of the RFQ and RFP.

ALTERNATIVES CONSIDERED

An alternative to a joint development procurement method is to utilize the traditional design-bid-build approach, under which the SFMTA would procure each phase of the Project under separate contracts. The SFMTA would procure separately the design, finance, construction, and long-term maintenance services required for the joint development aspects of the Project and therefore be responsible for the integration of these services and project phases.

The SFMTA would be at risk for potential for cost overruns, schedule delays associated with lack of coordination between the Project's various designers, builders, and facility maintenance contractors. The private housing development by itself would make this impractical, as the City (much less the SFMTA) does not develop housing without partnerships with private developers.

The joint development procurement method is more appropriate for a project of the scale, uniqueness, and complexity of the Project. A joint development partner would provide expertise in delivering a project of this scale and complexity in a timely manner and would unlock funding sources and financial flexibility that would not be available to a standard public infrastructure project.

FUNDING IMPACT

There is no immediate funding impact related to this calendar item. Staff believe the joint development procurement method will ultimately provide savings to the SFMTA in both project cost and schedule adherence.

The project specific ordinance will allow for the possibility of issuing a stipend to the shortlisted firms that are not selected. The purpose of a stipend would be to defray the cost of responses to the RFP including extensive conceptual design work. This could, in turn, encourage more thoughtful, compelling responses from the shortlisted proposers. The project specific legislation will specify that the decision to issue stipends would be made by the Director of Transportation, subject to the Director's budget authority. The Director would therefore determine whether the cost of a stipend would be outweighed by its potential benefits in terms of proposal quality.

ENVIRONMENTAL REVIEW

On March 13, 2020, the SFMTA, under authority delegated by the Planning Department, determined that Project-Specific Legislation for the Potrero Yard Modernization Project is not a "project" under the California Environmental Quality Act (CEQA) pursuant to Title 14 of the California Code of Regulations Sections 15060(c) and 15378(b).

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

OTHER APPROVALS RECEIVED OR STILL REQUIRED

The City Attorney's Office has reviewed this calendar item.

The Board of Supervisors will consider approval of the project-specific legislation for the Project in

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the summer of 2020.

RECOMMENDATION

Staff recommends authorizing the SFMTA to use a joint development procurement method for the Potrero Yard Modernization Project; and authorizing the Director of Transportation to seek approval from the Board of Supervisors for a Project-specific ordinance to implement the joint development procurement method in a manner that is most efficient for the Project.

SAN FRANCISCO
MUNICIPAL TRANSPORTATION AGENCY
BOARD OF DIRECTORS

RESOLUTION No. _____

WHEREAS, The Potrero Yard Modernization Project (Project) includes the simultaneous development and construction of a modern bus storage and maintenance facility with multi-family housing constructed above the facility; and,

WHEREAS, The San Francisco Municipal Transportation Agency (SFMTA) will deliver the Project under its Building Progress Program and consistent with the citywide Public Land for Housing initiative, which encourages joint development opportunities for housing on public sites; and,

WHEREAS, Based on the Project's public and private features, staff have determined it is appropriate and in the City's best interest to deliver the Project utilizing a joint development procurement method; and,

WHEREAS, The joint development solution provides for a single point-of-responsibility for managing project complexity and contractors (e.g., design-build contractors, maintenance contractors for private housing development), financing, and successfully delivering the Project; and,

WHEREAS, The SFMTA has partnered with the Department of Public Works to deliver the Project and plans to issue a Request for Qualifications and subsequent Request for Proposals to procure the services of a joint development partner.

WHEREAS, The SFMTA requires a project-specific ordinance from the Board of Supervisors because existing authority to utilize the joint development procurement method does not currently exist in the Administrative Code.

WHEREAS, The project-specific ordinance is required before the SFMTA and Department of Public Works issue the RFP for the joint development services in the summer of 2020.

WHEREAS, In November 2019 a project application for the Project was submitted to the San Francisco Planning Department to initiate environmental review of the Project under the California Environmental Quality Act (CEQA); and,

WHEREAS, On March 13, 2020, the SFMTA, under authority delegated by the Planning Department, determined that Project Specific Legislation for Potrero Yard Modernization Project is not a "project" under the CEQA pursuant to Title 14 of the California Code of Regulations Sections 15060(c) and 15378(b); and,

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

RESOLVED, That the SFMTA Board of Directors authorizes the SFMTA to use a joint development procurement method for the Potrero Yard Modernization Project; and be it further

RESOLVED, That the SFMTA Board of Directors authorizes the Director of Transportation to seek approval from the Board of Supervisors for a Project-specific ordinance to implement the joint development procurement method in a manner that is most efficient for the Project.

I certify that the foregoing resolution was adopted by the San Francisco Municipal Transportation Agency Board of Directors at its meeting of April 7, 2020.

Secretary to the Board of Directors
San Francisco Municipal Transportation Agency