375 Beale Street, Suite 800
San Francisco, CA 94105

Meeting Agenda

SB 63 Financial Efficiency Review Independent Oversight Committee

Friday, April 17, 2026 | **10:00 AM** | **Board Room - 1st Floor**

The SB 63 Financial Efficiency Review Independent Oversight Committee meeting is scheduled to take place at 10:00 a.m.

Meeting attendees may opt to attend in person for public comment and observation at 375 Beale Street, Board Room (1st Floor). In-person attendees must adhere to posted public health protocols while in the building. The meeting webcast will be available at https://mtc.ca.gov/whats-happening/meetings/live-webcasts. Members of the public are encouraged to participate remotely via Zoom at the following link or phone number.

Attendee Link: https://bayareametro.zoom.us/j/86459299780T
iPhone One-Tap: US:
+16699006833,,86459299780# US (San Jose)
+14086380968,,86459299780# US (San Jose)
Join by Telephone (for higher quality, dial a number based on your current location) US:
888 788 0099 (Toll Free) or 877 853 5247 (Toll Free)
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All standing committee meeting agendas may also be accessed on
MTC's website here: https://mtc.ca.gov/meetings-events
On Legistar here: https://mtc.legistar.com/Calendar.aspx
Detailed instructions on participating via Zoom are available at:
https://bayareametro.zoom.us/u/kdR1hznEgA
https://mtc.ca.gov/how-provide-public-comment-board-meeting-zoom

Members of the public may participate by phone or Zoom or may submit comments by email at info@bayareametro.gov by 5:00 p.m. the (business) day before the scheduled meeting date. Please include the committee or board meeting name and agenda item number in the subject line. All comments received will be submitted into the record.
Clerk: Kimberly Ward

Roster:
Teresa Calvert*, Jeff Gee, James Hacker*, Steve Heminger, Melissa Hernandez, Debra Johnson, Murphy McCalley, Sue Noack, Ben Rosenfield, Lou Thompson, Nancy Whelan
***Non-Voting**

1. Call to Order / Roll Call / Confirm Quorum

A quorum of the Committee shall be a majority of its voting members (5).

2. Chair's Report

3. Consent Calendar

3a. 26-0477 Approval of the draft Minutes of the March 6, 2026 meeting

Action: Committee Approval

Attachments: 3a_26-0477_March_6_2026_Draft_Meeting_Minutes.pdf

4. Presentation of Phase One Draft Report

4a. 26-0468 Presentation of Draft Phase One Financial Efficiency Review

Presentation of Draft Phase One Financial Efficiency Review. This analysis is required by Senate Bill (SB) 63 as a deliverable of the Financial Efficiency Review (FER). The Financial Efficiency Review Independent Oversight Committee (IOC) will review the analysis, ask questions, and provide initial feedback to the consultant team.

Action: Committee Action

Presenter: Shruti Hari and Amy Pettine, or Stephen Newhouse (Nelson/Nygaard Consultant Team)

Attachments: 4a_26-0468_1_Summary_Sheet_Phase One_Draft_Financial_Efficiency_Revie

4a_26-0468_2_Attachment_A_Draft_Phase_One_Financial_Efficiency_Review

4a_26-0468_3_Attachment_B_Presentation_Oversight_Committee_

4a_26-0468_4_Attachment_C_Comments_Received.pdf

5. Public Comment / Other Business

*Remote attendees participating by Zoom wishing to speak should use the "raise hand" feature or dial *9. When called upon, unmute yourself or dial *6.*

6. Adjournment / Next Meetings:

The next meeting of the SB 63 Financial Efficiency Review Independent Oversight Committee is scheduled to be held on a date and time to be duly noticed to the public.

Public Comment: The public is encouraged to comment on agenda items at Committee meetings by completing a request-to-speak card (available from staff) and passing it to the Committee secretary. Public comment may be limited by any of the procedures set forth in Section 3.09 of MTC's Procedures Manual (Resolution No. 1058, Revised) if, in the chair's judgment, it is necessary to maintain the orderly flow of business.

Meeting Conduct: If this meeting is willfully interrupted or disrupted by one or more persons rendering orderly conduct of the meeting unfeasible, the Chair may order the removal of individuals who are willfully disrupting the meeting. Such individuals may be arrested. If order cannot be restored by such removal, the members of the Committee may direct that the meeting room be cleared (except for representatives of the press or other news media not participating in the disturbance), and the session may continue.

Record of Meeting: Committee meetings are recorded. Copies of recordings are available at a nominal charge, or recordings may be listened to at MTC offices by appointment. Audiocasts are maintained on MTC's Web site (mtc.ca.gov) for public review for at least one year.

Accessibility and Title VI: MTC provides services/accommodations upon request to persons with disabilities and individuals who are limited-English proficient who wish to address Commission matters. For accommodations or translations assistance, please call 415.778.6757 or 415.778.6769 for TDD/TTY. We require three working days' notice to accommodate your request.

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Acceso y el Titulo VI: La MTC puede proveer asistencia/facilitar la comunicación a las personas discapacitadas y los individuos con conocimiento limitado del inglés quienes quieran dirigirse a la Comisión. Para solicitar asistencia, por favor llame al número 415.778.6757 o al 415.778.6769 para TDD/TTY. Requerimos que solicite asistencia con tres días hábiles de anticipación para poderle proveer asistencia.

Attachments are sent to Committee members, key staff and others as appropriate. Copies will be available at the meeting.

Metropolitan Transportation Commission

375 Beale Street, Suite 800
San Francisco, CA 94105

Legislation Text

File #: 26-0477, **Version:** 1

Subject:
Approval of the draft Minutes of the March 6, 2026 meeting

Recommended Action:
Committee Approval

375 Beale Street, Suite 800
San Francisco, CA 94105

Meeting Minutes

SB 63 Financial Efficiency Review Independent Oversight Committee

Friday, March 6, 2026	10:30 AM	Temazcal Conference Room

Roster:
Teresa Calvert*, Jeff Gee, James Hacker*, Steve Heminger, Melissa Hernandez, Debra Johnson, Murphy McCalley, Sue Noack, Ben Rosenfield, Lou Thompson, Nancy Whelan
***Non-Voting**

Sue Noack called the meeting to order at 10:32 a.m.

1. Call to Order / Roll Call / Confirm Quorum

Present: 9 - Committee Member Gee, Committee Member Heminger, Committee Member Hernandez, Committee Member Johnson, Committee Member McCalley, Committee Member Noack, Committee Member Rosenfield, Committee Member Thompson and Committee Member Whelan

Non-Voting Committee Members Present: Committee Member Calvert and Committee Member Gee

2. 26-0307 Welcome and Introductions

Overview of the Sente Bill (SB) 63 Financial Efficiency Review (FER) Independent Oversight Committee (IOC)'s responsibilities and proposed meeting schedule

Action: Information

Presenter: Andrew Fremier, Executive Director and Sue Noack, MTC Chair

3. 26-0308 Introduction to SB 63 and the Financial Efficiency Review

Brief introduction to Senate Bill (SB) 63 and the Financial Efficiency Review (FER), including introduction of independent consultant leading the study, project timeline, scope of work of Phase One of the Financial Efficiency Review, and role of the Financial Efficiency Review Independent Oversight Committee (IOC).

Action: Information

Presenter: Shruti Hari, MTC Staff and Stephen Newhouse, Nelson Nygard

Sebastian Petty (SPUR) was called to speak during public comment for agenda item 3.

4. 26-0309 Election of Chair and Vice Chair

Nomination and Election of the Chair and Vice Chair of the SB 63 Financial Efficiency Review Independent Oversight Committee

Action: Committee Approval

Presenter: Shruti Hari, MTC Staff

Upon the motion by Committee Member Gee and seconded by Committee Member Hernandez, the Committee unanimously nominated Sue Noack to serve as Chair effective immediately. The motion carried by the following vote:

Aye: 9 - Committee Member Gee, Committee Member Heminger, Committee Member Hernandez, Committee Member Johnson, Committee Member McCalley, Committee Member Noack, Committee Member Rosenfield, Committee Member Thompson and Committee Member Whelan

Upon the motion by Committee Member Noack and seconded by Committee Member Thompson, the Committee unanimously nominated Jeff Gee to serve as Vice Chair effective immediately. The motion carried by the following vote:

Aye: 9 - Committee Member Gee, Committee Member Heminger, Committee Member Hernandez, Committee Member Johnson, Committee Member McCalley, Committee Member Noack, Committee Member Rosenfield, Committee Member Thompson and Committee Member Whelan

5. Public Comment / Other Business

6. Adjournment / Next Meetings:

The next meeting of the SB 63 Financial Efficiency Review Independent Oversight Committee is scheduled to be held on a date and time to be duly noticed to the public.

375 Beale Street, Suite 800
San Francisco, CA 94105

Metropolitan Transportation Commission

Legislation Text

File #: 26-0468, **Version:** 1

Subject:
Presentation of Draft Phase One Financial Efficiency Review

Presentation of Draft Phase One Financial Efficiency Review. This analysis is required by Senate Bill (SB) 63 as a deliverable of the Financial Efficiency Review (FER). The Financial Efficiency Review Independent Oversight Committee (IOC) will review the analysis, ask questions, and provide initial feedback to the consultant team.

Presenter:
Shruti Hari and Amy Pettine, or Stephen Newhouse (Nelson/Nygaard Consultant Team)

Recommended Action:
Committee Action

SB 63 Financial Efficiency Review Independent Oversight Committee

April 17, 2026 **Agenda Item 4a - 26-0468**

Presentation of Draft Phase One Financial Efficiency Review

Subject:

Presentation of Draft Phase One Financial Efficiency Review. This analysis is required by Senate Bill (SB) 63 as a deliverable of the Financial Efficiency Review (FER). The Financial Efficiency Review Independent Oversight Committee (IOC) will review the analysis, receive the presentation, ask questions, and provide feedback and/or direction to the consultant team.

Background:

The Legislature passed Senate Bill 63 (Wiener/Arreguín) in 2025. Also known as the Connect Bay Area Act, the bill established the Public Transit Revenue Measure District (the "District"), with a jurisdiction covering Alameda, Contra Costa, San Francisco, San Mateo and Santa Clara counties and authorized placement of a regional sales tax measure on the November 2026 ballot in these counties that would raise new revenue for public transit. The District may impose a retail transactions and use tax ordinance applicable to the entire district for a duration of 14 years, in an amount of 0.5% in each of the counties located within the district and 1% in the City and County of San Francisco, subject to voter approval. An independent signature-gathering effort is underway to place the measure on the November 2026 ballot via a petition.

If the proposed measure qualifies for the ballot and is approved by voters, proceeds from the sales tax would be transferred to transit agencies within the District for specified public transit expenses. The measure is intended to prevent major service cuts on AC Transit, BART, Caltrain, and SF Muni, which are facing combined budget deficits of more than $800 million per year starting in fiscal year 2026–27. It would also fund improvements to the transit rider experience.

SB 63 includes provisions aimed at ensuring accountability to taxpayers, transit riders, and local government partners through various mechanisms including the establishment of a Financial Efficiency Review Independent Oversight Committee appointed by MTC and comprised of independent experts, transit agency board members and an MTC Commissioner (either the chair or their designee). The Independent Oversight Committee is charged with overseeing a Financial

Efficiency Review of subject transit operators, including AC Transit, BART, Caltrain, and SF Muni, who will receive funds from the District.

SB 63 Financial Efficiency Review

Responsibilities of the Metropolitan Transportation Commission ("Commission") The Commission is tasked with contracting with and managing a third-party consultant to conduct the financial efficiency review of subject operators and nominating four independent experts to this body. The Commission is also charged with transmitting the Final Phase One analysis report to the subject transit operators, the legislature, the California State Transportation Agency, and each participating county transportation agency, following the IOC's adoption.

Financial Efficiency Review (FER) Scope of Work Subject operators must undergo a two-phase, third-party financial efficiency review overseen by the IOC. Phase One must be completed by summer 2026, and includes the requirement that the subject operators named above must identify the specific strategies in the adopted Final Phase One analysis that they commit to implementing. The operators shall adopt those strategies as formal policy or budget actions, as applicable, by July 1, 2026. Phase Two of the analysis would only be completed in the event of a voter-approved measure.

Phase One requires identification of cost savings measures implemented by the operators since January 2020, early action strategies to assist operators in delivering enhanced service and customer experience with existing resources, and an inventory of real property assets and analysis of potential redevelopment opportunities. The IOC's statutory responsibilities apply to Phase One currently, and would extend to Phase Two only if the measure is approved.

Phase Two is more comprehensive and is expected to be completed in spring 2028, contingent upon voter approval of the revenue measure. It requires identification of a menu of cost-saving measures that, if implemented, would reduce one-time and ongoing fixed and variable costs, as well as a comprehensive regional assessment of development and financing strategies to maximize the value of each operator's real property assets.

Project Timeline Phase One of the FER is continuing to progress on an expedited timeline in accordance with the schedule established in SB 63. The consultant transmitted the Draft Phase

One analysis by the deadline of April 1. The Draft Phase One analysis was made available to the public and the IOC in advance of today's meeting. The IOC is meeting on April 17 to discuss feedback on the draft report. The consultant will then revise the report, and it will be brought back to the IOC for consideration and potential adoption in mid-May 2026. MTC will then transmit the adopted analysis to the subject operators, the Legislature, the California State Transportation Agency and the counties included in SB 63. Governing boards of each subject operator will have until July 1, 2026 to adopt measures identified in the Final Phase One report for implementation.

Findings from Phase One Analysis The Draft Phase One Financial Efficiency Review report details a total of more than $1 billion in operating cost savings achieved by SFMTA, BART, AC Transit and Caltrain since FY2019-2020, largely through workforce adjustments, service reductions, and revamped investment policies. The draft report also recommends several near-term strategies for delivering increased or improved service and enhanced customer experiences with existing resources. These include reconsidering the timeline for a transition to zero-emission bus fleets; reducing barriers to fare payment for new customers by beefing up employer- and institution-sponsored transit pass programs; assessing scheduling efficiencies; implementing more transit-priority projects on local streets to provide faster and more reliable speeds for buses and streetcars; and boosting non-farebox revenues via parking fees, leasing fiber and other communications assets, and capturing regenerative braking credits.

Looking farther ahead, the Draft Phase One analysis highlights the transit agencies' opportunities to capitalize on their real estate assets — including through joint ventures with development firms — to deliver more long-term value through lease revenue and ridership growth.

Next Steps

A final meeting of the Oversight Committee to consider adoption of the Final Phase One analysis will take place in mid-May 2026. Subject operators have until July 1, 2026 to adopt early action strategies from the Final Phase One analysis.

The Commission will undertake the Phase Two analysis if voters approve an SB 63-enabled regional transit sales tax measure in November. This multi-year Phase Two analysis requires a

deeper evaluation of cost structures and strategies to support financial sustainability. A second phase also will be subject to review and final approval of the Financial Efficiency Review Independent Oversight Committee.

Recommendations:

Receive presentation, ask questions, and provide feedback and/or direction to the Consultant on the Draft Phase One Financial Efficiency Review.

Attachments:

- Attachment A: Draft Phase One Financial Efficiency Review March 2026
- Attachment B: Presentation
- Attachment C: Comments Received Before 5:00pm on April 10, 2026
  (Comments received after this date through 5:00 pm on April 16 will be provided at the April 17, 2026 meeting.)

Andrew B. Frenier

FINANCIAL EFFICIENCY REVIEW

MTC DRAFT REPORT

March 31, 2026

Prepared By: Nelson\Nygaard Consultant Team

NELSON
NYGAARD

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EXECUTIVE SUMMARY

On January 1, 2026, Senate Bill 63 (SB 63) established a regional framework to help address the Bay Area's ongoing transit operating funding challenges. The legislation established the Public Transit Revenue Measure District and authorized a regional transportation sales tax to be placed on the November 2026 ballot across five Bay Area counties to support transit operations.

SB 63 requires the Metropolitan Transportation Commission (MTC) to conduct a two-phase Financial Efficiency Review of four of the region's largest transit agencies: AC Transit, BART, Caltrain, and SFMTA. This first phase of analysis describes cost-saving measures taken by the transit agencies since 2020; identifies near-term opportunities to deliver increased or improved services and enhanced customer experiences with existing resources; and identifies real estate development opportunities that could increase revenue or ridership. A second, more detailed phase of analysis will be initiated if a regional ballot measure is approved by voters.

The report finds that transit agencies have undertaken numerous cost-saving and revenue-enhancing measures in response to economic pressures and shifts in travel demand during and after the COVID-19 pandemic. Between fiscal years 2020-2025 (July 1, 2019 – June 30, 2025):

- **AC Transit achieved almost $200 million in operating cost savings,** primarily through service adjustments and improved management of variable operating costs.
- **BART achieved $516 million in operating cost savings** through a combination of service reductions, workforce controls, and operational efficiencies. They also deferred or scaled back capital investments.
- **Caltrain achieved more than $76 million in operating cost savings**, primarily through workforce controls, service optimization, and operating efficiencies.
- **SFMTA achieved nearly $302 million in operating cost savings**, driven by workforce reductions, adjustments to service levels. They also deferred or scaled back capital investments.

Transit agencies continue to look for ways to deliver more or better service and enhance customer experience using existing resources. Some early action strategies are within agencies' direct control, particularly decisions related to workforce levels, service levels, and non-tax revenues. Other strategies are outside of their control.

Finally, the report finds that transit agencies' real estate assets, including through joint development, can provide long-term value through lease revenue, ridership growth, and broader community benefits, but their potential varies substantially across agencies. Operational, regulatory, and market constraints limit near-term development, meaning real estate typically provides only a small share of operating budgets. Consequently, joint development is a long-term opportunity rather than an immediate fix for operating deficits. Success requires clear policies, staff capacity, and supportive zoning. When aligned with market conditions, real estate serves as an effective long-term tool for value capture, strengthening both transit and the community.

INTRODUCTION

Context

Senate Bill 63 (SB 63) became effective January 1, 2026, and establishes a regional framework to help address the Bay Area's ongoing transit operating funding challenges. The legislation established the Public Transit Revenue Measure District and authorized a regional transportation sales tax to be placed on the November 2026 ballot across five Bay Area counties to support transit operations. SB 63 requires the Metropolitan Transportation Commission (MTC) to conduct a Financial Efficiency Review of four of the region's major transit agencies: AC Transit, BART, Caltrain, and SFMTA (herein referred to as the 'transit agencies'). The legislation directs MTC to retain a third-party consultant to assess the financial efficiency of these agencies and recommend ways to further improve efficiency with available resources.

Purpose of Report

This report fulfills Phase 1 of the SB 63 legislation. It provides an objective and independent assessment prepared by Nelson\Nygaard and our consulting partners of:

Cost-saving measures implemented by the transit agencies between July 1, 2019 and June 30, 2025[1]

Early action strategies that would assist the transit agencies in delivering increased or improved service and provide enhanced customer experience with existing resources

Inventory of existing property holdings of each transit agencies and identification of redevelopment opportunities. Establishing this baseline is essential for informed policymaking and for defining the region's next steps under SB 63, should a new funding measure by approved by the voters in November 2026.

Phase 1 Scope

Phase 1 describes the measures taken by the transit agencies to control costs since July 1, 2019 and identifies early action strategies for additional cost-savings or service enhancements. Phase 1 also documents the nature and extent of current real estate assets and highlights sites with redevelopment potential that could help strengthen agency financial positions or advance regional housing and land use objectives.

This report does not include cost-saving strategies that require new revenue, major service changes, changes to labor agreements, long-term restructuring, expanded authority, or detailed development

[1] SB 63 stipulates that the report shall identify cost-saving measures implemented since January 1, 2020. This report relies on data commonly reported by fiscal year. As a result, the first year of the reporting period in this report is July 1, 2019 to June 30, 2020.

feasibility assessments. These areas—including deeper analysis of redevelopment opportunities—are reserved for Phase 2. Phase 2 of the study would be initiated if a regional ballot measure is approved by the voters and would hold transit agencies accountable to finding additional efficiencies and savings as a condition of continued financial support. As outlined in SB 63, Phase 2 would identify broader improvements and investments that could be pursued with new funding authorized under SB 63. This report does not analyze any cuts, reductions, or financial restructuring that may be necessary should a measure not be approved by the voters.

Figure 1: Map of Bay Area Transit Service Area

Summary of Agency Cost-Saving Measures

Key Terms and Concepts

This report uses several terms and concepts to frame, describe, and organize transit costs, revenues, and cost-savings actions and strategies during the reporting period. This section provides an overview of these concepts and what the report focuses on to align with the reporting requirements of SB 63.

Costs

Running a transit system involves a wide range of expenses that are essential to keeping service safe, reliable, and available when people need it. While each agency has its own structure and priorities, most transit costs fall into two common categories: capital costs and operating costs.

	Capital costs are large, one-time investments to buy, build, or renew transit vehicles and infrastructure that form the backbone of any transit system.
	Operating costs are the ongoing, day-to-day expenses needed to run transit services, including staff, energy, maintenance, and administration.

Capital Costs

These are major, long-term investments in physical assets and systems that keep a transit network functional over decades:

- Purchasing and replacing buses, trains, paratransit vehicles, and support vehicles.
- Building or renovating stations, maintenance facilities, tracks, power stations and wiring, or other infrastructure.
- Funding major rehabilitation.

Operating Costs

These are the day-to-day expenses required to run a transit service. Common operating costs include:

- Wages and benefits for drivers, mechanics, dispatchers, security, and administrative staff.
- Fuel, electricity, or other energy needed to operate the fleet.
- Maintenance such as cleaning, inspections, and minor repairs.
- System administration, customer service, planning, and scheduling.

It is important to note that the line between capital and operating costs is not always clearcut. In practice, agencies make intentional decisions about which expenses to treat as capital versus operating, and these decisions can vary depending on internal policy, accounting practices, or

guidance from funders and regulators such as the Federal Transit Administration (FTA). As a result, some costs that might appear operational can be capitalized, and vice versa, depending on circumstances and eligibility rules.

Revenues

Transit agencies rely on multiple revenue streams to cover or offset the impact of costs required to operate and deliver transit services. These include: public funds, fares, and all other revenue.

	Public funds are tax revenues collected by federal, state, and local governments and directed to transit through laws, voter-approved measures, or budget decisions.
	Fares are the payments riders make to use transit services, such as single rides, passes, or stored-value cards.
	All other revenues are income that transit agencies generate from non-fare, non-tax sources, such as advertising, leasing space, parking, or special services.

Public Funds

Public funds are federal, state, and local taxes that support transit systems. Some public funds are dedicated to transit, such as special-purpose funding measures. Other public funds are allocated to transit through budgetary decisions or formula programs, like most federal grants or local fund contributions.

Transit, like highways and local roads, is a public service that relies on public funds to operate and maintain the system.

At the federal level, transit agencies receive substantial support through formula and discretionary grant programs. These funds primarily support capital investments. In some cases, they are available for operating assistance.

In California, the most common statewide sources include the Transportation Development Act (TDA) and the State Transit Assistance (STA) program. The TDA allocates a quarter-cent of the statewide sales tax to local transportation funds that primarily support transit operations. The STA program is funded by the diesel sales tax and provides formula-based operating and capital support. California also generates transit revenue through Senate Bill 1 (SB 1) fuel taxes and vehicle fees, which fund operations, capital investments, and State of Good Repair needs.

In the Bay Area, counties and cities have adopted dedicated transportation sales taxes, parcel taxes, and other voter-approved measures that directly fund transit service, operations, and major capital projects. Local agencies may also provide general fund contributions to transit operators, such as San Francisco, where city resources supplement dedicated funding streams.

Fares

Fares are the money collected directly from riders through single ride fares, passes, and stored value payment systems. The portion of transit operating costs covered by riders is commonly expressed as a farebox recovery ratio. In 2024, transit agencies nationwide recovered approximately 17% of operating costs from fares on average, meaning that roughly $0.17 of every $1 in operating expenses was paid by riders. Farebox recovery varies significantly across agencies and modes. Higher-ridership commuter and rail services often achieve 20–50% or higher recovery, while local bus and demand-response services typically fall in the 5–20% range, reflecting differences in service design, ridership density, and policy objectives.

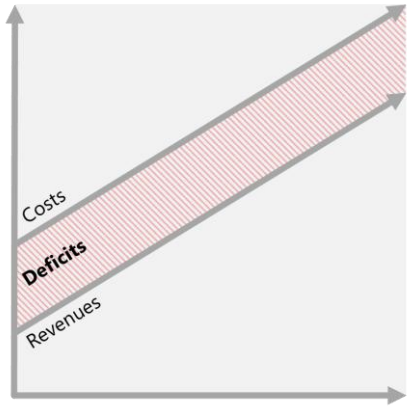
All Other Revenues

Transit agencies also earn revenue through their own business activities. These include advertising, leases for retail or commercial space, parking fees, and payments for special services like operating extra service for special events. In some cases, agencies also receive contributions from developers or benefit from value capture arrangements tied to new development near transit.

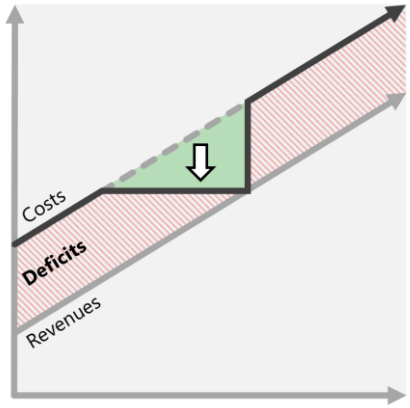
Cost-Saving Actions

Transit agencies can carry out a range of actions or decisions to reduce or manage their costs. This report groups cost-savings the transit agencies put in place during the reporting period into the following categories:

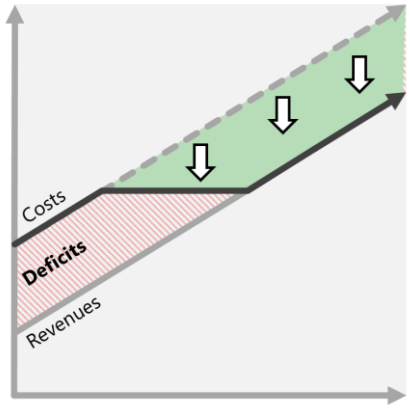
Figure 2 Categorization of Cost-Management Strategies for Transit Agencies



Existing conditions: Costs exceed revenues, yielding a deficit.

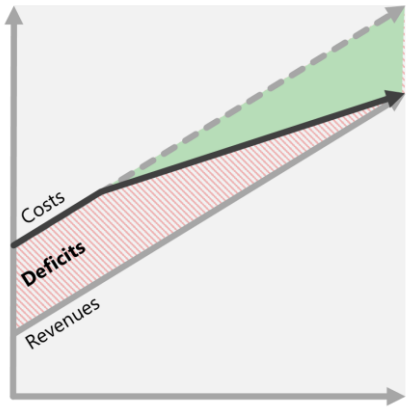


One-time cost reductions: Temporary reductions in costs that are expected to revert in a subsequent year (e.g., temporary operating cost relief).

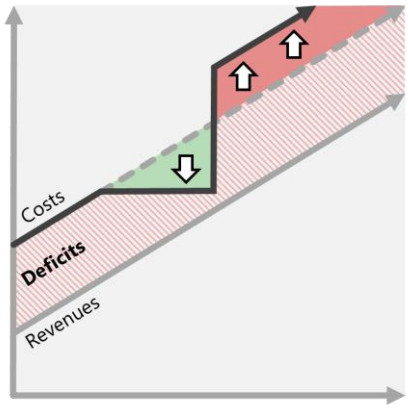


Cost avoidance: Actions that prevent foregone costs by modifying planned expenditures to achieve lower future costs (e.g., re-scoping a renewal to reduce future contract value).

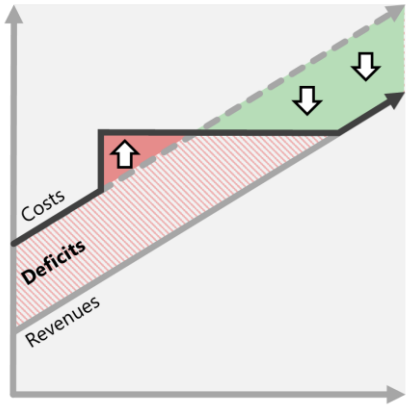
On-going cost reductions: Permanent reductions in costs arising from discontinued or restructured services or activities, persisting in all future years unless restored.



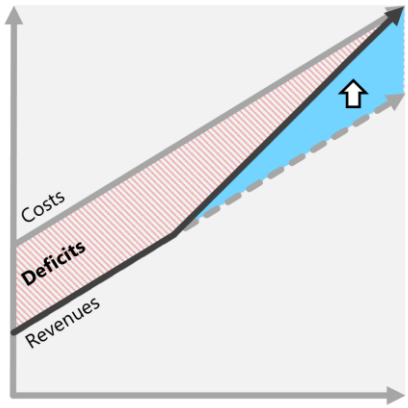
Cost deferral: Delaying a cost to a future year to balance budgetary pressures, while accepting risks that deferral my yield higher future costs (e.g., delaying rail track maintenance, bus engine replacements, software updates/replacement, etc.)



Expenses to reduce future costs: Capital or operating investments intended to yield lower operating costs or higher revenues over time (e.g., fare collection devices improving compliance and fare revenue collection)

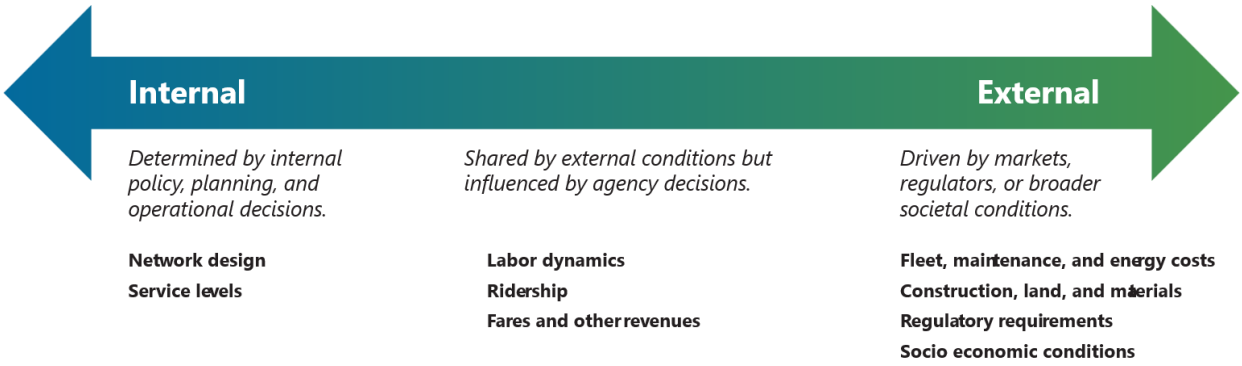


New revenue: Adjusting levels of existing revenue sources (e.g., increasing fares) or creating new sources of revenue to offset costs.



Factors Influencing Transit Agency Costs, Revenues, and Cost-Savings Approaches During Reporting Period

A transit agency's costs and revenues are influenced by a range of factors that fall along a spectrum – from those that are largely within the agency's direct control to those primarily shaped by external conditions.



At one end of the spectrum are factors that are primarily determined through agency policy, planning, and operational decisions, such as:

- **Network design:** The size and configuration of the system, including the number of routes, geographic coverage, and how services connect.
- **Service levels:** The amount and frequency of service provided, which directly affects workforce requirements, fleet needs, energy use, and maintenance activity.

At the other end of the spectrum are factors that are largely driven by market conditions, regulatory frameworks, and broader social trends over which agencies have limited direct influence, such as:

- **Fleet, maintenance, and energy costs:** Prices for vehicles, parts, fuel, and electricity that reflect supply chain dynamics and energy markets.
- **Construction, land, and materials:** Real estate values and construction cost inflation that affect capital programs.
- **Regulatory requirements:** Safety, accessibility, environmental, and maintenance standards that may require additional staffing, training, or equipment.
- **Socio-economic conditions:** Broader social factors, such as homelessness, vandalism, and theft, that can increase demand for security, cleaning, and related operating responses.

Between these ends of the spectrum are factors shaped by external conditions but also influenced by agency decisions, such as:

- **Labor dynamics:** Wages, benefits, and work rules for the frontline workforce, reflecting both labor market conditions and agency-specific agreements.
- **Ridership:** The number of passengers using the system, influenced by travel behavior, land use, and service design, with direct implications for fare revenue.
- **Fares and other revenues:** Income generated from fares and other sources such as advertising, parking, and special services, shaped by agency pricing policies and market demand.

While these factors shape transit costs and revenues on an ongoing basis, the reporting period was marked by several system-wide events that significantly altered these dynamics. Within this broader context, three major events during the reporting period had an outsized influence on transit costs, revenues, and the cost-saving measures agencies put in place.

COVID-19 Pandemic (2020-2022)

Before the pandemic, regional population and job growth was driving many transit agencies to expand service and make large capital investments. The pandemic disrupted this trend, requiring agencies to adjust service, operations, and financial strategies. According to the Federal Transit Administration, transit ridership in the US fell more than 80% between April 2019 and April 2020. In response, 97% of agencies cut service[2].

Though many cities have identified and addressed the need for public transportation to achieve sustainable mode share and environmental goals, the effects and restrictions of COVID-19 caused many transportation agencies, particularly in the United States, to make significant alterations to pre-pandemic long-term transportation plans and goals. These issues have been compounded by the pandemic's influence on traveler behaviors and preferences.

Sharp **ridership and fare revenue losses**, severely weakening agency finances, especially those with high farebox revenue levels.

New or increased **operating costs** related to cleaning, sanitation, and service adjustments for public health requirements.

Workforce instability, with agencies delaying layoffs or furloughs amid unclear recovery timelines.

Emergency federal and state emergency funding temporarily stabilized agency budgets, allowing transit agencies to sustain essential service and retain staff despite significant revenue losses. These relief funds also included reporting, compliance, and eligibility requirements that agencies needed to incorporate into their financial and operational decisions. In some cases, provisions related to workforce retention, service levels or eligible uses of funds influenced the pace and scope of cost containment actions or service restructuring during a period of rapidly changing travel demand.

Although the federal public health emergency declaration ended in May 2023, this report distinguishes the period of post-pandemic inflation that spiked in 2022.

[2] National Transit Database. Of the 518 agencies that report data to the NTD, 97% reported cutting service.

Post-Pandemic Inflation & Challenges (2022-2025)

In 2022, transit agencies entered a post-pandemic period of elevated inflation. In California, inflation rose sharply from historically modest levels—about 1% in 2020—to a peak near 8% in 2022, before gradually moderating to roughly 3% by 2024–2025. This surge altered transit cost in several ways:

Rapid inflation, rising from **1% to 8%** increased cost pressures as emergency funding declined.

- Operating and capital costs increased across the board, including fuel, utilities, vehicle parts, contracted services, and construction.
- Construction inflation outpaced general CPI, intensifying pressure on capital programs.
- Labor costs rose as higher household expenses drove wage expectations upward.

Even as inflation cooled, overall price levels remained well above pre-pandemic norms. In California, the Consumer Price Index averaged about 285 in 2020, compared to approximately 352 by 2025 meaning that prices overall were more than 20% higher than in the pre-pandemic period.[3] As a result, although year-over-year inflation rates have moderated, transit agencies continue to face structural budget pressures embedded in a higher cost base. These conditions have made service planning, capital delivery, and long-term financial sustainability more challenging than under the pre-2020 "normal" operating environment.

In addition to inflation, transit agencies faced significant costs and operating pressures due to supply chain disruptions, materials shortages, and societal issues like crime and housing crises.

Post-Pandemic "New Normal" Travel Behavior (2022-2025)

Post-pandemic transit travel behavior in the Bay Area continues to impact and shape transit agency decisions regarding service. In 2025, average weekday transit ridership remains below pre-2020 levels—approximately 50–60% regionwide—with slower recovery on services historically oriented toward weekday peak-period work trips to centralized employment areas.[4] These conditions have reduced the peak passenger volumes that previously shaped service and fleet decisions.

Work-from-home and hybrid work arrangements continue to influence transit demand patterns. By early 2025, fully remote work had declined to approximately 11% of employees, while hybrid schedules accounted for about 63% of the workforce, with most employees working on site one to four days per week. The average employee now commutes about three days per week, resulting in fewer recurring weekday commute trips and less consistent peak-period demand.[5]

Transit use is now more evenly distributed across the day and week than before the pandemic. With fewer daily commute trips, a greater share of travel is associated with non-work purposes, including errands, services, and discretionary activities. Ridership has been relatively stronger during midday, evening, and weekend periods, while traditional weekday peaks remain comparatively subdued.[6]

These patterns have prompted agencies to balance legacy peak-focused service models with growing all-day demand and reassess how service span, frequency, and productivity are evaluated.

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[3] State of California – Employment Development Department

[4] Bay Area Council – Bay Watch 2025 Transit Tracker: https://www.bayareaeconomy.org/bay-watch/bay-watch-2024-transit-tracker/

[5] Bay Area Council – Bay Area Return to Office 2025 Report

[6] Bay Area Council – Tracking Bay Area Transit Recovery

Approach to Documenting Cost-Saving Actions and Estimating Impacts

The following information is provided for each transit agency to summarize cost-saving and revenue-related actions undertaken during the reporting period and to describe their overall impact on agency costs.

Agency Overview

An overview of each agency's size, service characteristics, and operating context is included to establish baseline conditions that influence operating costs and financial decisions. Agency characteristics were compiled from the Integrated National Transit Database (INTD) and the National Transit Database (NTD), which provide standardized, publicly available data on transit systems across the United States.

Total Costs and Revenues During the Reporting Period

A summary of total costs and revenues during the reporting period is provided for each agency. Financial information was sourced from published agency financial plans and related public documents. All amounts reflect actual reported costs and revenues, expressed in current dollars, and are organized by cost and revenue categories described earlier in this section. Note that actual capital costs are only provided for agencies where this information was readily available.

Cost-Saving Actions and Estimated Savings

A description of operating cost saving, capital cost saving, and revenue-related actions undertaken during the reporting period is provided for each agency based on information submitted by the agencies. Where available, estimates of cost savings or revenue impacts were also provided by the transit agencies. Reported actions and estimates were reviewed and organized by the consultant team using the categorization framework described earlier in this section. Note that this report does not include or report on actual capital costs and expenditures for each transit agency due to differences in how agencies define, track, and report capital costs over time. Capital investments are generally delivered through multi-year projects, with expenditures spread across planning, design, procurement, and construction phases, making it difficult to consistently attribute and compare capital costs on an annual basis.

Impact of Cost-Saving Actions on Costs During Reporting Period

An assessment of operating cost trends during the reporting period is provided for each agency, including the effects of inflation and cost-saving actions. A baseline operating cost profile was developed to represent expected costs without cost-saving measures, using historical cost trends and inflation adjustments. Actual operating costs are compared with inflation-adjusted costs and with the baseline scenario. These comparisons are presented graphically for each agency and illustrate how observed operating costs differed from expected trends without the cost-saving measures in place during the reporting period. Results reflect the combined effect of cost-saving actions and other cost management decisions, presented at an aggregate level.

Why Do Operating Costs Grow for a Transit Agency Even When Cost-Savings Measures Are in Place?

Transit costs often increase over time due to inflation and rising prices for core cost drivers such as labor, fuel, materials, and contracted services. Agencies must also continue operating, maintaining, and renewing assets to meet safety, reliability, and regulatory requirements, which places ongoing pressure on costs. As a result, cost-saving measures typically affect how costs grow relative to expected trends, rather than keeping total costs flat or declining year over year.

Operator Overview

Service Area Population
1.6 million people

Services Provided
Local Bus, Express Bus, Bus Rapid Transit, Paratransit

Annual Ridership (FY 2024-25)
40.7 million
(75% of FY2019)[1]

Annual Revenue Hours (FY-2024-25)
1.8 million
(86% of FY2019)[2]

Annual Revenue Miles[3] (FY 2024-25)
17.7 million
(85% of FY 2019)[4]

[1] Integrated National Transit Database
[2] MTC Shortfalls and Fair-Share Analysis.
[3] Integrated National Transit Database, Directly Operated services only.
[4] Revenue hours describe the time each vehicle operated in service, while revenue miles describe the distance each vehicle covered. Revenue hours and miles have recovered from the pandemic at similar rates.

AC Transit

Key Factors Shaping Costs and Cost Savings

Between 2020 and 2025, AC Transit undertook a deliberate restructuring of its service model rather than incremental restoration, combining temporary pandemic-era service reductions with longer-term network reform. High-cost peak and Transbay express services were curtailed, restructured, or discontinued, while some new local and crosstown routes were introduced to improve connectivity within a constrained budget. This approach culminated in Realign, a comprehensive bus network redesign implemented in 2025 that consolidated underperforming routes, introduced new services in select corridors, modified route terminals, and reset service frequencies to better match long-term operating capacity. No major system expansions were delivered during the period. Instead, AC Transit emphasized operational sustainability, deferred discretionary capital expansion, and focused on maintaining fleet and facilities while aligning ongoing service levels with expected funding.

Summary of Cost-Saving Actions and Impacts

- **AC Transit delivered almost $200 million in operating cost savings during the reporting period**. Annual operating savings grew steadily each year – from $14 million in 2019-20 to $40 million by 2024-25 – averaging approximately $33 million per year, indicating a sustained and cumulative cost-control effort rather than short-term reductions.
- **Cost savings were primarily generated through service adjustments and tighter management of variable operating costs**. Ongoing cost-reduction measures focused on reduced service levels (particularly during peak periods), lower overtime usage, workforce reductions through attrition, and decreased reliance on professional services, temporary labor, and contract maintenance. Additional savings were achieved through lower insurance premiums, reduced materials and inventory costs, and facility lease cost reductions.
- **Cost avoidance and deferrals were used strategically to manage near-term financial pressures**. In addition to direct savings, the agency implemented cost avoidance and deferral actions, including renegotiated service contracts, deferred studies and capital-adjacent initiatives, postponed staff training, and delayed select governance-related costs. These measures supported short-term fiscal stability while preserving core transit services, though some deferred costs may materialize in future periods.
- **Cost-saving measures offset a material share of inflationary pressure on operating expenses.** Although nominal operating costs increased due to broader inflation and labor market pressures, actual costs remained well below a "no cost-savings intervention" forecast, with avoided cost growth becoming more pronounced from FY22–23 onward—demonstrating that sustained cost-containment actions materially mitigated inflation-driven cost increases.

Table 1: AC Transit total costs and revenues for reporting period ($ millions YOE)

Fiscal Year	Operating Costs	Fares	Public Funds	All Other Revenue
2019-20	$457	$45	$420	$2.0
2020-21	$436	$13	$488	$2.5
2021-22	$488	$25	$497	$2.4
2022-23	$506	$30	$529	$2.2
2023-24	$552	$34	$546	$1.7
2024-25	$582	$33	$551	$2.1

Table 2: AC Transit cost-saving actions implemented during reporting period ($ millions YOE)

Cost-Saving Strategy	Amount ($ millions)
Cost Avoidance	**$12**
Reduced bus and paratransit service temporarily in response to Covid-19	$2.6
Reduced professional services costs (temporary)	$0.5
Renegotiated services contracts	$9.3
Cost Deferral	**$7.6**
Deferred major initiatives such as Rider Survey, major corridor studies, agreements to improve bus stops, fiber (communications) costs	$7.3
Deferred planned staff training in customer relations	$0.3
On-Going Cost Reductions	**$179**
Lower insurance premiums	$4.6
Reduced bank line of credit	$0.2
Reduced contract maintenance services	$0.6
Reduced costs in professional services (permanent)	$5.4
Reduced fuel budget	$1.7
Reduced inventory for PPE based on actual usage	$0.8
Reduced lease costs at Salesforce Transit Center	$2.1
Reduced materials costs	$0.3
Reduced overhead costs	$1.6
Reduced service levels permanently, especially express commuter bus services	$157
Reduced utilization of temporary labor	$4.5
Total Savings	**$199**

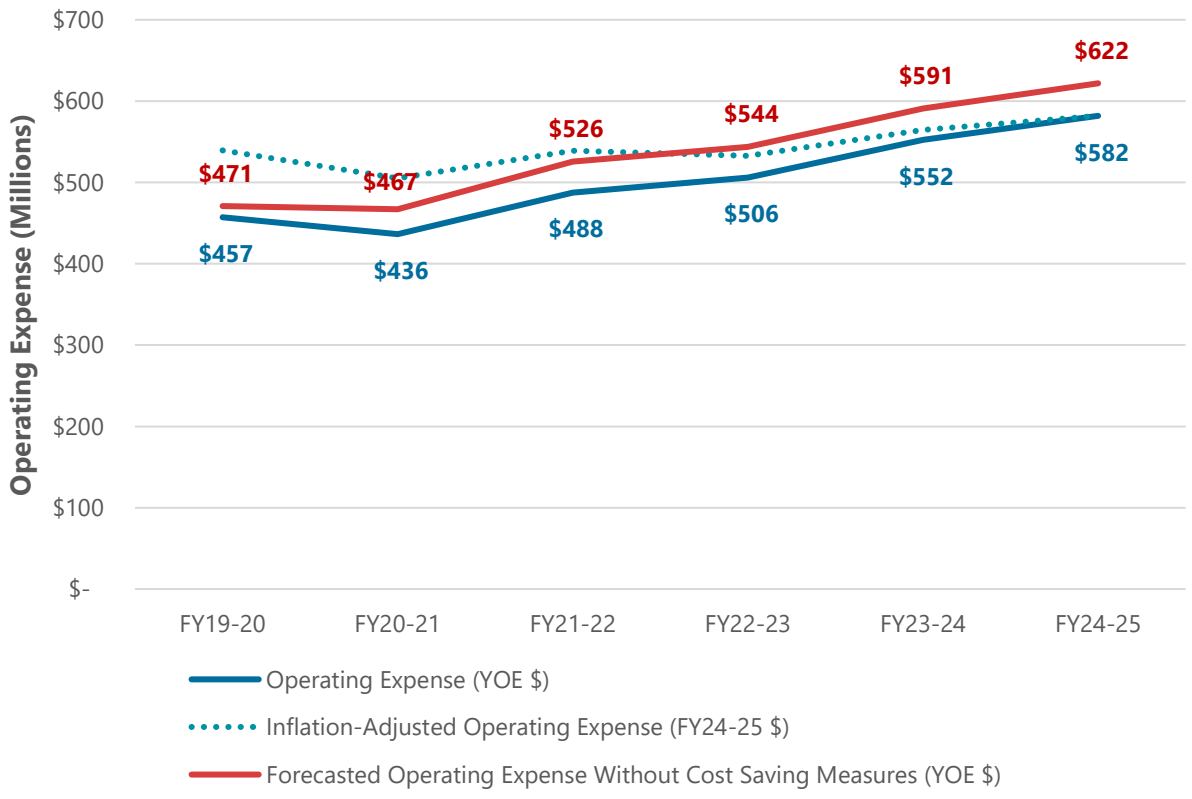
Table 3: AC Transit actions to enhance revenue for reporting period ($ million YOE)

Enhanced Revenue Strategy	Amount ($ millions)
Employer Program Revenues	$3.8
Increased fares	$4.1
Total Enhanced Revenues	**$7.9**

Table 4: Impacts of cost-saving actions implemented by AC Transit for reporting period ($ millions YOE)

Fiscal Year	Capital Cost Savings	Operating Cost Savings
2019-20	Not collected	$14
2020-21	Not collected	$31
2021-22	Not collected	$38
2022-23	Not collected	$38
2023-24	Not collected	$39
2024-25	Not collected	$40
Total	**Not collected**	**$199**

Figure 3: AC Transit operating costs, impacts of operating cost savings, and impacts of inflation during the reporting period ($ millions YOE)



Operator Overview

Service Area Population
3.5 million people[1]

Services Provided
Heavy Rail, Airport Monorail, Demand Response Paratransit

Annual Ridership (FY 2024-25)
58.4 million
(46% of FY2019)[2]

Annual Revenue Car Hours (CY 2024)
1.9 million
(85% of 2019)[3]

Annual Revenue Car Miles[4] (CY 2024)
73.2 million
(92% of 2019)[5]

[1] National Transit Database 2024 Agency Profile
[2] Integrated National Transit Database
[3] Integrated National Transit Database
[4] Car hours describes the time each rail car spent in service, while car miles describes the total number of miles each rail car traveled. Car miles decreased because BART shortened its trains, while car hours increased because of the service extension into Santa Clara County.
[5] Integrated National Transit Database

BART

Key Factors Shaping Costs and Cost Savings

From 2020 to 2025, BART combined system expansion with operational efficiencies, investment, and asset rehabilitation. Passenger service to Berryessa/North San José, funded entirely by VTA, began in 2020, adding new track and stations, and increased operating costs. Concurrently, BART implemented multiple service reductions and schedule restructurings, shortened train lengths, and formally developed contingency service plans involving potential line eliminations, early nightly shutdowns, and station closures if new funding is not secured. Major long-planned rehabilitation and modernization efforts proceeded throughout the period, including fleet replacement, traction power upgrades, fare gate replacement, and Transbay Tube capacity investments—reflecting a strategy of preserving system viability and reducing long-term costs even as near-term service levels were constrained.

Key Findings

- **BART delivered $516 million in operating cost savings during the reporting period, with an additional $549 million in capital savings.** This equates to approximately $178 million in annualized savings, reflecting a sustained and multi-faceted cost-containment effort over several years.
- **Cost savings were achieved through a combination of service reductions, workforce controls, and operational efficiencies.** Ongoing operating cost reductions included service reductions in FY20 and FY21, optimized train lengths, wage freezes for most employees, reduced bus feeder payments, strategic hiring freezes, and broad reductions in non-labor costs. These actions focused on controlling variable expenses while maintaining core rail operations.
- **Cost avoidance and capital savings contributed materially to overall savings.** BART avoided future costs by canceling planned service expansions, eliminating planned increases to police staffing, removing vacant positions, consolidating headquarters office space, and scaling back sustainability initiatives. Major capital savings were realized through new rail car project efficiencies and deferral of priority capital local match plans.
- **Cost-saving measures offset a substantial share of inflationary pressure on operating expenses.** While nominal operating costs increased during the recovery period due to inflation and labor market conditions, actual operating expenses remained consistently below a "no cost-savings intervention" forecast. The gap widened from FY21–22 onward, indicating that sustained cost-containment actions materially mitigated inflation-driven cost growth.
- **Inflation-adjusted operating costs remained relatively stable despite rising nominal costs.** When expressed in constant dollars, operating expenses remained closer to pre-pandemic levels even as nominal costs rose, demonstrating that underlying (real) operating cost growth was restrained through active management actions.

Table 5: BART total costs and revenues for reporting period ($ millions YOE)

Fiscal Year	Operating Costs	Fares	Public Funds	All Other Revenue
2019-20	$922	$342	$537	$58
2020-21	$798	$63	$754	$29
2021-22	$929	$136	$793	$29
2022-23	$1050	$188	$812	$50
2023-24	$1143	$219	$850	$73
2024-25	$1062	$244	$827	$76

Table 6: BART operating cost-saving actions implemented during reporting period ($ millions YOE)

Cost-Saving Strategy	Amount ($ millions)
Cost Avoidance	**$207**
Eliminated planned increase in BART Police staff	$51
Eliminated vacant positions	$32
FY20 and FY21 service reductions	$124
Cost Deferral	**$5.6**
Deferred unfunded retiree prepayments while using trust fund to pay current costs	$5.6
On-Going Cost Reductions	**$304**
Cancelled planned evening and weekend service increase	$102
Consolidated HQ offices to smaller footprint	$56
Eliminate transfer payment agreements (SFMTA/AC)	$48
Elimination of pension prepayment allocation	$40
Froze wages for most employees	$29
Instituted a strategic hiring freeze	$2.5
Optimized train lengths (6 and 8 car trains rather than 10)	$15
Reduced bus feeder payments	$13
Total Savings	**$516**

Table 7: BART capital cost-saving actions implemented during reporting period ($ millions YOE)

Cost-Saving Strategy	Amount ($ millions)
Cost Avoidance	**$419**
New rail car project savings (capital)	$395
Redirected sustainability capital project funds to ongoing operations	$25
Cost Deferral	**$121**
Deferred priority capital local match plans	$121
Expense to Reduce Future Costs	**$5.4**
Installed LED lighting in parking garages	$1.4
Installed next gen fare gates, also improved revenue collection	$4.0
On-Going Cost Reductions	**$3.0**
Capital indirect rate improvements	$3.0
Total Savings	**$549**

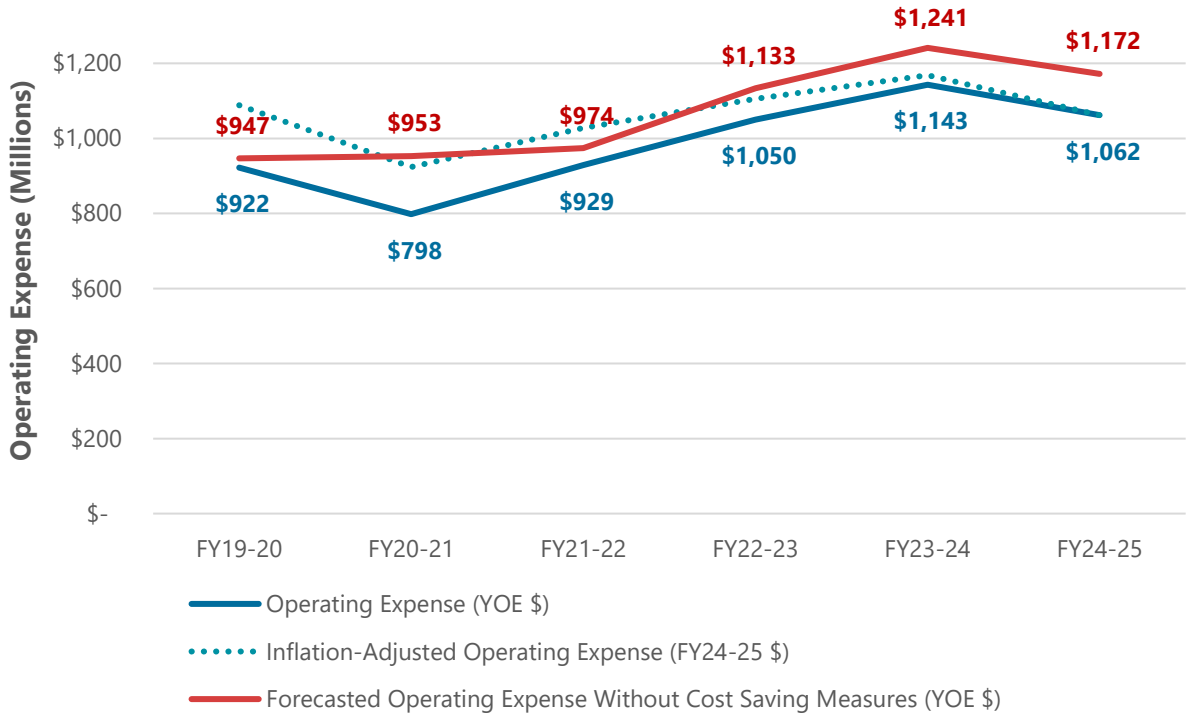
Table 8: BART actions to enhance revenue for reporting period ($ million YOE)

Enhanced Revenue Strategy	Amount ($ millions)
Implemented Clipper BayPass	$6.7
Implemented program to lease BART parking spaces to non-riders	$4.8
Maintained inflation-based fare increases (every 2 years)	$88
Total Enhanced Revenues	**$99**

Table 9: Impacts of cost-saving actions implemented by BART for reporting period ($ millions YOE)

Fiscal Year	Capital Cost Savings	Operating Cost Savings
2019-20	$0	$25
2020-21	$79	$155
2021-22	$6	$45
2022-23	$3	$83
2023-24	$398	$98
2024-25	$62	$110
Total	**$549**	**$516**

Figure 4: BART operating costs, impacts of operating cost savings, and impacts of inflation during the reporting period ($ millions YOE)



Operator Overview

Service Area Population
3.6 million people[1]

Services Provided
Regional Rail

Annual Ridership (FY 2024-25)
11.0 million
(60% of FY19)[2]

Annual Car Revenue Hours (CY 2024)
279 thousand
(129% of 2019)[3]

Annual Car Revenue Miles[4] (CY 2024)
10.4 million
(144% of 2019)[5]

[1] National Transit Database 2024 Agency Profile

[2] Integrated National Transit Database

[3] MTC Shortfalls and Fair-Share Analysis

[4] Car hours describes the time each rail car spent in service, while car miles describes the total number of miles each rail car traveled. Caltrain reduced service during the pandemic but operates more efficiently now having completed a large electrification project.

[5] NTD S-10 CR PT

Caltrain

Key Factors Shaping Costs and Cost Savings

Caltrain's actions during 2020–2025 were dominated by the completion and launch of the Caltrain Modernization (Electrification) Program, which fully replaced diesel operations on Caltrain's mainline, with electric service beginning in 2024. This electrification process began in 2016, long before the COVID-19 pandemic. The agency managed service reductions and limited shutdowns tied to construction, system testing, and signal upgrades during the transition period, while prioritizing completion of overhead power, traction facilities, and new electric fleet commissioning. While no route extensions opened during the period, Caltrain advanced groundwork and coordination for the Downtown Rail Extension and future blended operations with California High-Speed Rail, positioning electrification as a prerequisite investment for future expansion and integration.

Key Findings

- **Caltrain realized $76 million in operating cost savings during the reporting period.** Total estimated operating cost savings reached approximately $76 million, equating to almost $13 million in annualized savings. Savings were achieved entirely through operating expenditures, with annual operating savings fluctuating year-to-year and increasing to $18 million in 2024-25, reflecting targeted but uneven cost-control efforts over the period.
- **Cost savings were primarily achieved through workforce controls, service optimization, and operating efficiencies**. Ongoing cost-reduction measures included a strategic hiring freeze, elimination of the stand-alone mobile app, reductions in special trains, improved operator crew efficiency and overtime reduction, and integration of electrification infrastructure maintenance into existing operating contracts.
- **Cost-avoidance and deferral measures helped limit exposure to future operating and contract cost growth.** Caltrain implemented a fuel-hedging program to reduce energy price volatility and established a new internal work-directive process to manage and constrain professional services costs. A temporary deferral of planned service increases associated with fleet electrification also reduced near-term operating pressures.
- **Caltrain achieved meaningful cost savings while simultaneously delivering a transformational capital program.** With the electrification of its mainline, Caltrain provided new and improved offerings include more frequent service, quieter trains, and improved customer amenities like Wi-Fi and outlets at every seat and accessible bathrooms with changing tables on every train.
- **Cost-saving measures slowed the pace of operating cost growth and offset a material share of inflationary pressure.** Although nominal operating costs increased due to broader inflation and labor market pressures, actual operating expenses grew more slowly than they otherwise would have. This is evidenced by the widening gap between actual costs and the higher "forecasted operating expenses without cost-saving interventions", particularly from FY21–22 onward, demonstrating that sustained cost-containment actions materially managed operating cost growth.

Table 10: Caltrain total costs and revenues for reporting period ($ millions YOE)

Fiscal Year	Operating Costs	Fares	Public Funds	All Other Revenue
2019-20	$137	$76	$37	$6.0
2020-21	$139	$32	$85	$1.5
2021-22	$171	$33	$223	$2.8
2022-23	$176	$43	$131	$2.2
2023-24	$197	$47	$133	$2.3
2024-25	$230	$53	$131	$3.4

Table 11: Caltrain cost-saving actions implemented during reporting period ($ millions YOE)

Cost-Saving Strategy	Amount ($ millions)
Cost Avoidance	**$3.4**
Established a new work directive process to review professional service requests and reduce professional service costs	$2.6
Implemented a fuel-hedging program	$0.8
Cost Deferral	**$10**
Delayed service increase (FFGA Waiver) as a condition of funding for the electrification project)	$10
On-Going Cost Reductions	**$63**
Cancelled standalone mobile app	$0.3
Fuel Savings	$6.5
Implemented a strategic hiring freeze	$17
Improved operator crew efficiency and reduced overtime	$37
Misc. administrative savings	$2.1
Total Savings	**$76**

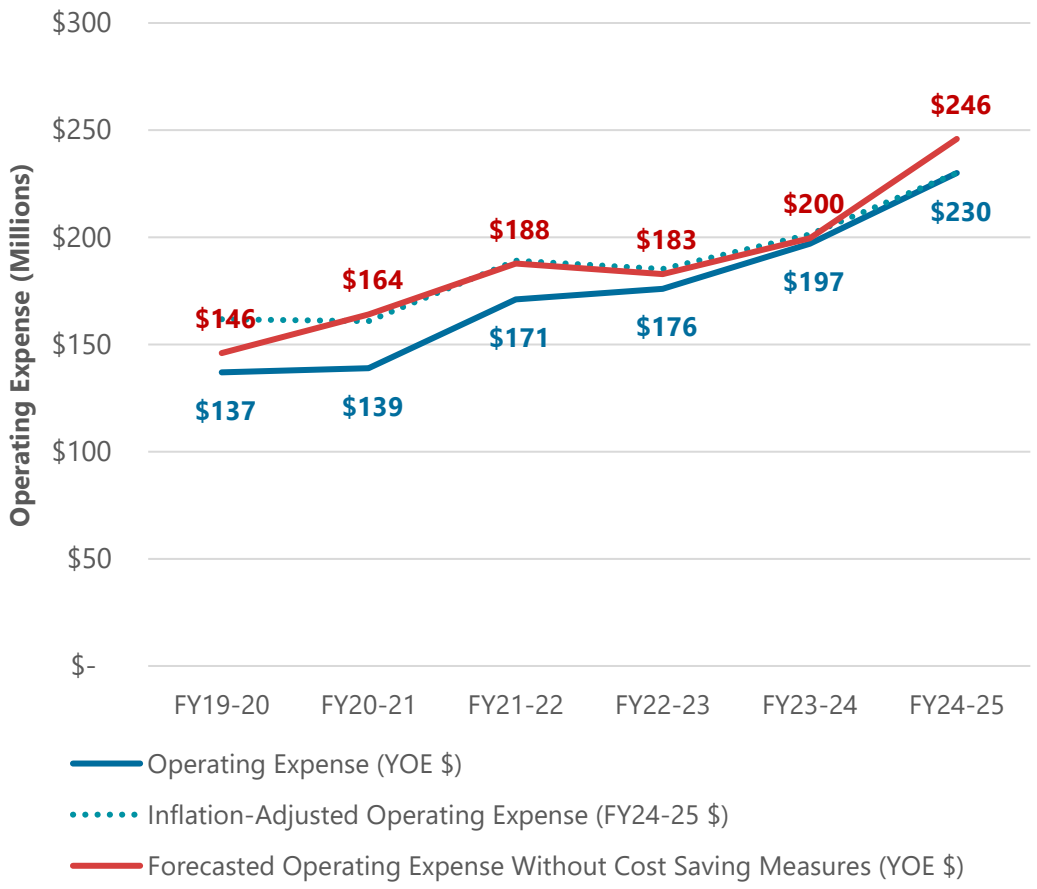
Table 12: Caltrain actions to enhance revenue for reporting period ($ million YOE)

Enhanced Revenue Strategy	Amount ($ millions)
Low Carbon Fuel Standard revenue	$2.5

Table 13: Impacts of cost-saving actions implemented by Caltrain for reporting period ($ millions YOE)

Fiscal Year	Capital Cost Savings	Operating Cost Savings
2019-20	Not collected	$9.0
2020-21	Not collected	$25
2021-22	Not collected	$17
2022-23	Not collected	$6.9
2023-24	Not collected	$2.6
2024-25	Not collected	$16
Total	**Not collected**	**$76**

Figure 5: Caltrain operating costs, impacts of operating cost savings, and impacts of inflation during the reporting period ($ millions YOE)



Operator Overview

Service Area Population
0.8 million people[1]

Services Provided
Bus & Trolley Bus, Light Rail (Muni Metro), Demand Response Paratransit, Historic Streetcar (F Market), Cable Car

Annual Ridership (FY 2024-25)
168.4 million
(75% of FY2019)[2]

Annual Revenue Hours (FY 2024-25)
3.3 million
(99% of FY2019)[3]

Annual Revenue Miles[4] (FY 2024-25)
25.4 million (96% of FY 2019)[5]

[1] National Transit Database 2024 Agency Profile
[2] Integrated National Transit Database
[3] MTC Shortfalls and Fair-Share Analysis
[4] Revenue hours describe the time each vehicle operated in service, while revenue miles describe the distance each vehicle covered. Both revenue miles and hours are near pre-pandemic levels, aided by transit priority improvements that improved service efficiency.
[5] Integrated National Transit Database

SFMTA

Key Factors Shaping Costs and Cost Savings

Between 2020 and 2025, SFMTA pursued a combination of permanent service restructuring, targeted shutdowns, and major capital openings. Early in the period, Muni rail lines experienced extended shutdowns - most notably the suspension and bus substitution of subway and surface rail services—to address safety protocols, staffing constraints, and backlog rehabilitation needs. Rather than fully restoring pre-2020 service patterns, SFMTA reconfigured routes, reduced or eliminated some peak-oriented services, and consolidated operations around a revised all-day network. The most significant capital expansion was the 2023 opening of the Central Subway (T Third Street extension to Chinatown), which started construction in 2013. Central Subway added new underground stations, operating costs, and maintenance obligations. Capital priorities during the period emphasized rehabilitation of aging rail assets, fleet replacement, and transit-priority corridor improvements over new mileage expansion.

Key Findings

- **SFMTA achieved $302 million in operating cost savings, and $389 million in capital savings during the reporting period.** Savings accelerated for the last 3 years, with operating savings rising to $145 million in FY24–25, reflecting increasingly structural cost reductions.
- **Cost savings were driven by a combination of workforce reductions, service redesign, and deferred or scaled-back capital investments.** Ongoing cost reductions included reduced workforce and hiring, pandemic-era service reductions and redesign. SFMTA restored service slowly at the pace of operator availability, matching scheduled and delivered hours for the first time and reducing service gaps and customer frustration. Capital and non-operating savings were supported through deferred capital projects, delayed midlife overhauls, and postponed purchases of non-revenue vehicles.
- **Cost-saving measures materially slowed operating cost growth and offset inflationary pressures**. Although nominal operating costs increased from $1.14 billion in 2019–20 to $1.38 billion in 2024–25, inflation-adjusted operating expenses remained below FY19–20 levels, indicating that real operating costs were effectively held constant. The widening gap between actual operating expenses and the higher "forecasted operating expenses without cost-saving interventions" line shows that efficiency initiatives significantly moderated cost growth.
- **Service output rebounded strongly and outpaced operating cost growth, improving productivity.** Since FY21-22, vehicle revenue hours have increased substantially, rising faster than operating expenses. This indicates that the agency is delivering more service per dollar spent, reversing earlier pandemic-era declines in productivity and improving unit cost efficiency.
- **Long-term capital investments have supported ongoing operating efficiencies and service improvements.** Transit priority upgrades—including transit-only lanes—reduced bus travel times on key corridors by up to 20%, enabling delivery of more service at no additional cost and generating approximately $10 million in annual savings beginning FY25. Major system upgrades also improved reliability, with moderate subway delays reduced to one quarter of 2019 levels and long delays down by more than 65%.
- **The majority of efficiency gains are structural and position the agency to address future fiscal challenges.** Permanent workforce reductions (including elimination of over 500 vacant positions), recurring transit priority savings, and sustained revenue improvements from fare compliance and parking programs represent ongoing benefits rather than one-time measures. The agency estimates that without these actions, its projected deficit—currently $307 million as pandemic relief expires—would have exceeded $440 million.

Table 14: SFMTA total costs and revenues for reporting period ($ millions YOE)

Fiscal Year	Operating Costs	Fares	Public Funds	All Other Revenue
2019-20	$1,138	$154	$800	$215
2020-21	$1,064	$19	$1,011	$181
2021-22	$1,120	$62	$931	$239
2022-23	$1,252	$89	$898	$246
2023-24	$1,321	$98	$974	$240
2024-25	$1,377	$111	$1,031	$264

Table 15: SFMTA operating cost-saving actions implemented during reporting period ($ millions YOE)

Cost-Saving Strategy	Amount ($ millions)
Cost Avoidance	**$39**
Non-personnel cuts by eliminating planned one-time investments	$30
Negotiated costs/billing rate reductions across over a dozen professional service contracts	$9
Expenses to Reduce Future Costs	**$36**
Improved deployment of Fare Inspectors and Communications campaign to increase fare compliance	$6
Implemented transit priority upgrades to improve service and efficiency, more frequent, more reliable service with same resources.	$30
On-Going Cost Reductions	**$226**
COVID service decreases	$56
Personnel cost savings via holding positions vacant	$170
Total Savings	**$302**

Table 16: SFMTA capital cost-saving actions implemented during reporting period ($ millions YOE)

Cost-Saving Strategy	Amount ($ millions)
Cost Deferral	**$389**
Deferred capital projects	$389

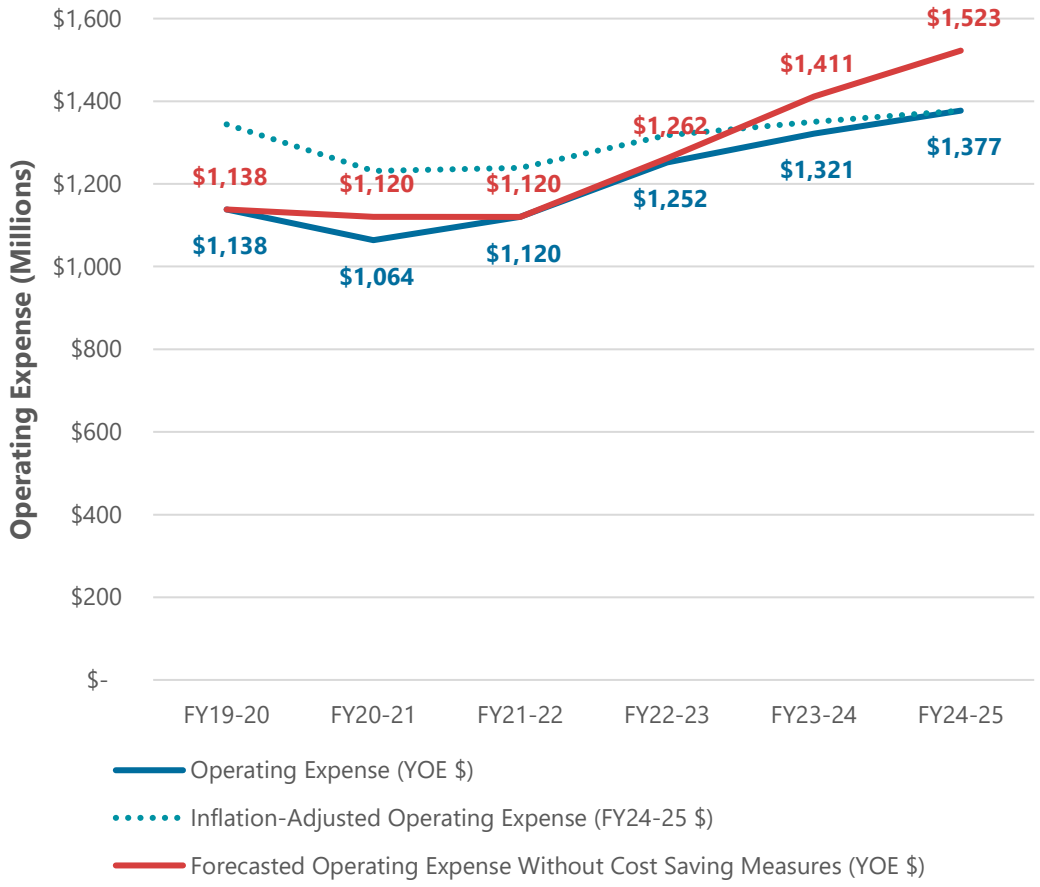
Table 17: SFMTA actions to enhance revenue for reporting period ($ million YOE)

Enhanced Revenue Strategy	Amount ($ millions)
Enhanced Revenue Strategy (Transit fare adjustments)	$17
Enhanced Revenue Strategy (Increased parking revenues from rates and citations)	$19
Enhanced Revenue Strategy (Taxi Fees)	$1.0
Total Enhanced Revenues	**$37**

Table 18: Impacts of cost-saving actions implemented by SFMTA for reporting period ($ millions YOE)

Fiscal Year	Capital Cost Savings	Operating Cost Savings
2019-20	NA	$0
2020-21	$194	$56
2021-22	NA	$0
2022-23	$61	$10
2023-24	$14	$90
2024-25	$120	$145
Total	**$389**	**$302**

Figure 6: SFMTA operating costs, impacts of operating cost savings, and impacts of inflation during the reporting period ($ millions YOE)



Opportunities for Early Action Strategies

Transit agencies have undertaken many cost-saving and revenue-enhancing measures over the past five years. However, their ability to implement change is shaped by a complex ecosystem of funding partners, governance structures, state and federal regulations, and community relationships. Agencies rely on coordination with local and state transportation agencies, funding partners at all levels of government, labor unions and vendors, and the communities they serve. As a result, many changes require collaboration and time to implement.

Even within these constraints, there are opportunities for near-term action that are within agencies' direct control, as well as intermediate steps that can help advance longer-term strategies.

This section highlights early action strategies that can help transit agencies improve service delivery and enhance customer experience using existing resources. These strategies focus on actions that agencies can implement or study in the near term, generally within the next one to three years. They were prioritized based on a structured, qualitative assessment of both potential value (in terms of financial and rider experience impacts) and implementation effort (in terms of the resource and coordination required to advance each strategy).

Our Approach

Strategy Development

The identification of early action strategies was grounded in a comprehensive assessment of each agency's current conditions. Consistent with performance-based transit planning practice, this review examined financial trends, cost drivers, service performance, and operational practices to understand how resources are currently deployed and where gaps or inefficiencies may exist. The analysis focused on identifying the primary drivers of cost and performance outcomes, and on highlighting areas where changes to operational, policy, or investment changes offered the greatest opportunities to improve efficiency, reliability, and customer experience.

As a starting point, our work was informed by publicly available data (e.g., National Transit Database) and agency-provided information to evaluate key indicators of agency health and performance. These included metrics related to cost efficiency (such as operating cost per revenue hour or per mile), service productivity (such as passengers per hour or per trip), and reliability (such as on-time performance). This initial review helped to identify broad patterns and potential areas for improvement, which were then further explored and refined through engagement with agency staff.

Together, these indicators help define a general "toolkit" of potential interventions by linking performance to the types of strategies that may improve outcomes. Table 19 illustrates how commonly used performance metrics can inform the types of strategies agencies may consider.

Table 19. Common metrics and strategies

Metric	What it Reflects	Example Strategies
Operating cost per revenue hour	Underlying cost structure of service delivery	Workforce strategies; administrative efficiencies; maintenance practices
Operating cost per passenger	Overall system efficiency	Increase ridership; adjust service levels; improve productivity
Passengers per revenue hour	Service productivity	Network redesign; frequency adjustments; stop optimization and spacing; reliability improvements
Farebox recovery ratio	Effectiveness of fare policy, collection and enforcement	Fare policy updates; fare enforcement; fare technology improvements; expanded fare partnerships and pass programs
On-time performance	Service quality and reliability	Scheduling adjustments; transit priority investments; operational changes

Strategy Prioritization

Building on this review, we developed a broad universe of potential strategies reflecting a wide range of approaches used across the transit industry. Multiple sources informed this initial list, including:

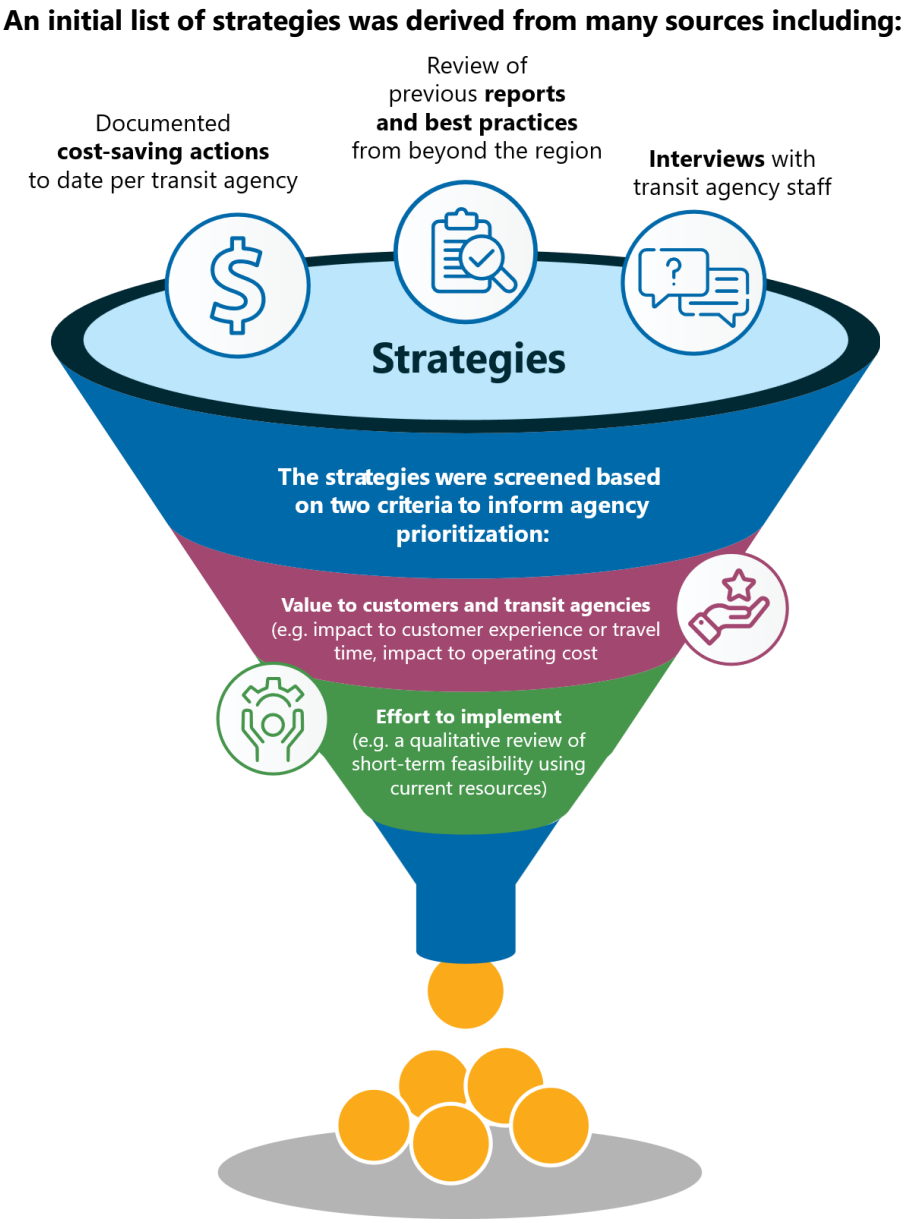
- Recent regional and agency-specific studies (e.g., the *MTC Shortfalls and Fair-Share Analysis)*
- Documentation of actions already taken by each agency
- Peer agency practices and national research
- Observed opportunities emerging from our review

This process ensured that the full range of plausible strategies was considered before narrowing down to a focused set of early actions. Strategies were not advanced as early actions if they offered comparatively lower value, required substantial policy, capital, or other changes, or could not reasonably be implemented within the three-year timeframe.

The resulting set of early action strategies reflects a subset of the broader universe that agencies identified as both impactful and achievable in the near term. In some cases, strategies were also included because they represent important early steps toward higher-value, longer-term approaches.

An initial set of strategies was developed from multiple sources and then workshopped with transit agency staff to explore a range of potential solutions and opportunities. Through this process, the strategies were evaluated based on what could realistically be implemented within a 1- to 3-year timeframe, as well as where interim steps could advance longer-term approaches.

Figure 7: Illustration of process for identifying and filtering potential early-action strategies



Key Findings

- The **most fiscally impactful cost-savings strategy is renegotiating the zero-emission bus (ZEB) transition program** and the state mandate to transition to fully zero-emission bus fleets by 2040 (applies for AC Transit and SFMTA). The capital, maintenance, and operating impacts of deferring implementation of the mandate are measured in tens of millions of dollars in both one-time and on-going savings. **Realization of these savings, however, would not necessarily happen in the next three years**. Steps taken today to evaluate the program for cost efficiency, defer or reconfigure programmed ZEB investments, or revert to non-ZEB investments—as AC Transit has started doing—can lead to reduced operating costs in the longer-term future. However, full realization of this strategy would require discussions and ultimately agreement with the state and other stakeholders.
- Given the difficulty of fully implementing the ZEB transition recommendation, **a series of additional cost savings with shorter timelines, but achievable fiscal impacts have been identified**. Most opportunities to improve and reinvest in bus service are fully within an agency's control. While the impact of each individual action may not be particularly high, the collective impact of multiple actions can be significant for bus service.
- **Transit agencies have begun implementing customer experience improvements** following the MTC Blue Ribbon Task Force's Transit Transformation Action Plan such as improved wayfinding, fare integration, and transit priority improvements.
- There are **opportunities to enhance revenues by reducing barriers to fare payment for new customers**. Expanded investments in improving the availability and customer uptake of various employer- or institution-sponsored pass products, such as Clipper BayPass, can lead to additional revenues and ridership for Bay Area service providers.
- A high-level assessment of current scheduling practices, along with experience in other major urban areas, suggests that an **opportunity may exist to run service using less resources with an in-depth assessment of scheduling efficiencies**.
- There is an **opportunity to provide faster and more reliable transit operating speeds, leading to lower operating costs**, as shown by SFMTA. Exploring additional opportunities to leverage capital investments to lower on-going operating costs is recommended for SFMTA and AC Transit.
- Numerous **opportunities exist to explore increasing non-farebox related revenue and reinvesting the revenue into service or other customer benefits**. Among the more impactful ones are parking revenues (for BART, Caltrain, SFMTA), leasing fiber and other communications assets (BART, Caltrain), and capturing regenerative braking credits (BART, Caltrain). Many will require external coordination which in some cases is already underway, e.g., with PG&E for regenerative braking credits.
- **Not all early action strategies are applicable to all transit agencies**, as their services differ considerably as do their contexts, asset types, and decision-making processes. This analysis examined a range of strategies and identifies specific ones that are relevant and potentially achievable in the near term for each individual transit agency. Agencies may consider revisiting some of these foregone strategies after some of the recommended early action strategies have been implemented and evaluated.

Recommended Early Action Strategies by Agency

This section highlights opportunities identified as early action strategies and that have been reviewed with transit agencies. These strategies deliver comparatively high impacts to riders and/or the agency's bottom line while remaining feasible to implement within the next several years. They also include initial steps that transit agencies can take to position themselves for successful implementation of longer-term strategies that may take more than three years to fully implement.

AC Transit

- **Expand EasyPass and/or Clipper BayPass with more institutions and employers.** As is the case with BART and Caltrain, this is a low-cost approach to growing ridership by making transit easier and more affordable for students and employees. In the near-term, identify internal resource requirements, strategic pursuits, and supportive policies.
- **Incentivize attendance and reduce absenteeism to improve reliability.** AC Transit has been doing so on high-frequency routes with great success and is considering further strategies to continue to strengthen day-to-day service reliability.
- **Pursue scheduling efficiencies that do not impact service to the rider,** including adjusting how operator shifts are structured and balancing scheduling practices to maintain reliability while controlling operating costs.
- **Identify opportunities to improve transit travel time and reliability** through transit priority measures such as transit signal priority, dedicated lanes or queue jumps, in-lane stops, and optimization of bus stop locations. Many of these strategies require participation of the roadway authority.
- **Evaluate zero-emission bus (ZEB) transition program for cost efficiency.** Resulting longer-term actions may include adjusting the current fleet mix and/or renegotiating legislative requirements with the applicable state agencies.

Other Strategies Considered:

- Pursue additional scheduling and operating efficiencies, including contracted services.
- Expand all-door boarding pilot to additional routes, with potential tradeoffs in fare compliance.

BART

- **Run shorter trains during lower-demand periods** to better match the cost of delivering service to the fare revenue generated at different times of day and days of week. BART began doing so with their September 2023 schedule and realized $12 million in annual cost savings.
- **Expand Clipper BayPass to more institutions and employers.** As seen with AC Transit and Caltrain, this approach can provide a source of stable revenue while also increasing transit usage.
- **Optimize fare gate performance to further reduce fare evasion and continue with station hardening program.** With installation of new fare gates completed in 2025 and Clipper 2.0 being launched shortly thereafter, BART is well positioned to monitor their effectiveness and identify potential performance improvement opportunities. Early

indications suggest reduction in fare evasion and higher revenues. Further monitoring of the time a passenger needs to pass through fare gates is also recommended

- **Continue strategies to enhance parking revenue.** Demand for parking exceeds supply at several stations. By implementing demand-based pricing, BART can more fully capture the value of a scarce asset and better manage demand across its network, e.g., incentivizing people to switch to underutilized facilities.
- **Further monetize fiber and other communications assets,** primarily through additional leasing opportunities. BART has a comprehensive telecommunications agreement and has installed more than 8,000 strands of additional fiber optic cable, constructed several new cellular towers, and recently enabled station WiFi. Work is underway to identify more revenue opportunities and customers for BART's telecommunications assets.
- **Explore terms of the SFO lease payment for possible renegotiation** such that the lease more accurately reflects the benefits, costs, incentives, and risks to both parties of BART service to the airport.
- **Identify opportunities to negotiate service contracts** and improve contracting flexibility, to achieve one-off and/or long-term cost savings.

Other Strategies Considered:

- Pursue scheduling efficiencies that maintain quality of service
- Expand advertising partnerships
- Advance a single regional trip planning app
- Capture and reinvest regenerative braking credits
- Improve fare collection and enforcement through Clipper 2.0 enhancements

Caltrain

- **Expand GoPass and/or Clipper BayPass program with more employers and educational institutions.** Institutional passes provide a reliable source of operating funds and support ridership recovery and growth.
- **Seek strategies to enhance parking revenue**.
- **Further monetize fiber and other communications assets,** primarily through leasing opportunities. Caltrain has been exploring this opportunity for the past year and could generate stable non-fare revenue to support Caltrain operations.
- **Explore efficiencies when procuring and negotiating upcoming extension to operator contract,** which has an annual value in the range of $100-150 million. While Caltrain is negotiating a short-term contract extension with its current operator, TransitAmerica Services, Inc. (TASI), there are opportunities to increase efficiencies at this and future procurement stages.
- **Explore feasibility of energy storage project.** Caltrain Electric Multiple Units (EMUs) are returning significant amounts of electricity to the grid that could be stored and used during peak demand periods and generate cost efficiencies.

SFMTA

- **Pursue scheduling efficiencies that do not impact service to the rider,** including adjusting how operator shifts are structured and balancing scheduling practices to maintain reliability while controlling operating costs.
- **Continue to reinvest savings from transit priority treatments back into service.** SFMTA is a nationwide leader in delivering a comprehensive program of transit priority treatments, explicitly capturing the time and cost savings that they yield, and identifying opportunities to reinvest in service or other system and rider improvements.
- **Identify more opportunities to run shorter trains during lower-demand periods** to better match the cost of delivering service to the fare revenue generated at different periods. SFMTA is currently running one-car trains on the K, and is also running them on the M during weekends and evaluating other time periods as well.
- **Improve fare compliance** through payment modernization, community outreach, and optimized operations made possible through Clipper 2.0.
- **Retire Muni Mobile and use a regional trip planning app,** which other transit agencies such as Caltrain and SamTrans have pursued.
- **Expand Clipper BayPass with more institutions and employers.** As is the case with BART and Caltrain, this is a low-cost approach to growing ridership by making transit easier and more affordable for students and employees.
- **Identify and capture cost savings in larger contract renewals** by conducting a close review of high-spend contracts to determine whether the services can be provided at lower costs. SFMTA has already implemented short extensions for several such expiring contracts to allow time for a thorough review ahead of reissuing multi-year procurements**.**
- **Re-evaluate ZEB transition program for cost efficiency** alongside AC Transit and possibly other transit agencies with large bus fleets. Resulting longer-term actions may include adjusting the current fleet mix and/or renegotiating legislative requirements with the applicable state agencies.

Other Strategies Considered:

- Optimize stop spacing on appropriate corridors to improve travel time and reliability.
- Increase parking and other revenues generated by agency activities.
- Expand and renegotiate special event service agreements.

REAL ESTATE INVENTORY AND OPPORTUNITIES

Transit agencies require real property for all aspects of their operations, although the amount of real estate holdings and these functions vary by agency and the transit services they provide. This chapter provides an agency-by-agency overview of real estate holdings, existing joint developments and joint development programs and policies, and evaluates other owned sites that could potentially be suitable for joint development and/or revenue generation.

The chapter begins by setting the context for how real estate ownership evolved for the transit agencies that are the focus of this work, and how the transit agencies use real property generally for transit services, development and non-fare revenue purposes.

Transit Agency Real Property Ownership

While all transit agencies have administrative offices, their regulatory, historical, geographic, and service type contexts differ and create different conditions for the real property they own, lease and use.

The types and extent of real property owned by each agency reflect both their service modes and their historical development. BART and Caltrain operate fixed rail systems and therefore own substantial infrastructure beyond stations and maintenance facilities, including rail right-of-way and land needed for tracks, power systems, and related equipment. In contrast, AC Transit and SFMTA primarily operate bus and light rail services that run largely on public streets. As a result, their property holdings are more limited and tend to focus on maintenance yards and administrative facilities, while most stops and transit hubs are located on land owned by other public entities.

Parking ownership also varies by system. BART and SFMTA own parking facilities, including garages and surface lots, while Caltrain owns only surface parking lots and AC Transit does not own property used for parking.

Table 20: Property types by transit agency

Property Type	BART	Caltrain	AC Transit	SFMTA
Administrative Offices	✓		✓	✓
Rail Right of Way	✓	✓		✓
Maintenance Yards	✓	✓	✓	✓
Structured Parking	✓			✓
Surface Parking	✓	✓	✓	✓

These differences also reflect how the systems were originally designed. AC Transit, Caltrain, and SFMTA evolved from early twentieth-century transit networks that emphasized walk access, with relatively limited provisions for parking. By contrast, BART—developed after World War II—was

designed as a regional "park-and-ride" system, leading to the acquisition of substantial land for parking near suburban stations. BART was also designed with future expansion in mind, resulting in additional land acquisitions associated with planned extensions, including projects that were ultimately not constructed.

How Transit Agencies Use Real Property

Transit system construction and expansion often result in acquiring some excess property that will not be used for transit operations and therefore becomes "excess property" after project completion. These are often residual parcels created when the agency must buy an entire property from its current owner but only requires a portion of the property for the transit system's use for operations after construction. Transit agencies can use these remnant parcels, or other real property assets such as parking lots or other property that no longer serves a transit operations related function, including air rights over stations, as an opportunity for real estate development. These development projects allow transit agencies to capture some of the value that the public's transit investment has created in the area around the transit station. Evidence shows that property values around transit stations typically increase after a new transit station opens. Notably, transit agencies generally lack the statutory authority to explicitly acquire property for development purposes only, i.e., where no transit related activity would occur.

Value Capture

Value capture is achieved through a process known as joint development. Joint development is defined as real estate development or property use, that occurs on transit agency owned property, but where the developer is either a private or non-profit development entity or business. Transit agencies enter into long-term lease agreements with these entities, generating ongoing revenue for the agency and providing additional riders to the system and/or amenities for existing riders. These long-term leases allow the transit agencies to continue capturing value from their real property assets over an extended period and ultimately provide the agency with permanent control over potential future uses. Given these benefits, transit agencies very rarely sell their real property assets.

Joint Development and Transit-Oriented Development

Joint development projects can be transit-oriented development in that these projects are meant to deliver land uses that will also generate riders for the transit system. Over the past several decades as joint development has become an increasingly well recognized opportunity for transit agencies, agencies have adopted policies for how their real property assets should be utilized to facilitate joint development. These polices are sometimes called "transit-oriented development" policies, not joint development policies.

While the concept of joint development has become increasingly more attractive to transit agency policy makers as these agencies continue to face budget cuts and other challenges, the history of joint development in the United States demonstrates that it takes time for joint development projects to deliver significant revenue returns. In addition, not all transit agencies have sufficient real estate assets required to generate significant ridership through joint development or lease related revenues. However, where joint development works, it can be an important revenue source. In its

2022 10-Year Strategic Plan for Joint Development, the Washington Metropolitan Area Transit Authority (WMATA) states that the agency's joint development projects generate $40 million in fare revenue and $50 million in lease revenue annually. Although this may represent a small portion of the agency's total operating budget, it is still a significant amount.

Asian cities such as Hong Kong and Singapore are often cited as having extremely successful joint development programs. However, the conditions that gave rise to this success are not replicable in the United States:

- Singapore, for example, has centralized government authority that plans both transit and land use for the entire city-state. This system plus a significant market acceptance for high rise living, has led to Singapore being the model of successful transit-oriented development worldwide.
- Hong Kong also has a very successful joint development program that is also tied to the state's ability to both control land use and to purchase land in advance of transit line construction. This system enabled Hong Kong to buy land at pre-TOD values, build a transit line to serve the land, and then sell the land for high density TOD value.

In the United States, transit agencies have had very limited opportunities to leverage joint development. Post World War II when the United States started building modern urban mass transit systems, including BART, WMATA and the MARTA system in Atlanta, the federal government provided these agencies with funding to purchase land adjacent to transit stations. However, as federal and state funding for transit has become more constrained, relative to demand, transit agencies are now statutorily prohibited from purchasing land explicitly for joint development.

Joint Development Best Practices

According to a recent Transportation Research Board publication on joint development, best practices for delivering successful joint development projects require transit agencies to have clear policy direction regarding their joint development goals and staff capacity and resources to achieve these goals.[7] This same report also indicates that every joint development project is different, and that although transit agencies tend to use long-term ground leases as their preferred property disposition method, agencies can also sell land. Although ground leases are perceived as offering transit agencies greater control over their fee interests as well as generating predicable annual revenues for the transit agencies, there may be instances where a land sale will produce greater revenue for the transit agency than the present net value of long-term lease revenues. Regardless of the disposition method, roles and responsibilities between the transit agency and the development must be clearly spelled out in all disposition-related agreements.

BART, Caltrain, and SFMTA all have joint development/TOD policies and programs that set out goals and objectives for joint development, identifies potential opportunities, and manages the developer solicitation and disposition process. These agencies have core staff in place with the ability to navigate the many steps necessary to deliver successful joint development projects, and ready access to expert consultants who can provide both an outside perspective on joint development

[7] https://www.nationalacademies.org/publications/26194

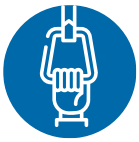
opportunities as well as filling any skill gaps that agency staff may have, especially around market and financial feasibility and transaction structuring.

Because AC Transit has only limited options for joint development, the agency does not have a joint development policy or dedicated joint development staff. However, as will be discussed below, AC transit understands that joint development may offer some potential opportunities and has periodically assessed its most likely joint development site to test project viability. To date, these assessments have indicated that any joint development project would not generate sufficient benefits to outweigh the associated costs.

Metrics for Measuring Joint Development's Benefits

Successful joint development projects typically deliver one or more of three benefits to the transit agency:

Lease Revenue: This refers to how much money the agency can capture from lease revenues. Transit agencies also capture revenue from parking, which is not joint development, but can play an important role in revenue generation.



Ridership: Joint development projects must also deliver riders to the transit system. Uses that generate strong ridership include housing, offices, mixed use buildings, and recreational/cultural or educational uses including sports arenas, large museums, and colleges/universities. High ridership from joint development projects also creates farebox revenue for the system, an additional revenue benefit above the basic lease revenue metric.

Affordable Housing: In recent years, transit agencies have played an increasingly important role in addressing regional housing affordability challenges by incorporating affordable housing production into their joint development policy goals, dedicating joint development sites solely to affordable housing projects, and/or by setting inclusionary housing requirements for market rate joint development housing projects. For example, BART's TOD Policy creates a goal to have 35% of the agency's total residential joint development portfolio be deed-restricted affordable housing. SFMTA has over 300 units of affordable housing on its property with 100 units planned for the Potrero Yard site.

Done well, joint development can have **additional benefits including place making, station area activation, station area access improvements**, and increased economic development activity for the local jurisdiction

Challenges to Joint Development

There are several major challenges to delivering successful joint development:

- **Real estate development is dependent on market conditions that are beyond a transit agency's control.** This makes joint development a long-term opportunity that can only be achieved if market conditions around any joint development opportunity site are right. As a

result, transit agencies must be prepared to hold their real estate assets off the market until the right opportunity arises. BART's experience with the MacArthur BART parking lot demonstrates the advantages of holding property until the market is ready to deliver a significantly scaled joint development project. Many planners started calling for BART to develop this site starting in the early 1990s, but anything built at that time would have had relatively modest densities. The joint development project that was built, in phases, over a ten-year period includes a 24-story tower and over 800 units. While market conditions cannot be controlled, there are actions that local jurisdictions can take to influence the viability of individual development projects such as adopting zoning that allows for transit supportive uses (high density housing, office, etc.), increases permitted heights, streamlines the development approval process, reduces impacts, adopts an enhanced infrastructure financing district to pay for infrastructure upgrades, and adopts connecting first/last mile transit service to station.

- It should be noted that some joint development sites may offer opportunities for more than one development type, e.g., housing or office, and that these different uses can experience different market cycles. However, not all joint development sites have this flexibility, especially given that office developers tend to use more restrictive site selection criteria than residential developers. In addition, although office and housing may experience different market cycles, given the Bay Area's extreme housing shortages and significant overhang of vacant office space, it appears that when conditions for new development do start to improve, it is likely that transit agencies with joint development sites that could be suitable for office uses will have to make a determination as to whether they prefer to move forward with a residential project, or continue to hold the property off the market with the expectation that an office use will eventually become feasible.
- **Properties that could accommodate joint development are often needed for transit operations either currently, or at some future point**. SFMTA's Presidio Yard, for example, is a bus maintenance and storage facility located in a very strong market area of San Francisco. However, its redevelopment likely involves continuing to use the site for maintenance and storage operations, which creates challenges for redevelopment. In the case of Caltrain, which recently completed the Peninsula Corridor Electrification Project Severa(PCEP), the potential use of the agency's land for joint development must be coordinated with this and other capital projects, including reserving some property for future California High Speed Rail operations.
- **Many transit agency-owned properties are not suitable for development due to individual parcel's physical attributes**. These include parcel size, configuration, or adjacent land uses. For example, Caltrain owns many parcels that exceed the minimum one-half acre threshold size that most developers consider when evaluating potential development sites. However, many of these sites lack adequate parcel depth and access required to accommodate any viable building type. In other cases, parcels may meet the minimum size requirements but are adjacent to active uses.
- **Transit agencies are undertaking joint development projects within a complex regulatory environment.** This includes the complexity of using land purchased with Federal Transit Administration funds, the state surplus lands act, and a growing number of complex state housing laws as well as local land use policies such as inclusionary housing requirements, building designations, etc.

- **Conflicting transit agency policy goals for joint development projects.** Some transit agency board members expect their agency to use joint development sites only for affordable housing which can include leasing the land to the affordable housing developer below fair market value, which decreases potential revenues that could help pay for transit operations. Given the importance of public transit in making the Bay Area a more affordable place to live, in the long run, these actions could be in direct conflict with using these joint development sites to generate maximum revenue for the transit agency. But depending on transit agency objectives, a near-term lease at a discounted rate could offer more long-term revenues than holding the same site off the market for an indeterminate amount of time, assuming the site is unused or not generating revenue for the agency.

The Surplus Lands Act (SLA). California law mandates that all property owned by many public entities, including transit agencies, generally requires them to offer Surplus Land for sale or lease at a fair market value or fair market rent to other local agencies and housing sponsors for affordable housing before selling or leasing the land, unless an exemption applies. Although the SLA states that the land only needs to be offered at fair market value, in practice, transit agencies may be pressured to discount the value, thereby reducing potential revenue for public transit.

The Department of Housing and Community Development (HCD) oversees this process which includes specific affordability mandates. Most joint development projects completed by transit agencies in past years were completed prior to more recent amendments to the SLA. Going forward, agencies will have to either adhere to the SLA process or go through a burdensome process to obtain an exemption from the Act. In either case, the SLA could create an administrative burden, limit future land use options, and delay when and how transit agencies conduct their joint development property disposition processes.

Transit districts are treated differently than other local agencies that are districts, such as utilities, in the SLA. Those districts are allowed to dispose of land for the sole purpose of investment or generation of revenue to support the agency's operations unlike transit districts.

Transit Agency Real Property Related Revenue Generation

The table below provides an overview of parking and rental/lease revenue from as a share of overall revenues, as reported through publicly available data. Except for SFMTA parking revenues, revenue generation from real estate holdings generally represents a small portion of total revenues. SFMTA earns between 25% and approximately 30% of its operating revenue from parking because the agency captures revenues from San Francisco's approximately on-street 27,000 parking meters, the majority of which are not near transit stops or stations. It should be noted that this funding source is a unique byproduct of SFMTA's dual role as transit agency and streets manager and is not available to the other three transit agencies.

Rental revenue, which includes income streams from joint development leases as well as other real property leases, such as office or warehouse leases, constitute between 1% and 8% of operating revenues across the four transit agencies. This indicates that real property revenue represents a relatively small share of operating revenues, especially for BART and SFMTA, which have much higher operating revenues than Caltrain or AC Transit. Only AC Transit generates more real property-related

revenue from rental or lease revenues than parking revenues, whereas the other three transit agencies earn significantly more revenue from parking than they do lease revenues.

Table 21: Real Property Revenue as a Share of Operating Revenue, FY 20-26

BART

Agency / Revenue Type	FY 20	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26
Parking Revenue	7%	8%	7%	6%	7%	6%	6%
Rental Revenue	0%	3%	3%	2%	2%	2%	1%

Caltrain

Agency / Revenue Type	FY 20	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26
Parking Revenue	4%	1%	4%	3%	4%	3%	5%
Rental Revenue	1%	3%	3%	3%	3%	2%	2%

SFMTA

Agency / Revenue Type	FY 20	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26
Parking Revenue[8]	24%	34%	32%	30%	27%	26%	N/A
Rental Revenue	2%	3%	5%	4%	4%	3%	N/A

AC Transit

Agency / Revenue Type	FY 20	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26
Parking Revenue	1%	1%	2%	1%	1%	1%	1%
Rental Revenue	2%	8%	4%	4%	2%	3%	3%

Source: BART, Caltrain, SFMTA, AC Transit, Strategic Economics, 2026

[8] SFMTA parking revenue as a share of operating revenue is an outlier. Unlike the other transit agencies featured in this report, SFMTA acts as the parking authority for the City of San Francisco. However, not all of that revenue is used to fund transit.

Real Property Inventory and Assessment

Approach and Methodology

The remainder of this chapter focuses on the specific real property assets for each agency, with an assessment of potential joint development as well as any potential near-term revenue opportunities. For each agency, the real property assessment includes:

- An overall summary of the agency's real property holdings
- A review of the agency's existing joint developments and any existing joint development programs and policies currently in place
- An assessment of the agency's real property holdings with a focus on suitability for joint development. This is a high-level review and not intended to replace or supersede any existing process the agency has applied for identifying joint development. Instead, it provides a general overview of the types of property that could be suitable for joint development based on their physical conditions, existing uses, and the role they play in either current transit operations or future development of the system.

The property assets, referred to in this discussion as "sites," were classified into four categories:

1. **Potential Opportunity (Vacant/ Underutilized)**: sites that are vacant or primarily surface parking, are not dedicated to critical operations or capital projects, are at least ½ acre in area, and have vehicle access and site configuration suitable for a significant joint development. While small sites may be acceptable for some small-scale development, such projects are unlikely to generate any significant benefits.
2. **Potential Opportunity (with an Existing Use)**: sites that are not dedicated to critical operations or capital projects, are at least ½ acre in area, have vehicle access and site configuration suitable for a significant joint development, but that have an existing transit related use that would need to be either relocated or incorporated into the new development.
3. **Under Review or Needs More Study:** sites that are not dedicated to critical operations or capital projects and may be appropriate for joint development after further study due to various factors such as irregular configurations, recent changes to developable area, encumbrances, or other factors that may make development challenging. The development opportunities on these sites are likely to be more limited.
4. **Not Currently Suitable for Joint Development**: sites that are not currently suitable for joint development because they are already dedicated to critical operations or capital projects, are less than ½ acre in size, are irregularly shaped, lack adequate access, or have other encumbrances or challenges.

The assessment also includes a discussion of sites that are likely developable in the relatively near term due to location and market factors. However, given the current economic uncertainty that has impacted real estate development in the Bay Area, it is difficult to say whether these opportunities could be categorized as early actions as defined in the context of this study (1-3 years). Amidst this uncertainty there may be steps that the transit agencies could take to better position their potential opportunity sites so that once the market does recover, these sites are ready for disposition and have a higher potential for successful development.

AC Transit

Overview of Total Real Property Holdings and Opportunities

The real property owned by AC Transit consists of 26 developed and undeveloped parcels in various locations in Oakland, Emeryville, Richmond, Hayward, Fremont, and Newark. Accounting for adjacent parcels, these assets constitute approximately 16 sites. These sites include:

- General administrative offices for AC Transit
- A central maintenance facility and four operational facilities for each of the AC Transit districts
- Two sites with warehouse space currently leased to industrial tenants
- A park and ride facility
- Seven other parking lots and vacant and remnant sites, all of which are less than ½ acre in size. One of these lots is leased to an adjacent senior housing facility.

Table 22: Summary of Real Property Assets – AC Transit

Current Use Category	Number of Sites	Total Acres
Administrative Offices	1	1.0
Joint Development or Currently Leased	3	13.7
Operational Facility	5	56.8
Structured Parking	--	--
Surface Parking or Vacant	7	3.7
Other	--	--
Total	16	75.1

Existing Joint Developments and Joint Development Initiatives

With its limited real estate portfolio, AC Transit does not currently have a formal joint development program. However, the agency does collect rents from commercial leases on two of its warehouse properties and a parking lot that is leased to an adjacent senior housing development. Combined annual revenues from these leases total approximately $1.5 million.

Evaluation of Sites and Joint Development Opportunities

This assessment identifies seven sites that would be appropriate for joint development. Two of these sites are industrial properties the agency is actively leasing to commercial tenants, while the other five are operational or maintenance facilities. Of these seven sites, however, only one operational facility in Emeryville is in a strong enough market area that may support development in the near term. Development at this site would depend on AC Transit feasibly identifying an alternate location for its bus yard, either permanently or temporarily during construction if the yard can be incorporated into the new development. Other sites whose attributes could support development are not in strong enough markets to be opportunity sites in the near term. While some AC transit sites are located near bus or Tempo stops, the transit amenity is not likely to add enough value to present as an early action strategy.

Figure 8: AC Transit Property Map

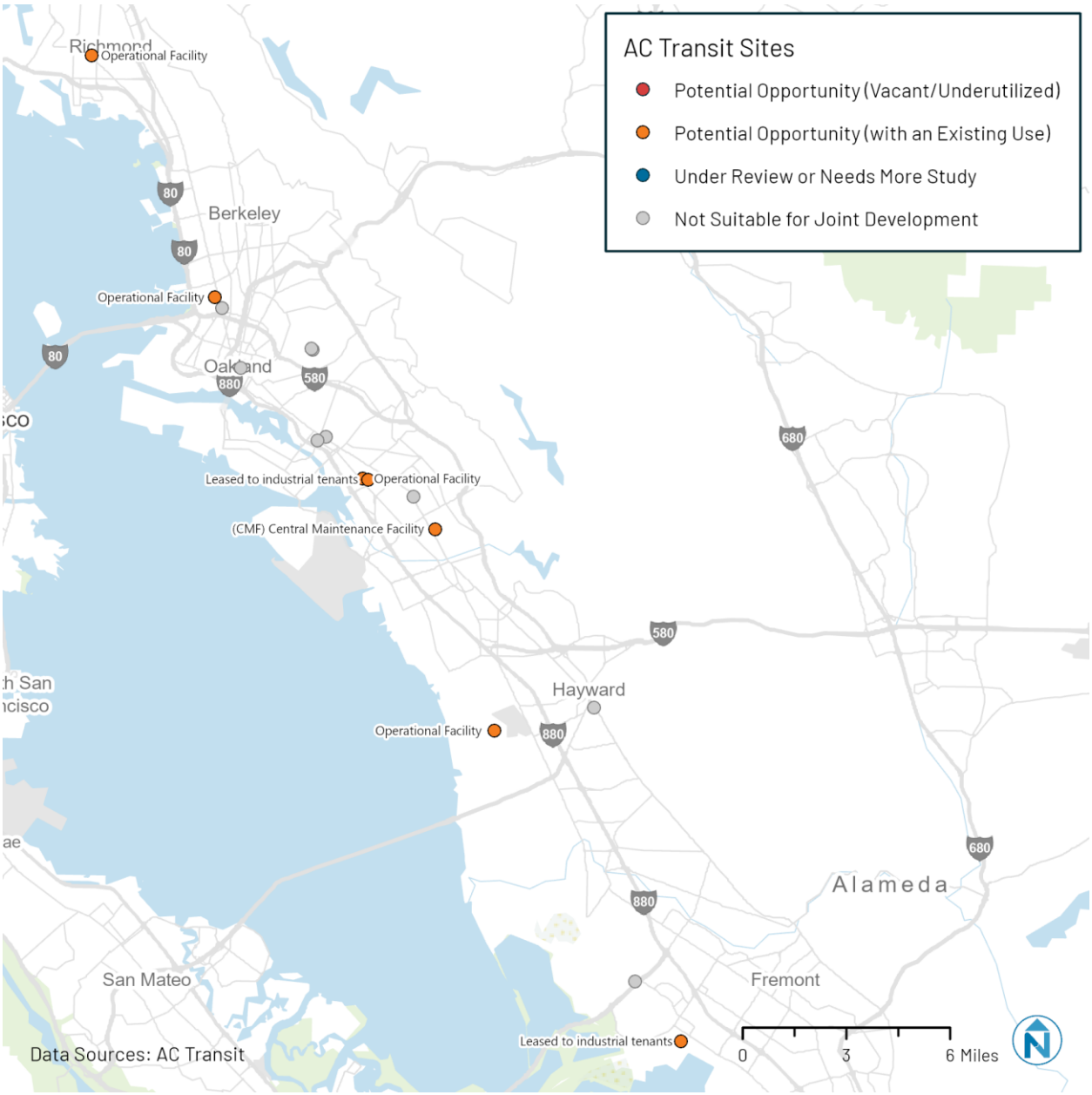


Table 23: Real Property Assets by Opportunity Classification – AC Transit

	Potential Opportunity (Vacant/ Underutilized)		Potential Opportunity (with an Existing Use)		Under Review or Needs More Study		Not Suitable for Joint Development	
Current Use Category	**Number of Sites**	**Total Acres**	**Number of Sites**	**Total Acres**	**Number of Sites**	**Total Acres**	**Number of Sites**	**Total Acres**
Administrative Offices	--	--	--		--	--	1	1.0
Joint Development or Currently Leased	--	--	2	13.3	--	--	1	0.4
Operational Facility	--	--	5	56.8	--	--	--	--
Structured Parking	--	--	--	--	--	--	--	--
Surface Parking or Vacant	--	--	--	--	--	--	7	3.7
Other	--	--	--	--	--	--	--	--
Total	**--**	**--**	**7**	**70.1**	**--**	**--**	**9**	**5.0**

While AC Transit does not need to establish a joint development policy at this point given the lack of potential opportunity sites, the agency could establish appropriate joint development goals as a component of property disposition for any of their sites.

BART

Overview of Total Real Property Holdings and Opportunities

Because BART was originally conceived as primarily a park-and-ride commuter system after the start of the automobile age, its real property assets are significantly more extensive than the other three transit agencies in this study. In contrast with bus and light rail systems (AC Transit, Muni) that primarily utilize the street network, and Caltrain, which operates on a legacy right-of-way, the BART system utilizes a dedicated, fully grade-separated right-of-way and sufficient land around its park-and-ride stations to provide sufficient parking for commuters.

BART acquired property over time as the system was planned and expanded, and today the agency owns vacant parcels in San Francisco, San Mateo, Alameda, and Contra Costa counties, including more than 150 acres of vacant land in Livermore that were purchased in anticipation of a rail extension that was ultimately not built.

As shown in the table below, developable surface parking in station areas represents approximately 22% of BART-owned acreage, developable vacant sites constitute another 15%, while most of the remaining parcels tend to be utilized for operations, structured parking, right-of-way, or are remnant parcels with negligible development value.

Table 24: Summary of Real Property Assets – BART

	Number of Parcels	Total Acres
Identified by BART as Developable for TOD	92	267.2
Significant Vacant Sites Outside Station Areas (1)	22	175.2
All Other Real Property (2)	681	759.3
Total	**795**	**1,201.7**

(1) Significant vacant sites (at least 1/2 acre in area) outside ½-mile radius of station areas:

(2) Includes Completed and In Process TOD and all other real property owned by BART.

Source: BART, 2026.

Figure 9: BART Property Map

Existing Joint Developments and Joint Development Initiatives

BART focuses its joint development initiatives on transit-oriented development in station areas. BART's first joint development/TOD project was completed in 1993. However, the Agency did not adopt a formal TOD/joint development policy until 2016. In 2018, the legislature passed AB 2923, which ultimately led to BART's preexisting TOD guidelines being adopted as the zoning standards around station areas. These standards include minimum densities for joint development projects, while streamlining the process for soliciting and approving residential development on BART-owned land. Amended in 2020, the strategic objectives for BART's TOD Policy are to:

- **Manage resources strategically to support transit-oriented development**, including developing a work plan to prioritize efforts, encouraging long-term ground leases over land sales, and priorities and procedures for soliciting proposals as well as responding to unsolicited proposals.
- **Support transit-oriented districts** by proactively supporting local station area planning efforts, forming partnerships with stakeholders, and incorporating TOD and value capture opportunities into system expansion planning.
- **Increase sustainable transportation choices using best practices in land use and urban design** by ensuring strong connections to BART stations, optimizing ridership, and encouraging reverse-commute, off-peak, and non-work trips in its land use planning
- **Enhance benefits of TOD through investment in the program** by taking a comprehensive approach to evaluating the financial performance of proposed projects, using a variety of financing and governance mechanisms, and reinvesting revenues from TOD back into the program, as appropriate.
- **Invest equitably** by increasing the scale of development at or near station areas to address the region's housing supply shortage, aiming for 35% of housing units District-wide to be deed-restricted affordable units, and incentivizing affordable units with a program of discounted ground rents.

BART's 10-year TOD Work Plan, which sets the Agency's joint development priorities and summarizes the agency's progress in achieving its TOD performance targets, was released in 2020 and updated in 2024. As shown below, the agency fell short of its 2025 target, primarily due to escalating construction costs and a downturn in commercial and multifamily development markets following the COVID-19 pandemic. The significant number of projects currently in the predevelopment stages will advance over time as market conditions and project financing align.

Table 25: BART's progress toward TOD performance targets as of 2024

	Commercial Square Feet	Total Units	Affordable Units
Target Completed by 2025	1,000,000	7,000	2,450
Completed as of 2024	874,590	4,232	1,298
In Predevelopment	1,843,590	8,272	2,944
Percent of Target Completed	87%	60%	53%

Source: BART Transit-Oriented Development Work Plan: 2024 Update

With its 267 acres of developable land across 29 stations, BART has an extensive process for prioritizing TOD sites. The process considers market readiness, the degree of local support for TOD, infrastructure readiness, and the development capacity of the sites.

Evaluation of Sites and Joint Development Opportunities

This review of BART's process for evaluating its joint development/TOD sites—as presented in the 10-Year TOD Work Program and BART's approach to meeting the AB 2923 mandates—determined that BART has followed industry best practices for both activities. Therefore, this review did not identify any additional joint development opportunities within the BART station areas.

BART's excess land outside of station areas may present the best potential for additional near-term revenue. Unlike BART's identified TOD sites, vacant sites outside of TOD areas may offer limited potential to generate ridership or be inappropriate for joint development on a ground lease. For example, it is difficult to develop ownership housing on a ground lease. In these cases, the optimal strategy may be to sell larger properties that are unlikely to be of future use to the agency. However, the agency would need to weigh the limits the Surplus Land Act would impose on disposition of its surplus land and/or the administrative burden of gaining an exemption from its requirements.

The eight vacant sites of at least ½ acre outside the station areas are shown below. The most significant of these are two sites are in Livermore—a 129-acre site and 38-acre site remaining from the contemplated Livermore extension.

Table 26: Significant vacant sites outside of station areas – BART

Site Name	City	Number of Parcels	Total Acres
Laughlin Rd/Altamont Pass Rd	Livermore	2	129.0
Northfront Rd/Herman Ave	Livermore	10	38.4
Via Media	Lafayette	1	1.8
Marabu Way	Fremont	1	1.6
Hillcrest Rd	Walnut Creek	1	1.5
Serramonte/El Camino	Colma	4	1.3
Paseo Padre Pkwy	Fremont	1	1.1
Industrial Pkwy - South	Hayward	2	0.5
Total		**22**	**175.2**

Sites listed are at least ½ acre in size and more than ½ mile from a BART station.

Source: BART, 2025.

In the near term, BART could initiate a study of excess land outside station areas for possible disposition.

Caltrain

Overview of Total Real Property Holdings

Caltrain's real property assets reflect, in large part, the segment of the Southern Pacific railroad system the agency acquired in 1991. Prior to the transfer of its right-of-way and property assets, Southern Pacific had owned and operated passenger rail service between San Francisco and the South Bay since the mid-19th Century, and today, the railroad's system footprint reflects pre-automobile commute patterns. In contrast with BART's commuter system, which was designed with large park-and-ride lots outside the urban core, Caltrain-owned land in its station areas tends to consist of smaller and/or narrow sites, often in historic downtowns along the Peninsula.

Caltrain classifies its potential joint development assets into station area sites, which could be transit-oriented development opportunities, and corridor sites, which are outside the station areas and are therefore unlikely to have a significant impact on ridership, although they may still generate revenue for the agency. The study considered 65 sites totaling 135 acres of land area owned or controlled by Caltrain, of which:

- About half are outside station areas (40% of acreage)
- Approximately 42% are less than 100 feet wide
- Four include historic station buildings

In addition to these limitations, Caltrain considers the use of its property for current and future capital projects along the corridor, including the Peninsula Corridor Electrification Project (PCEP), completed in 2024, various planned grade separation and other transportation improvement projects along the corridor, and future California High Speed Rail corridor development and operations. In many instances, land that could otherwise be used for joint development must be reserved, either permanently or temporarily, for these capital projects. The PCEP infrastructure that enabled electrification of the system required additional buffer zones between the trains and adjacent land uses that reduce the developable area of the otherwise vacant land Caltrain owns.

Table 27: Caltrain Real Property Assets

Current Use Category	Number of Sites	% of Total	Total Acres	% of Total
Administrative Offices	--	0%	--	0%
Joint Development or Currently Leased	--	0%	--	0%
Operational Facility	8*	12%	38.6	26%
Structured Parking	--	0%	--	0%
Surface Parking or Vacant	57	88%	96.0	74%
Other	--	0%	--	0%
Total	**65**	**100%**	**134.7**	**100%**

* Includes operating easement at the San Francisco 4th and King terminal.

Figure 10: Caltrain Property Map

Existing Joint Developments and Joint Development Initiatives

In recent years, Caltrain has adopted several policies to guide the use of its property for joint development and other non-railroad uses, while coordinating these activities with capital projects. These agency initiatives include a Rail Corridor Use Policy (RCUP), the Property Conveyance Policy, and a Transit-Oriented Development Policy.

Caltrain's **Rail Corridor Use Policy** sets out a decision-making framework for non-railroad uses of real property such as for joint development, utility infrastructure, or community facilities. The agency adopted the RCUP in 2020 and is currently completing an update to the policy. The RCUP classifies Caltrain property by considering each site's current and potential use for transit operations and future capital projects. The RCUP also identifies sites located in "special study areas"—these are more complex development sites subject to a defined planning process involving multiple stakeholders. Caltrain's property interests at its San Francisco 4th and King and San José terminal stations are two special study areas. Finally, the RCUP process assessed all Caltrain sites not required for current or future capital projects for suitability for joint development.

The **Transit-Oriented Development Policy**, also adopted in 2020, defines goals and strategic objectives for joint development at Caltrain's station area sites. The strategic objectives are:

- Encourage transit-oriented development, particularly transit-supportive uses with maximum density
- Generate revenue streams to offset operating costs, favoring long-term ground leases at market rates, participation development revenues, a competitive participation process, and business terms that minimize financial risk to the agency.
- Leverage any land acquisition from capital projects for TOD, such as purchasing property for capital projects instead of leasing to use the land for joint development after the capital project is complete.
- Contribute to complete communities in the station areas through complementary uses, community participation processes, and context-sensitive design standards
- Support environmental sustainability and alternatives to private vehicle travel with environmental and energy efficiency standards, limited parking, and a balance of options for station access
- Provide affordable housing with a 30% onsite affordable housing inclusionary requirement for market rate housing development, partnerships with affordable developers, and creative use of commercially nonviable lots for affordable housing.
- Encourage high labor standards by requiring prevailing wages and encouraging project labor agreements

The agency collects approximately $1 million per year from commercial leases.

Evaluation of Sites and Joint Development Opportunities

The 2020 RCUP analysis identified six station area sites that are appropriate for near term development, as shown below. This review confirms that based on the current parcel inventory, Caltrain's potential opportunity sites are:

- Hayward Park Station (entitled for multifamily)

- Redwood City Station
- Mountain View Station
- Diridon Station (entitled for office)
- Belmont Station (two sites: station site and nearly surface parking lot site)
- 4th and King terminal

Table 28: Real Property Assets by Opportunity Classification – Caltrain

	Potential Opportunity (Vacant/ Underutilized)		Potential Opportunity (with an Existing Use)		Under Review or Needs More Study		Not Suitable for Joint Development	
Current Use Category	**Number of Sites**	**Total Acres**	**Number of Sites**	**Total Acres**	**Number of Sites**	**Total Acres**	**Number of Sites**	**Total Acres**
Administrative Offices	--	--	--	--	--	--	--	--
Joint Development or Currently Leased	--	--	--	--	--	--	--	--
Operational Facility	--	--	1*	20.0	--	--	7	18.6
Structured Parking	--	--	--	--	--	--	--	--
Surface Parking or Vacant	4	13.7	--	--	13	25.2	40	57.2
Other	--	--	--	--	--	--	--	--
Total	**4**	**13.7**	**1**	**20.0**	**13**	**25.2**	**47**	**75.8**

* Developable acreage is likely to be lower than the total acres shown, subject to Caltrain's currently ongoing review of physical, operational, and capital constraints on its potential opportunity sites.

Hayward

Prior to completing the RCUP process, Caltrain conducted a joint development disposition process for Hayward Park station. The agency progressed the joint development process through developer solicitation and ground lease negotiation stages, and the developer gained entitlements for a rental apartment building. However, the developer ultimately terminated the lease after failing to secure financing, due to a downturn in multifamily development markets combined with a tightening availability of investment capital.

Diridon

As of 2024, Caltrain has also entitled 1.2 million square feet of office space and active ground floor uses at Diridon Station. The project is part of the Diridon Station Area Plan and complements the Diridon Integrated Station Concept Plan and Downtown West Mixed-use Plan. Caltrain will seek a developer as market conditions allow.

4th & King

Another opportunity site is at Caltrain's San Francisco 4th and King terminal, where the agency does not own the land but has an operating easement. Caltrain is an active participant in planning development with ProLogis, the owner of the site's fee title. A Project Application for this potential development, filed on March 10, 2026, envisions up to 7 to 8 million square feet at full buildout, including an 850-foot tower with a new Caltrain station at its base.

Going forward, Caltrain could investigate opportunities to add flexibility to its affordable housing requirement to help boost project feasibility. Currently, the agency's policy requires each market rate residential project to set aside 30% of its units for affordable housing. However, the agency could explore a policy that establishes a portfolio-wide goal for affordable housing, like the approach taken by BART and SFMTA. A portfolio-wide goal helps pave the way for more 100% affordable developments or partnerships between market rate and affordable developers.

SFMTA

Overview of Total Real Property Holdings

In addition to operating the Muni bus and light rail system, SFMTA owns and operates the City's street and off-street parking facilities, which are a major source of revenue. Because San Francisco's built density and land values tend to be much higher than in areas of the East Bay, South Bay, and Peninsula served by the other transit agencies in this study, SFMTA's real property assets include a much larger percentage of smaller lots, with no vacant or underutilized sites large enough for higher density development. As shown in below, surface parking lots and vacant sites make up only 4% of acreage owned by the agency; all these sites are less than ½ acre in size. The most significant joint development opportunities, therefore, will be confined to parking garage sites or sites where an existing use would need to be either relocated or incorporated into the development.

Table 29: Real Property Assets – SFMTA

Current Use Category	Number of Sites	% of Total	Total Acres	% of Total
Administrative Offices	--	--	--	--
Joint Development or Currently Leased	3	6%	0.7	1%
Operational Facility	18	35%	67.1	78%
Structured Parking	13	25%	11.7	14%
Surface Parking or Vacant	17	33%	3.5	4%
Other	1	2%	2.5	3%
Total	**52**	**100%**	**85.7**	**100%**

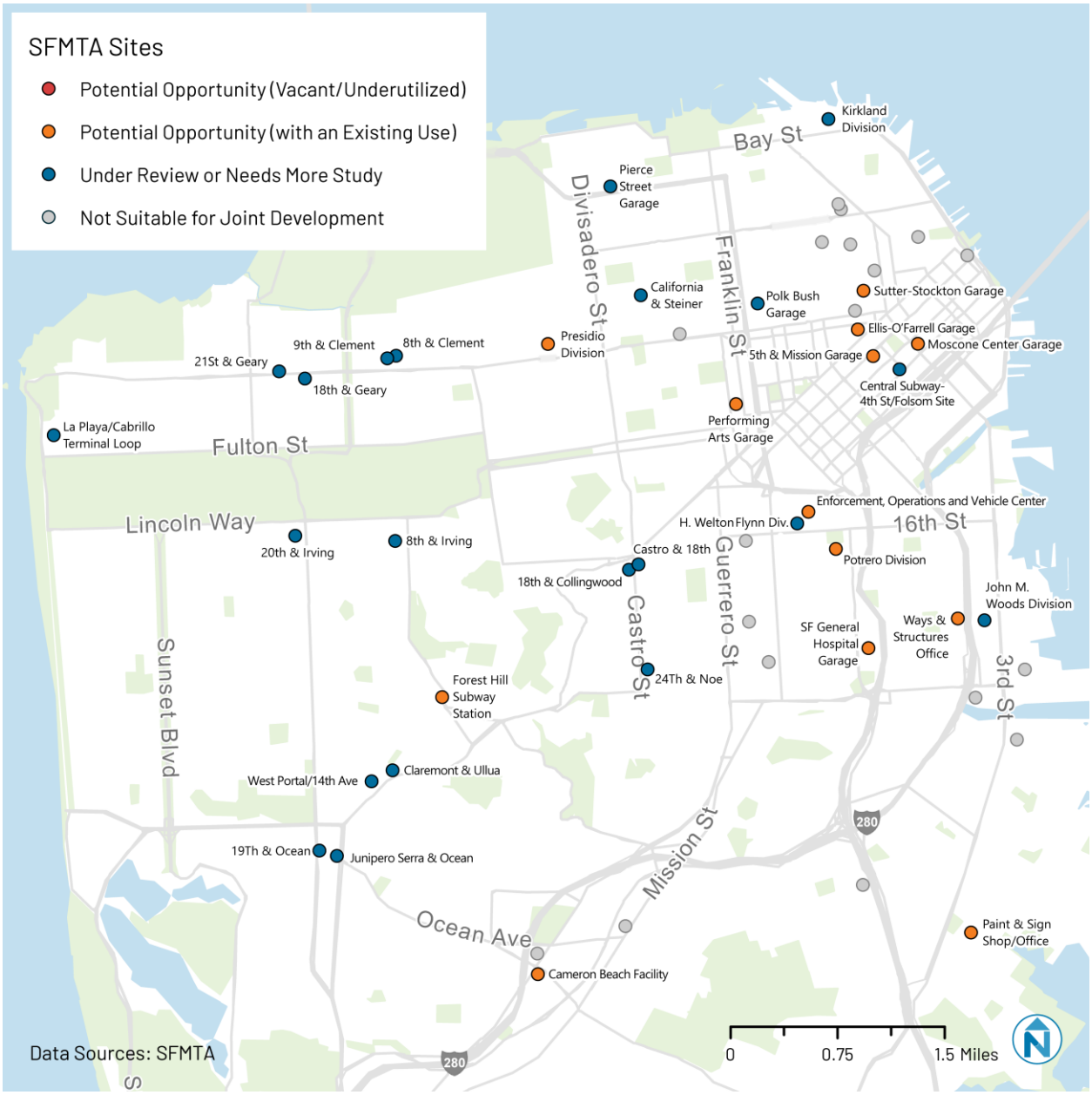
Existing Joint Developments and Joint Development Initiatives

Although SFMTA did not have an adopted joint development policy until recently, the agency has reported the completion of six joint development projects dating back to 1986. Of these:

- Four were affordable housing projects, either through a land sale to another agency sponsoring the development or through the sale of air rights over two of its parking garages
- One was a hotel on a ground lease ($2.2M in rent in 2023)
- One was a youth and recreational facility

The agency has also reached a project agreement with a developer to build affordable housing at its Potrero Yard site, which is currently a bus yard. The planned development will include 100 affordable housing units and a modernized bus maintenance facility to replace the existing yard. To date, the agency has not completed a joint development that includes market rate housing.

Figure 11: SFMTA Property Map



In 2025, SFMTA adopted a Joint Development Program Goals and Policy. The goals of the program are to use private investment to:

1. **Maximize Public Good**. Generate substantial long-term revenues to improve our transportation system.
2. **Create Inclusive and Well-Connected Communities**. Create development projects that foster inclusive communities and improve access to opportunity and resources.
3. **Build Sustainable and Resilient Projects**. Build development projects that improve working conditions for SFMTA staff, use green and resilient practices and reduce Vehicle Miles Traveled and greenhouse gas emissions.

Key requirements for large properties in its joint development portfolio include:

- At least 50% of gross acreage will be used for residential development
- A total of 300 units at buildout or at least 10 dwelling units per acre
- At least 25% of residential units across the portfolio will be affordable

By emphasizing a mix of market-rate and affordable residential units and other types of uses in its joint development policy, SFMTA is prioritizing revenue generation. As with the Potrero yard, previous joint developments consisted of 100% affordable housing, which do not generate significant ground lease revenue.

In December 2025, San Francisco adopted the Family Zoning Plan, a major step toward expanding housing affordability and availability and enhancing funding for the SFMTA. The plan allows for increased density along transit corridors, primarily in the western and northern neighborhoods, and includes 21 SFMTA properties through the new SFMTA Sites Special Use District. Unlike the previous zoning, the new Special Use District allows for housing, retail, and private sector employment near transit, while increasing allowable density and creating a more predictable approval process for joint development. The SFMTA Joint Development Program Goals and Policy was the basis for the adoption of the Special Use District.

Evaluation of Sites and Joint Development Opportunities

Through its joint development program, the agency identified 25 potential opportunity sites. Three additional sites are currently under review, and three more were recently rezoned but have not been reassessed for development potential under the rezoning.

This assessment considered the agency's site assessment alongside its own criteria and classified sites as shown in Table 28:

- All surface parking lots were classified as "Needs More Study" because they are small in area and typically important in supporting the city's neighborhood commercial districts.
- Fifteen of the 17 sites identified for potential joint development are currently being used as operational facilities (mostly bus yards) or parking structures:
  - Bus yards would either need to be replaced within the development or else relocated, likely adding to development costs and/or requiring extensive measures to mitigate operational impacts during construction.

- Parking garages would need to be demolished, with potential replacement as part of development, resulting in temporary or permanent loss of parking revenues for the agency.

Table 30: Real Estate Assets by Opportunity Classification – SFMTA

	Potential Opportunity (Vacant/ Underutilized)		Potential Opportunity (with an Existing Use)		Under Review or Needs More Study		Not Suitable for Joint Development	
Current Use Category	**Number of Sites**	**Total Acres**	**Number of Sites**	**Total Acres**	**Number of Sites**	**Total Acres**	**Number of Sites**	**Total Acres**
Administrative Offices	--	--	--	--	--	--	--	--
Joint Development or Currently Leased	--	--	--	--	--	--	3	0.7
Operational Facility	--	--	7	17.8	5	17.9	6	31.5
Structured Parking	--	--	6	9.0	2	0.6	5	2.2
Surface Parking or Vacant	--	--	--	--	14	3.2	3	0.4
Other	--	--	--	--	--	--	1	2.5
Total	**--**	**--**	**13**	**26.8**	**21**	**21.6**	**18**	**37.25**

This assessment identified two sites that were not included in the agency's joint development portfolio but that might be appropriate for joint development based on the site's size, configuration, access and the strength of their locations:

- The agency's Enforcement Headquarters (1200 15th Street) could be an appropriate building for a repositioning to commercial office.
- The Maintenance of Way facility (700 Pennsylvania Street) could be redeveloped to housing.

However, both of these sites are currently used for critical agency functions, and joint development on them is highly unlikely to be feasible, at least in the near term. In addition to the prohibitive cost of relocating these agency functions, neither site is zoned for commercial or market rate housing development.

The agency is currently developing a Joint Development Program Strategic Plan to identify new policy and regulatory changes and strategies to support its goals, including the creation of economic value.

NEXT STEPS AND RECOMMENDATIONS

Next Steps

Following the adoption of the final Phase 1 report by the Oversight Committee, MTC will transmit the adopted report to the Legislature, the transit agencies, and the public. By July 1, 2026, each subject operator will identify specific strategies in the final adopted Phase 1 report that it commits to implementing and shall adopt those strategies as formal policy or budget actions, as applicable. Should the proposed ballot measure succeed, Phase 2 of this effort would begin in 2027. Phase 2 would focus on identifying a menu of cost-saving measures that could reduce one-time and ongoing fixed and variable costs for the transit agencies, as well as conducting a comprehensive regional assessment of development and financing strategies to maximize the value of real property assets owned by each transit agency.

Recommendations

To maintain consistent and up-to-date information on the cost-saving measures and early action strategies identified in this report, and to support an efficient and effective Phase 2 analysis, it is recommended that both the transit agencies and MTC establish a regular approach to monitoring and reporting progress.

Transit agencies should maintain ongoing tracking of the measures examined in this report. In particular, agencies should regularly update their cost profiles using the same reporting framework applied in this analysis, document any additional cost-saving or revenue-enhancing measures that are implemented, and monitor progress on the early action strategies identified in this report. Maintaining this information will help ensure that agencies and regional partners have a current understanding of financial conditions and the impacts of implemented strategies.

MTC should consider establishing a consistent regional approach and standard for reporting financial profile information and tracking progress on early action strategies. This reporting would not replace existing agency reporting practices; rather, it would provide a complementary framework for presenting comparable information across agencies. The intent is to support clear, consistent, and transparent communication with decision-makers and the public over time. This framework could also be expanded in the future to include additional Bay Area transit agencies beyond those included in this analysis.

APPENDICES

Cost-Saving and Enhanced Revenue Strategies Reported to MTC (By Operator for Reporting Period)

Real Estate Inventories (By Operator)

Cost-Saving and Enhanced Revenue Strategies as Reported to MTC

AC Transit (in YOE $ millions)

Operating cost savings in white, capital cost savings are in blue, and enhanced revenues are in green.

Cost-Saving/Enhanced Revenue Action	FY2019-20	FY2020-21	FY2021-22	FY2022-23	FY2023-24	FY2024-25	*Total*
Reduced $350,000 in loss recoveries.						$0.40	*$0.40*
Reduced $402,000 based on updated information from the Transportation Joint Powers Authority (TJPA).						$0.40	*$0.40*
Contract renegotiation resulting in reduced costs.			$1.10		$3.90		*$5.00*
Reduced $1.6M for tempory help.						$1.60	*$1.60*
Reduced $1.7M fuel budget						$1.70	*$1.70*
Reduced $3.6 million based on updated information on Insurance Premiums						$3.60	*$3.60*
Reduced $4.0M Paratransit Contract (based on FY25 budget, not projected spending). Reduced $293,000 based on reduced need for support in dispatch software upgrades for Paratransit						$4.30	*$4.30*
Reduced $4.6M in targeted efforts to reduce budget (such as IT Professional Services and a HR Data Analytics Project) Reduced over $500k in other targeted reductions early on in the budget development process						$5.40	*$5.40*
Reduced amount for Bus Shelter Contract. Deferred and reduced other project initiatives (such as Transit Asset Management Plan development and Facility Utilization Plan).			$0.60				*$0.60*
Reduced and deferred initiatives (customer service training for veteran operators, document retention policy implementation, and other initiatives). Reduced costs for fiber marking along BRT corridor (shifting to doing work with inhouse and new hires). Renegotiated contract with United Site Services for lower cost.				$2.20			*$2.20*

Reduced costs for professional services (shifting to doing work with inhouse and new hires). Reduced need for professional and technical services (auditing). Reduced licenses expense for Salesforce. Reduced contingency budgets (making District less risk averse).							
Reduced and deferred initiatives (Major Corridor Study, Rider Survey, Bus Stop Agreements with Cities/BART to improve bus stops, District-Wide Leadership Development, and other initiatives)					$5.20		*$5.20*
Reduced bank line of credit. Reduced dues and subscriptions.			$0.20				*$0.20*
Reduced budget for COVID temperature checkers, temporary help.				$2.00			*$2.00*
Reduced Clipper and other services, such as Security Services, based on reduced demand (COVID-related).	$0.50						*$0.50*
Reduced costs for previously planned furniture expenditures. Reduced personal protective equipment (PPE) supplies and stationary supplies.				$0.40			*$0.40*
Reduced due to anticipated lower insurance premiums.			$0.20				*$0.20*
Reduced furniture and supplies.					$0.00		*$0.00*
Reduced inventory of personal protective equipment (PPE).			$0.40				*$0.40*
Reduced travel and training. Reduced dues and subscriptions.				$0.10	$0.10		*$0.30*
Reduced use of temporary help.	$0.20		$0.70				*$0.90*
Reduction based on reduced demand (COVID-related).	$2.60						*$2.60*
Service Reductions	$10.70	$30.60	$32.80	$33.00	$29.20	$20.80	*$157.10*
Targeted Reductions in safety supplies, printing, and office furniture.						$0.30	*$0.30*
Targeted reductions in travel costs, employee incentive, advertising, and dues & subscriptions. Reduced $254,000 from original estimate for Election of Directors based on updated information.						$1.60	*$1.60*
Worked with Transbay Joint Powers Authority (TJPA) to reduce final lease costs.			$2.10				*$2.10*

SUBTOTAL - Operating Cost-Savings	**$14.00**	**$30.60**	**$38.10**	**$37.70**	**$38.40**	**$40.10**	**$199.00**
fare increase implemented 7/1/25 - local fare from $2.50 -> $2.75, transbay fare from $6.00 to $6.50 estimate from SR 21-163d. On-going.						$4.10	*$4.10*
increases in EP revenue per year (pre-FY23 are TBD). On-going, these can be added together - EP revenue increased $3.8M over those 3 years.			$1.60	$1.20	$1.00		*$3.80*
SUBTOTAL - Enhanced Revenue	**$0.00**	**$0.00**	**$1.60**	**$1.20**	**$1.00**	**$4.10**	**$7.90**
Total	**$14.00**	**$30.60**	**$39.60**	**$38.90**	**$39.50**	**$44.00**	**$206.60**

BART (in YOE $ millions)

Operating cost savings in white, capital cost savings are in blue, and enhanced revenues are in green.

Cost-Saving/Enhanced Revenue Action	FY2019-20	FY2020-21	FY2021-22	FY2022-23	FY2023-24	FY2024-25	*Total*
FY20 and FY21 service reductions	$24.80	$99.00					*$123.80*
Elimination of planned service increase			$5.10	$30.60	$32.70	$33.30	*$101.70*
BART Headquarters consolidation (BHQ purchase substituting for lease of larger Lakeside building)			$15.70	$12.80	$13.50	$14.10	*$56.20*
Elimination of planned 76 FTE BPD expansion (19 new sworn officers per year)		$3.30	$6.70	$10.20	$14.00	$16.40	*$50.50*
Eliminate transfer payment agreements (SFMTA/AC)		$8.00	$8.00	$10.00	$10.50	$11.00	*$47.50*
Elimination of pension prepayment allocation		$10.00		$10.00	$10.00	$10.00	*$40.00*
Eliminate 672 vacant positions in May 2020 (251.5 operating)		$32.30					*$32.30*
0% wage increase for most employees in FY22 (instead of 2%)			$6.80	$7.00	$7.30	$7.50	*$28.60*
Optimized train lengths					$7.80	$7.10	*$14.90*
Reduce Feeder Bus payments (4 small East Bay ops)		$2.50	$2.50	$2.50	$2.50	$2.50	*$12.50*
Deferral of unfunded retiree medical prepayments, use of existing trust fund to pay current costs						$5.60	*$5.60*
Strategic hiring freeze - 45 positions in FY25						$2.50	*$2.50*
SUBTOTAL - Operating Cost-Savings	**$24.80**	**$155.10**	**$44.80**	**$83.10**	**$98.30**	**$110.00**	**$516.10**
Rail car project savings					$394.60		*$394.60*
Capital local match deferrals		$70.0				$51.00	*$121.0*
Budget cut; sustainability infrastructure projects		$9.00	$6.40	$3.10	$3.40	$3.00	*$24.80*
Next-Generation Faregates						$4.00	*$4.00*
Capital indirect rate improvements						$3.00	*$3.00*
Parking garage LED lighting installation						$1.40	*$1.40*
SUBTOTAL - Capital Cost-Savings		**$79**	**$6.4**	**$3.1**	**$398**	**$62.4**	**$548.8**

Inflation-based fare increases	$1.00	$3.20	$11.30	$15.00	$22.10	$35.00	*$87.60*
Develop and Implement Clipper BayPass				$1.00	$2.00	$3.70	*$6.70*
Leases on BART parking lots		$1.00	$1.00	$1.00	$1.00	$1.00	*$4.80*
SUBTOTAL - Enhanced Revenue	**$1.00**	**$4.20**	**$12.30**	**$17.00**	**$25.10**	**$39.70**	**$99.10**
TOTAL	**$25.80**	**$238.20**	**$63.40**	**$103.20**	**$521.20**	**$212.20**	**$1,164.00**

Caltrain (in YOE $ millions)

Operating cost savings in white, capital cost savings are in blue, and enhanced revenues are in green.

Cost-Saving/Enhanced Revenue Action	FY2019-20	FY2020-21	FY2021-22	FY2022-23	FY2023-24	FY2024-25	*Total*
Canceled Stand Alone Mobile App						$0.30	*$0.30*
Delay increase in service (FFGA Waiver)						$10.00	*$10.00*
Fuel Savings	$1.70	$4.40	$0.40				*$6.50*
Fuel-hedging program		$0.10	$0.10	$0.50	$0.10		*$0.80*
Other Administrative Savings (FY2025)						$2.10	*$2.10*
Professional Service Work Directive Review Process		$0.60				$2.00	*$2.60*
Rail Operator Cost efficiencies (crewing efficiencies and reducing overtime)	$6.90	$14.30	$10.60	$1.80	$1.50	$1.50	*$36.60*
Strategic Hiring Freeze	$0.40	$5.60	$5.60	$4.60	$1.00		*$17.20*
SUBTOTAL - Operating Cost-Savings	**$9**	**$25**	**$16.7**	**$6.9**	**$2.6**	**$15.9**	**$76.1**
Low Carbon Fuel Standard revenue						$2.50	*$2.50*
SUBTOTAL - Enhanced Revenue						$2.50	$2.50
Total	**$9.00**	**$25.00**	**$16.70**	**$6.90**	**$2.60**	**$20.30**	**$80.50**

SFMTA (in YOE $ millions)

Operating cost savings in white, capital cost savings are in blue, and enhanced revenues are in green.

Strategy	FY2019-20	FY2020-21	FY2021-22	FY2022-23	FY2023-24	FY2024-25	*Total*
Personnel cost savings via holding positions vacant					$80.00	$89.90	*$169.90*
Covid Service Decreases		$56.40					*$56.40*
Non-personnel cuts by eliminating planned one-time investments						$30.00	*$30.00*
Transit-priority and reliability upgrades (operational efficiency)				$10.00	$10.00	$10.00	*$30.00*
Negotiated costs/billing rate reductions across over a dozen professional service contracts						$9.00	*$9.00*
Improved deployment of Fare Inspectors and Communications campaign to increase fare compliance						$6.30	*$6.30*
SUBTOTAL - Operating Cost-Savings	**0**	**56.4**	**0**	**10**	**90**	**145.2**	**301.6**
Capital Project Deferrals		$194.30		$60.50	$13.90	$120.10	*$388.80*
SUBTOTAL - Capital Cost-Savings	**0**	**194.3**	**0**	**60.5**	**13.9**	**120.1**	**388.8**
Transit fare adjustments (Clipper discount/multiplier/indexing) (FY24-25 &FY25-26)						$12.70	*$12.70*
Parking fine increases (8% each year; 16% total) and improved deployment strategies to increase citation issuance						$12.30	*$12.30*
Increased city-wide hourly meter rates by $0.25 city wide - FY25						$5.00	*$5.00*
Transit fare adjustments (Clipper discount/multiplier/indexing) (FY26-27 &FY27-28)						$4.50	*$4.50*
Residential Parking Permit (RPP) fee indexing + additional costs						$1.90	*$1.90*
Taxi fee reinstatement + inflation indexing (excluding drivers)						$0.50	*$0.50*
SUBTOTAL - Enhanced Revenues	**0**	**0**	**0**	**0**	**0**	**36.9**	**36.9**
Total	**$0.00**	**$250.70**	**$0.00**	**$70.50**	**$103.90**	**$302.20**	**$727.30**

Real Estate Inventories (By Operator)

AC Transit

Real Property Site Inventory

Site ID	Site Name/Location	City	County	Acres	Current Use Category	Opportunity Classification
1	1600 Franklin	Oakland	Alameda	1.00	Administrative Offices	Not Suitable for Joint Development
2	10626 International Bl	Oakland	Alameda	9.63	Operational Facility	Potential Opportunity (with an Existing Use)
3	1040 Seminary Ave	Oakland	Alameda	12.53	Operational Facility	Potential Opportunity (with an Existing Use)
4	2016 MacDonald	Richmond	Contra Costa	5.15	Operational Facility	Potential Opportunity (with an Existing Use)
5	1177 47th St	Emeryville	Alameda	8.96	Operational Facility	Potential Opportunity (with an Existing Use)
6	20234 Mack St	Hayward	Alameda	20.52	Operational Facility	Potential Opportunity (with an Existing Use)
7	1449 35th Avenue	Oakland	Alameda	0.25	Surface Parking or Vacant	Not Suitable for Joint Development
8	8630 International Bl	Oakland	Alameda	0.10	Surface Parking or Vacant	Not Suitable for Joint Development
9	3134 E. 10th Street	Oakland	Alameda	0.03	Surface Parking or Vacant	Not Suitable for Joint Development
10	34805 Ardenwood Bl	Fremont	Alameda	2.94	Surface Parking or Vacant	Not Suitable for Joint Development
11	905 66th Ave	Oakland	Alameda	10.06	Joint Development or Currently Leased	Potential Opportunity (with an Existing Use)
12	6821 Central Ave	Newark	Alameda	3.25	Joint Development or Currently Leased	Potential Opportunity (with an Existing Use)
13	3925 Adeline St	Emeryville	Alameda	0.37	Joint Development or Currently Leased	Not Suitable for Joint Development
14	920 Carlston Ave	Oakland	Alameda	0.05	Surface Parking or Vacant	Not Suitable for Joint Development
15	849 Walavista Ave	Oakland	Alameda	0.07	Surface Parking or Vacant	Not Suitable for Joint Development
16	24137 Mission Bl	Hayward	Alameda	0.21	Surface Parking or Vacant	Not Suitable for Joint Development

BART

TOD Site Inventory

Site ID	Site Name/Location	City	County	Acres
1	12th St/Oakland City Center	Oakland	Alameda	0.41
2	19th St/Oakland	Oakland	Alameda	0.54
3	Antioch	Antioch	Contra Costa	29.26
4	Bay Fair	San Leandro	Alameda	16.65
5	Berryessa/North San José	San Jose	Santa Clara	3.63
6	Castro Valley	Castro Valley	Alameda	10.42
7	Coliseum	Oakland	Alameda	7.11
8	Concord	Concord	Contra Costa	17.76
9	Daly City	Daly City	San Mateo	3.77
10	Dublin/Pleasanton	Dublin	Alameda	17.89
11	El Cerrito del Norte	El Cerrito	Contra Costa	8.31
12	Fremont	Fremont	Alameda	19.03
13	Fruitvale	Oakland	Alameda	2.84
14	Glen Park	San Francisco	San Francisco	0.43
15	Hayward	Hayward	Alameda	6.21
16	Lafayette	Lafayette	Contra Costa	11.07
17	Lake Merritt	Oakland	Alameda	0.35
18	MacArthur	Oakland	Alameda	0.24
19	North Concord/Martinez	Concord	Contra Costa	19.38
20	Pittsburg Center	Pittsburg	Contra Costa	2.74
21	Pittsburg/Bay Point	Pittsburg	Contra Costa	24.46
22	Richmond	Richmond	Contra Costa	1.95
23	Rockridge	Oakland	Alameda	1.67
24	San Leandro	San Leandro	Alameda	6.33

Site ID	Site Name/Location	City	County	Acres
25	South Hayward	Hayward	Alameda	9.02
26	South San Francisco	South San Francisco	San Mateo	3.88
27	Union City	Union City	Alameda	10.57
28	Warm Springs/South Fremont	Fremont	Alameda	30.96
29	West Oakland	Oakland	Alameda	0.34

Vacant Non-TOD Site Inventory

Site ID	Site Name/Location	City	County	Acres
1	Hillcrest Rd	Walnut Creek	Contra Costa	1.46
2	Industrial Pkwy - South	Hayward	Alameda	0.54
3	Laughlin Rd/Altamont Pass Rd	Livermore	Alameda	129
4	Marabu Way	Fremont	Alameda	1.61
5	Northfront Rd/Herman Ave	Livermore	Alameda	38.43
6	Paseo Padre Pkwy	Fremont	Alameda	1.09
7	Serramonte/El Camino	Colma	San Mateo	1.26
8	Via Media	Lafayette	Contra Costa	1.78

CalTrain

Real Property Site Inventory

Site ID	Site Name/Location	City	County	Acres	Current Use Category	Opportunity Classification
1	23rd and Pennsylvania	San Francisco	San Francisco	0.82	Surface Parking or Vacant	Not Suitable for Joint Development
2	25th and Pennsylvania	San Francisco	San Francisco	0.5	Surface Parking or Vacant	Not Suitable for Joint Development
3	Williams Ave & Diana St	San Francisco	San Francisco	1.41	Surface Parking or Vacant	Under Review or Needs More Study
4	Palou Ave & Phelps St	San Francisco	San Francisco	0.69	Surface Parking or Vacant	Not Suitable for Joint Development
5	Center St & Oak St	Millbrae	San Mateo	2.34	Surface Parking or Vacant	Not Suitable for Joint Development
6	Mateo Ave & Hemlock Ave	Millbrae	San Mateo	3	Surface Parking or Vacant	Not Suitable for Joint Development
7	Dufferin Ave & California Dr	Burlingame	San Mateo	4.67	Surface Parking or Vacant	Under Review or Needs More Study
8	Majilla Ave & California Dr	Burlingame	San Mateo	0.74	Surface Parking or Vacant	Under Review or Needs More Study
9	Whipple Ave & El Camino	Redwood City	San Mateo	0.03	Surface Parking or Vacant	Not Suitable for Joint Development
10	Whipple Ave & El Camino	Redwood City	San Mateo	0.4	Surface Parking or Vacant	Not Suitable for Joint Development
11	Communications Hill Blvd	San Jose	Santa Clara	4.94	Surface Parking or Vacant	Not Suitable for Joint Development
12	Communications Hill Blvd	San Jose	Santa Clara	6.73	Surface Parking or Vacant	Not Suitable for Joint Development
13	4th and King Station	San Francisco	San Francisco	20	Operational Facility	Potential Opportunity (with an Existing Use)
14	SSF Station	South San Francisco	San Mateo	2.11	Surface Parking or Vacant	Not Suitable for Joint Development
15	Irwin Place & California Drive	Millbrae	San Mateo	1.45	Surface Parking or Vacant	Not Suitable for Joint Development
16	Burlingame Station	Burlingame	San Mateo	0.47	Operational Facility	Not Suitable for Joint Development
17	San Mateo Station	San Mateo	San Mateo	1.64	Surface Parking or Vacant	Under Review or Needs More Study
18	2nd Ave at railroad tracks	San Mateo	San Mateo	0.44	Surface Parking or Vacant	Under Review or Needs More Study
19	Hayward Park Station	San Mateo	San Mateo	3.26	Surface Parking or Vacant	Potential Opportunity (Vacant/ Underutilized)
20	Hillsdale Station	San Mateo	San Mateo	0.97	Surface Parking or Vacant	Under Review or Needs More Study
21	Hillsdale Station	San Mateo	San Mateo	1.24	Surface Parking or Vacant	Not Suitable for Joint Development
22	Belmont Station	Belmont	San Mateo	3.66	Surface Parking or Vacant	Under Review or Needs More Study
23	Belmont Station	Belmont	San Mateo	1.56	Surface Parking or Vacant	Under Review or Needs More Study
24	Next to San Carlos Station	San Carlos	San Mateo	3.14	Surface Parking or Vacant	Not Suitable for Joint Development

Site ID	Site Name/Location	City	County	Acres	Current Use Category	Opportunity Classification
27	Redwood City Station	Redwood City	San Mateo	1.78	Surface Parking or Vacant	Not Suitable for Joint Development
28	Redwood City Station	Redwood City	San Mateo	2.55	Surface Parking or Vacant	Potential Opportunity (Vacant/ Underutilized)
29	Menlo Park Station	Menlo Park	San Mateo	2.09	Surface Parking or Vacant	Under Review or Needs More Study
30	Palo Alto Station	Palo Alto	Santa Clara	3.19	Surface Parking or Vacant	Under Review or Needs More Study
31	Palo Alto Station	Palo Alto	Santa Clara	1.67	Surface Parking or Vacant	Under Review or Needs More Study
32	California Ave Station	Palo Alto	Santa Clara	2.16	Surface Parking or Vacant	Under Review or Needs More Study
33	Mountain View Station	Mountain View	Santa Clara	4.77	Surface Parking or Vacant	Potential Opportunity (Vacant/ Underutilized)
34	Sunnyvale Station, North of PS	Sunnyvale	Santa Clara	1.01	Surface Parking or Vacant	Under Review or Needs More Study
35	Santa Clara Station	Santa Clara	Santa Clara	1.96	Surface Parking or Vacant	Not Suitable for Joint Development
36	San Jose Diridon Station	San Jose	Santa Clara	4.12	Operational Facility	Not Suitable for Joint Development
37	San Jose Diridon Station	San Jose	Santa Clara	5.24	Operational Facility	Not Suitable for Joint Development
38	San Jose Diridon Station	San Jose	Santa Clara	3.09	Surface Parking or Vacant	Potential Opportunity (Vacant/ Underutilized)
39	22nd Street Station	San Francisco	San Francisco	1.29	Surface Parking or Vacant	Not Suitable for Joint Development
40	22nd Street Station	San Francisco	San Francisco	0.61	Surface Parking or Vacant	Not Suitable for Joint Development
41	25th & Pennsylvania	San Francisco	San Francisco	1.14	Surface Parking or Vacant	Not Suitable for Joint Development
42	Cesar Chavez & 280	San Francisco	San Francisco	0.66	Surface Parking or Vacant	Not Suitable for Joint Development
43	Marin St & 280	San Francisco	San Francisco	0.55	Surface Parking or Vacant	Not Suitable for Joint Development
44	Evans Ave & 280	San Francisco	San Francisco	0.59	Surface Parking or Vacant	Not Suitable for Joint Development
45	Oakdale Ave & Dunshee St.	San Francisco	San Francisco	0.79	Surface Parking or Vacant	Not Suitable for Joint Development
46	Paul Ave & Gould St.	San Francisco	San Francisco	0.71	Surface Parking or Vacant	Not Suitable for Joint Development
47	Paul Ave & Gould St.	San Francisco	San Francisco	0.77	Surface Parking or Vacant	Not Suitable for Joint Development
48	Bayshore Station	San Francisco	San Francisco	0.67	Surface Parking or Vacant	Not Suitable for Joint Development
49	Bayshore Station	San Francisco	San Francisco	0.35	Surface Parking or Vacant	Not Suitable for Joint Development
50	Sierra Point Pkwy & 101	Brisbane	San Mateo	0.72	Surface Parking or Vacant	Not Suitable for Joint Development
51	Sierra Point Pkwy & 101	Brisbane	San Mateo	0.35	Surface Parking or Vacant	Not Suitable for Joint Development
52	First Ave south of Angus Ave	San Bruno	San Mateo	1.11	Surface Parking or Vacant	Not Suitable for Joint Development
53	Near Ingold Rd & Rollins Rd	Burlingame	San Mateo	2.05	Surface Parking or Vacant	Not Suitable for Joint Development

Site ID	Site Name/Location	City	County	Acres	Current Use Category	Opportunity Classification
54	Douglas Ave & California Dr	Burlingame	San Mateo	1.45	Surface Parking or Vacant	Not Suitable for Joint Development
56	Alma St & railroad tracks	Palo Alto	Santa Clara	0.63	Surface Parking or Vacant	Not Suitable for Joint Development
57	Lawrence Station	Sunnyvale	Santa Clara	1.89	Operational Facility	Not Suitable for Joint Development
58	Bowers Ave at railroad tracks	Santa Clara	Santa Clara	2.34	Surface Parking or Vacant	Not Suitable for Joint Development
59	Bowers Ave at railroad tracks	Santa Clara	Santa Clara	1.82	Surface Parking or Vacant	Not Suitable for Joint Development
60	San Tomas Aquino Creek at railroad tracks	Santa Clara	Santa Clara	1.03	Surface Parking or Vacant	Not Suitable for Joint Development
61	Lafayette St at railroad tracks	Santa Clara	Santa Clara	3.47	Surface Parking or Vacant	Not Suitable for Joint Development
62	West Taylor St & Stockton Ave	San Jose	Santa Clara	0.6	Operational Facility	Not Suitable for Joint Development
63	West Taylor St & Stockton Ave	San Jose	Santa Clara	5.78	Operational Facility	Not Suitable for Joint Development
64	Lenzen Ave & Stockton Ave	San Jose	Santa Clara	0.54	Operational Facility	Not Suitable for Joint Development
65	W San Carlos St at railroad tracks	San Jose	Santa Clara	0.41	Surface Parking or Vacant	Not Suitable for Joint Development
66	W San Carlos St at railroad tracks	San Jose	Santa Clara	1.32	Surface Parking or Vacant	Not Suitable for Joint Development
67	W Viriginia St at railroad tracks	San Jose	Santa Clara	0.57	Surface Parking or Vacant	Not Suitable for Joint Development
68	McLellan Ave & Willow St	San Jose	Santa Clara	0.63	Surface Parking or Vacant	Not Suitable for Joint Development

SFMTA

Real Property Site Inventory

Site ID	Site Name/Location	City	County	Acres	Current Use Category	Opportunity Classification
1	16Th And Hoff Street Garage	San Francisco	San Francisco	0.00	Joint Development or Currently Leased	Not Suitable for Joint Development
2	18Th & Collingwood	San Francisco	San Francisco	0.19	Surface Parking or Vacant	Under Review or Needs More Study
3	18Th & Geary	San Francisco	San Francisco	0.28	Surface Parking or Vacant	Under Review or Needs More Study
4	19Th & Ocean	San Francisco	San Francisco	0.18	Surface Parking or Vacant	Under Review or Needs More Study
5	20Th & Irving	San Francisco	San Francisco	0.20	Surface Parking or Vacant	Under Review or Needs More Study
6	21St & Geary	San Francisco	San Francisco	0.17	Surface Parking or Vacant	Under Review or Needs More Study
7	24Th & Capp	San Francisco	San Francisco	0.17	Surface Parking or Vacant	Not Suitable for Joint Development
8	24Th & Noe	San Francisco	San Francisco	0.13	Surface Parking or Vacant	Under Review or Needs More Study
9	5Th & Mission Garage	San Francisco	San Francisco	2.77	Structured Parking	Potential Opportunity (with an Existing Use)
10	8Th & Clement	San Francisco	San Francisco	0.28	Surface Parking or Vacant	Under Review or Needs More Study
11	8Th & Irving	San Francisco	San Francisco	0.28	Surface Parking or Vacant	Under Review or Needs More Study
12	9Th & Clement	San Francisco	San Francisco	0.21	Surface Parking or Vacant	Under Review or Needs More Study
13	Cable Car Barn	San Francisco	San Francisco	0.91	Operational Facility	Not Suitable for Joint Development
14	California & Steiner	San Francisco	San Francisco	0.43	Surface Parking or Vacant	Under Review or Needs More Study
15	Cameron Beach Facility	San Francisco	San Francisco	2.73	Operational Facility	Potential Opportunity (with an Existing Use)
16	Castro & 18Th	San Francisco	San Francisco	0.19	Surface Parking or Vacant	Under Review or Needs More Study
17	Central Subway-4Th St/Folsom Site	San Francisco	San Francisco	0.34	Operational Facility	Under Review or Needs More Study
18	Central Subway-Chinatown Station	San Francisco	San Francisco	0.23	Operational Facility	Not Suitable for Joint Development
19	Central Subway-Market-Union Square	San Francisco	San Francisco	0.00	Operational Facility	Not Suitable for Joint Development
20	Claremont & Ulloa	San Francisco	San Francisco	0.30	Surface Parking or Vacant	Under Review or Needs More Study
21	Ellis-O'Farrell Garage	San Francisco	San Francisco	0.77	Structured Parking	Potential Opportunity (with an Existing Use)
22	Felton & San Bruno	San Francisco	San Francisco	0.12	Surface Parking or Vacant	Not Suitable for Joint Development
23	Forest Hill Subway Station	San Francisco	San Francisco	1.15	Operational Facility	Potential Opportunity (with an Existing Use)
24	Golden Gateway	San Francisco	San Francisco	0.00	Structured Parking	Not Suitable for Joint Development

Site ID	Site Name/Location	City	County	Acres	Current Use Category	Opportunity Classification
25	Green Division Rail Yard	San Francisco	San Francisco	6.66	Operational Facility	Not Suitable for Joint Development
26	H. Welton Flynn Div.	San Francisco	San Francisco	6.16	Operational Facility	Under Review or Needs More Study
27	Hotel Vitale	San Francisco	San Francisco	0.93	Joint Development or Currently Leased	Not Suitable for Joint Development
28	Islais Creek	San Francisco	San Francisco	5.74	Operational Facility	Not Suitable for Joint Development
29	Japan Center Garage+Annex	San Francisco	San Francisco	0.00	Structured Parking	Not Suitable for Joint Development
30	John M. Woods Division	San Francisco	San Francisco	8.31	Operational Facility	Under Review or Needs More Study
31	Junipero Serra & Ocean	San Francisco	San Francisco	0.19	Surface Parking or Vacant	Under Review or Needs More Study
32	Kirkland Division	San Francisco	San Francisco	2.60	Operational Facility	Under Review or Needs More Study
33	La Playa/Cabrillo Terminal Loop	San Francisco	San Francisco	0.44	Operational Facility	Under Review or Needs More Study
34	Mission-Bartlett	San Francisco	San Francisco	0.00	Joint Development or Currently Leased	Not Suitable for Joint Development
35	Mission & Norton	San Francisco	San Francisco	0.06	Surface Parking or Vacant	Not Suitable for Joint Development
36	Mm Warehouse + Overhead Lines	San Francisco	San Francisco	2.54	Other	Not Suitable for Joint Development
37	Moscone Center Garage	San Francisco	San Francisco	0.93	Structured Parking	Potential Opportunity (with an Existing Use)
38	Muni Metro East	San Francisco	San Francisco	17.93	Operational Facility	Not Suitable for Joint Development
39	North Beach Garage	San Francisco	San Francisco	0.44	Structured Parking	Not Suitable for Joint Development
40	Paint & Sign Shop/Office	San Francisco	San Francisco	1.03	Operational Facility	Potential Opportunity (with an Existing Use)
41	Performing Arts Garage	San Francisco	San Francisco	1.10	Structured Parking	Potential Opportunity (with an Existing Use)
42	Pierce Street Garage	San Francisco	San Francisco	0.31	Structured Parking	Under Review or Needs More Study
43	Polk Bush Garage	San Francisco	San Francisco	0.24	Structured Parking	Under Review or Needs More Study
44	Potrero Division	San Francisco	San Francisco	4.41	Operational Facility	Potential Opportunity (with an Existing Use)
45	Presidio Division	San Francisco	San Francisco	5.41	Operational Facility	Potential Opportunity (with an Existing Use)
46	Sf General Hospital Garage	San Francisco	San Francisco	1.84	Structured Parking	Potential Opportunity (with an Existing Use)
47	St. Mary's Square Garage	San Francisco	San Francisco	1.41	Structured Parking	Not Suitable for Joint Development
48	Sutter-Stockton Garage	San Francisco	San Francisco	1.60	Structured Parking	Potential Opportunity (with an Existing Use)
49	Vallejo Street Garage	San Francisco	San Francisco	0.32	Structured Parking	Not Suitable for Joint Development
50	Ways & Structures Office	San Francisco	San Francisco	2.03	Operational Facility	Potential Opportunity (with an Existing Use)

Site ID	Site Name/Location	City	County	Acres	Current Use Category	Opportunity Classification
51	Enforcement, Operations, and Vehicle Center	San Francisco	San Francisco	1.06	Operational Facility	Potential Opportunity (with an Existing Use)
52	West Portal/14Th Ave	San Francisco	San Francisco	0.14	Surface Parking or Vacant	Under Review or Needs More Study

Presentation of Draft Phase One Financial Efficiency Review

Independent Oversight Committee –
April 17, 2026

METROPOLITAN
TRANSPORTATION
COMMISSION

Purpose and Objectives

- Review key findings from Draft Phase One Financial Efficiency Review
- Discuss Early Action Strategies
- Gather Independent Oversight Committee (IOC) input ahead of finalizing report in May
- Outline next steps

Financial Efficiency Review Scope

Subject Operators: AC Transit, BART, Caltrain, SF Muni

Phase One (2026)

- Cost-saving measures implemented in FY2019-20 through FY2024-25
- Early Action Strategies for increasing or improving service and enhancing customer experience with existing resources in next one to three years
- Analysis of operators' real property assets and identification of potential redevelopment opportunities, with an emphasis on housing, commercial and mixed-used projects that can support ridership growth and generate long term value

Phase Two (2027 – 2028)*

- Menu of cost-saving measures (administrative, operating, capital)
- Regional development & financing strategy to maximize the value of each operator's real property assets

*In the event of an approved measure

Phase One Timeline

January 2026
Nelson\Nygaard (third party consultant) brought onboard to conduct review

January–March 2026
Working Group engagement

April–May 2026
Reports (Draft → Final)

By July 1, 2026
Operators must adopt Early Action Strategies

Phase Two 2027–2028
(if measure approved)

2025 | 2026 | 2027 | 2028 | 2029

October 2025
MTC begins collaborating with operators to launch FER

Early Action Strategies Implementation 2027–2029

Activities Since March 6 IOC Meeting

Consultant completed analysis across four operators

Working Group engagement

- Regular contact with transit operator staff through individual and working group meetings
- Iterative review to incorporate operator and MTC staff input

April 1 Milestone

Draft Phase One Report delivered to Independent Oversight Committee and public

What We Need From the IOC

- Comments on the Draft Phase One Report
- Direction to Finalize the Analysis
- Input on Early Action Strategies for Board Review

Report Overview

This is a high-level summary of a more detailed report

The report is organized into five chapters:

Context sets the stage for the work conducted under SB 63 and Phase One

Cost savings measures implemented since FY 19-20

Early-action strategies to increase or improve service and provide enhanced customer experience with existing resources

Redevelopment opportunity amongst existing property holdings

Conclusion/Next Steps for MTC and transit agencies to consider after Phase One

Map of Bay Area Transit Service Area

Since FY 19-20, transit agencies have reduced operating costs by more than $1 billion, combined

Transit agencies have undertaken numerous cost saving and revenue enhancing measures in response to economic pressures and shifts in travel demand during and after the COVID-19 pandemic.

Between 2019-2025, they reduced operating costs by:

Almost $200 million through service adjustments and management of variable operating costs.

More than $516 million through service reductions, workforce controls, and operational efficiencies.

More than $76 million through workforce controls, service optimization, and operating efficiencies.

Almost $302 million through workforce reductions, adjustments to service levels, and deferred or scaled-back capital investments.

Methodology

Costs and Revenues reflect actual costs and revenues reported by agencies, expressed in current dollars.

Cost-Saving Actions are operating or capital cost-saving measures and revenue-generating actions undertaken by each agency. We do not include or report on actual capital costs and expenditures due to differences in how agencies define, track, and report capital costs over time.

Estimated savings are an assessment of operating cost trends by each agency, including the effects of inflation and cost-saving actions.

Validation: Costs and revenues were gathered from publicly available sources. Transit agencies provided cost-saving actions and estimated savings by year. We validated by comparing against publicly available documents like annual budgets and board reports.

Costs

Capital Costs

Long-term investments in physical assets and systems like vehicles, buildings, tracks, stations, etc.

Operating Costs

Recurring expenses required to provide service like wages, fuel / power, maintenance, administration, etc.

Revenues

Public Funds

Federal, state, and local taxes

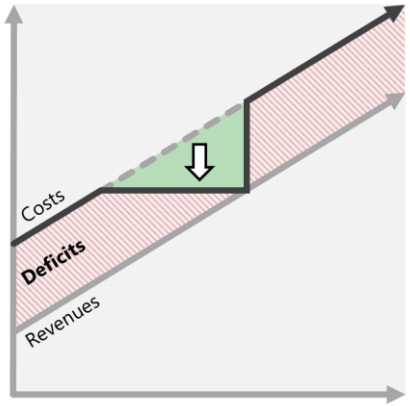
Fares

Revenue collected from transit riders, including individual fares and passes

All Other Revenue

All other money generated outside of fares, e.g. advertising, parking fees, leases to retailers, etc.

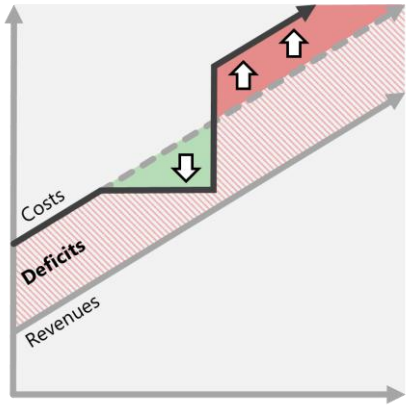
Categories of Cost-Savings / Deficit -Reduction



One-time Cost Reductions

Temporary reductions in costs that are expected to revert in a subsequent year

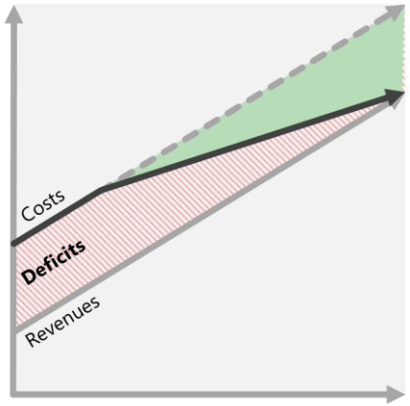
Example: temporary operating cost relief



Cost Deferral

Delaying a cost to a future year to balance budgetary pressures, while accepting risks that deferral may yield higher future costs

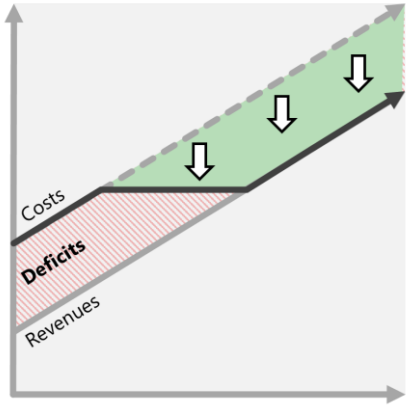
Examples: delaying rail track maintenance, bus engine replacements



On-going cost reductions

Permanent reductions in costs persisting in all future years

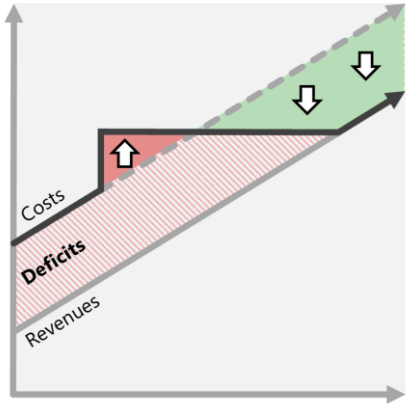
Example: discontinued or restructured services



Cost Avoidance

Actions that prevent foregone costs by modifying planned expenditures to achieve lower future costs

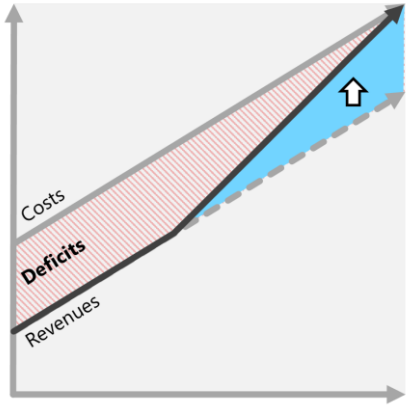
Example: re-scoping a renewal to reduce future contract value



Investments to Reduce Future Costs

Capital or operating investments intended to yield lower operating costs or higher revenues over time

Example: bus priority measures



New revenue

Adjusting levels of existing revenue sources or creating new sources of revenue to offset costs

Example: increasing fares or parking fees

Updated slide as of 4/14/26.

Fixed vs Variable Costs

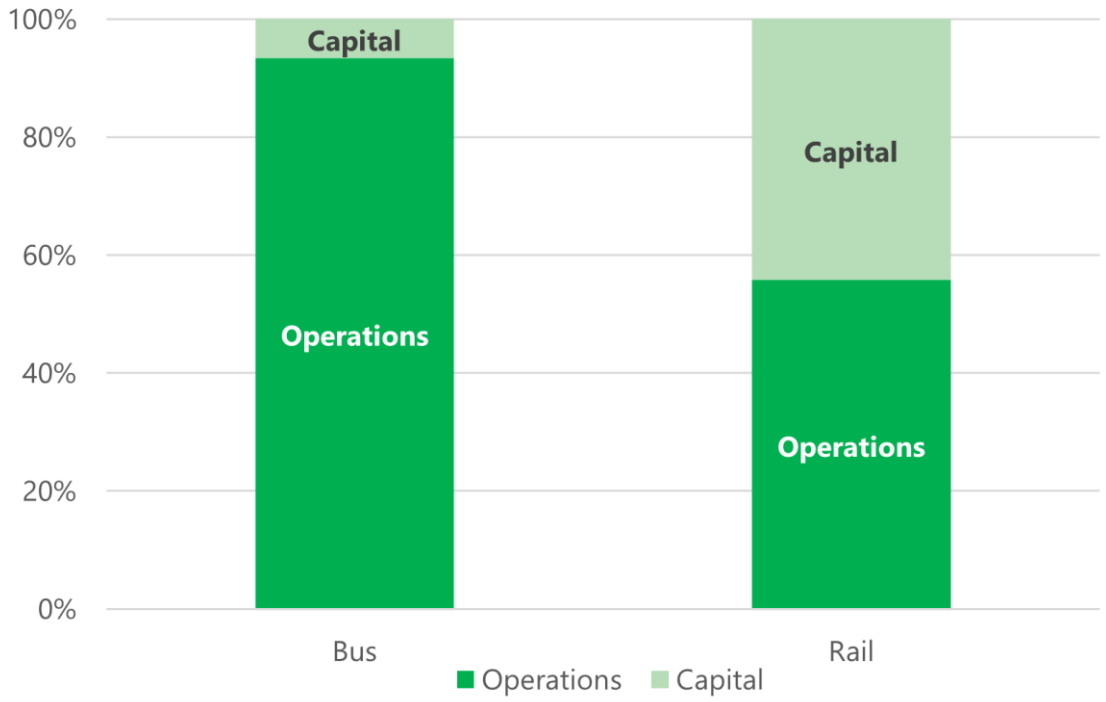
The **proportion** of an agency's budget that is fixed or variable affects its ability to adapt to financial uncertainty

- **Fixed costs** are relatively static regardless of the amount of service provided. These are often associated with **capital costs** such as rail tracks, stations, maintenance facilities
- **Variable costs** change in direct proportion to the amount of service provided. These are often associated with **operating costs** such as wages, fuel, number of vehicles, maintenance.

Rail-based transit requires a higher percentage of fixed costs because they must have tracks, stations, and specialized power, storage, and maintenance facilities to operate service.

By contrast, **bus-based transit requires a lower percentage of fixed costs** because they tend to have few, if any, dedicated guideways

Example distribution of capital and operating costs for bus and rail agencies



Source: National Transit Database, 2024 Annual Agency Profiles

AC Transit

Service Area Population
1.6 million people

Annual Ridership*
40.7 million
(75% of FY19)

Services Provided
Local Bus, Express Bus, Bus Rapid Transit, Paratransit

Annual Revenue Hours*
1.8 million
(86% of FY19)

Annual Revenue Miles*
17.7 million
(85% of FY19)

*FY24-25

Key Findings

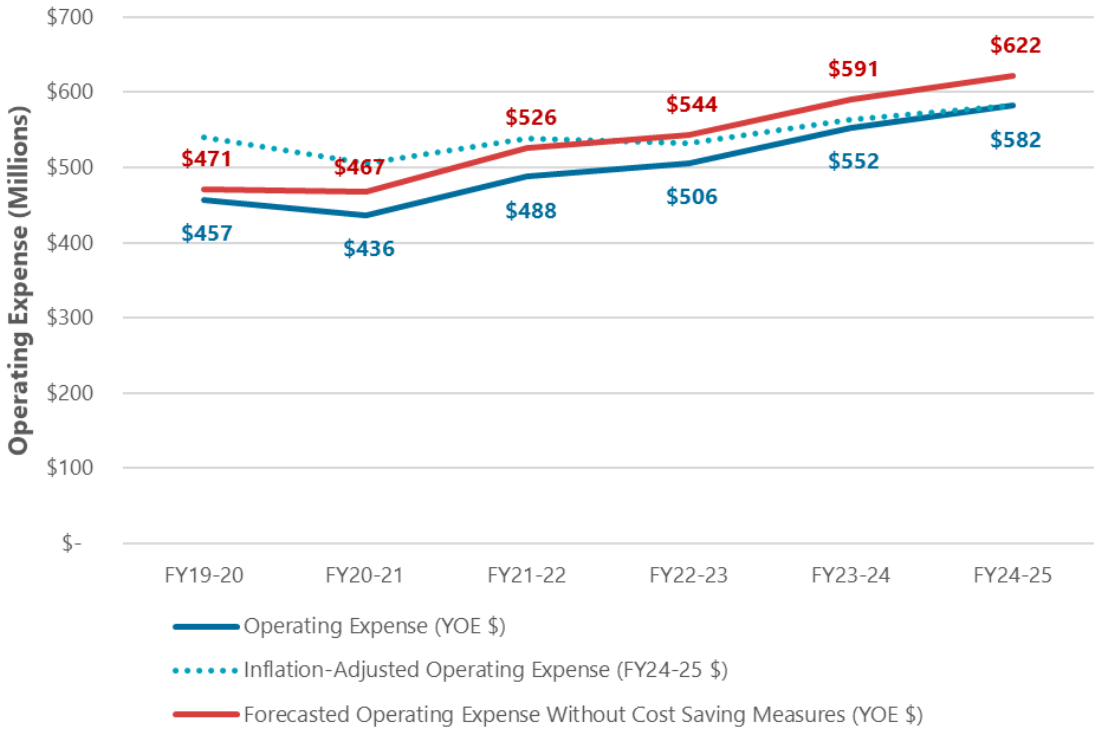
- AC Transit delivered almost $200 million in operating cost savings during the reporting period.
- Cost savings were primarily generated through service adjustments and tighter management of variable operating costs.
- Cost avoidance and deferrals were used strategically to manage near-term financial pressures.
- Cost-saving measures offset a material share of inflationary pressure on operating expenses.

AC Transit

Impacts of Cost-Saving Actions Implemented by Operator During Reporting Period (reported in $ millions, rounded to nearest million)

Fiscal Yearfr	Capital Cost Savings	Operating Cost Savings	Enhanced Revenue
2019-20	Not Collected	$14	$0
2020-21	Not Collected	$31	$0
2021-22	Not Collected	$38	$2
2022-23	Not Collected	$38	$1
2023-24	Not Collected	$39	$1
2024-25	Not Collected	$40	$4
Total	Not Collected	**$199**	**$8**

Operating Savings and Expenditures by Operator by Fiscal Year (reported in $ millions)



BART

Service Area Population
3.5 million people

Annual Ridership*
58.4 million
(46% of FY19)

Services Provided
Heavy Rail, Airport Monorail, Demand Response Paratransit

Annual Revenue Car Hours*
1.9 million
(85% of 2019)

Annual Revenue Car Miles*
73.2 million
(92% of 2019)

*FY24-25

Key Findings

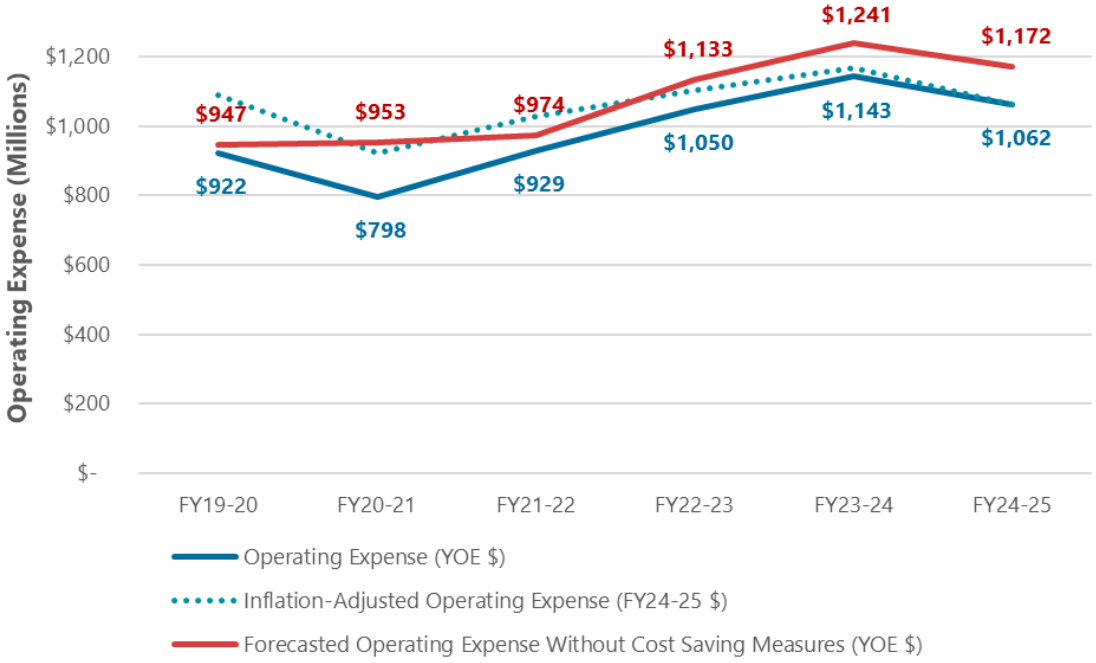
- $516 million in operating cost savings and $549 million in capital savings during reporting period
- Cost savings were achieved through a combination of service reductions, workforce controls, and operational efficiencies
- Cost avoidance and capital savings contributed materially to overall savings
- Cost-saving measures offset a substantial share of inflationary pressure on operating expenses
- Inflation-adjusted operating costs remained relatively stable despite rising nominal costs

BART

Impacts of Cost-Saving Actions Implemented by Operator During Reporting Period (reported in $ millions, rounded to nearest million)

Fiscal Year	Capital Cost Savings	Operating Cost Savings	Enhanced Revenue
2019-20	$0	$25	$1.0
2020-21	$79	$155	$4.1
2021-22	$6	$45	$12
2022-23	$3	$83	$17
2023-24	$398	$98	$25
2024-25	$62	$110	$40
Total	**$549**	**$516**	**$99**

Operating Savings and Expenditures by Operator by Fiscal Year (reported in $ millions)



Caltrain

Service Area Population
3.6 million people

Annual Ridership*
11.0 million
(60% of FY19)

Services Provided
Regional rail

Annual Revenue Car Hours*
279 thousand
(129% of 2019)

Annual Revenue Car Miles*
10.4 million
(144% of 2019)

*FY24-25

Key Findings

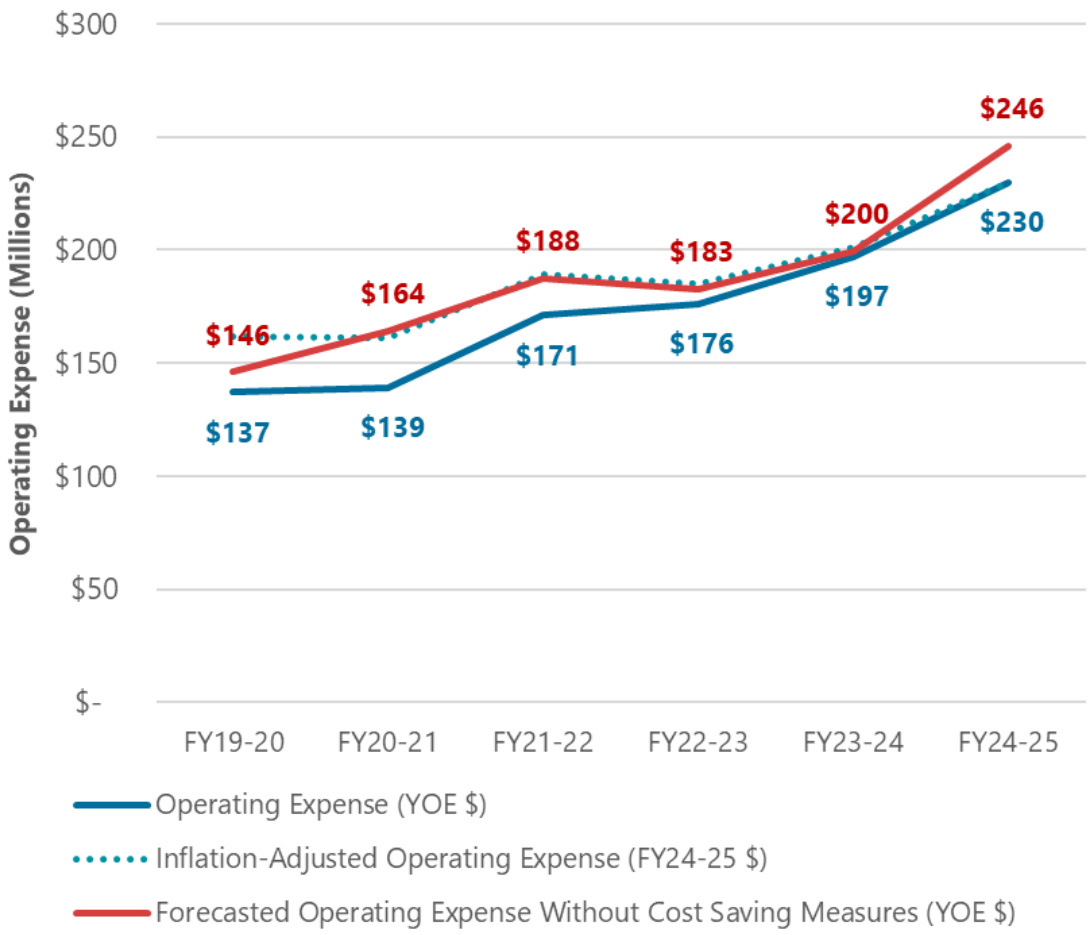
- Caltrain realized $76 million in operating cost savings during the reporting period.
- Cost savings were primarily achieved through workforce controls, service optimization, and operating efficiencies.
- Cost-avoidance and deferral measures helped limit exposure to future operating and contract cost growth.
- Caltrain achieved meaningful cost savings while simultaneously delivering a transformational capital program.
- Cost-saving measures slowed the pace of operating cost growth and offset a material share of inflationary pressure.

Caltrain

Impacts of Cost-Saving Actions Implemented by Operator During Reporting Period (reported in $ millions, rounded to nearest million)

Fiscal Year	Capital Cost Savings	Operating Cost Savings	Enhanced Revenue
2019-20	Not Collected	$9.0	$0
2020-21	Not Collected	$25	$0
2021-22	Not Collected	$17	$0
2022-23	Not Collected	$6.9	$0
2023-24	Not Collected	$2.6	$0
2024-25	Not Collected	$16	$2.5
Total	Not Collected	**$76**	**$2.5**

Operating Savings and Expenditures by Operator by Fiscal Year (reported in $ millions)



SFMTA

Service Area Population
0.8 million people

Annual Ridership*
168.4 million
(75% of FY19)

Services Provided
Bus & Trolley Bus, Light Rail (Muni Metro), Demand Response Paratransit, Historic Streetcar (F Market), Cable Car

Annual Revenue Hours*
3.3 million
(99% of FY19)

Annual Revenue Miles*
25.4 million
(96% of FY19)

*FY24-25

Key Findings

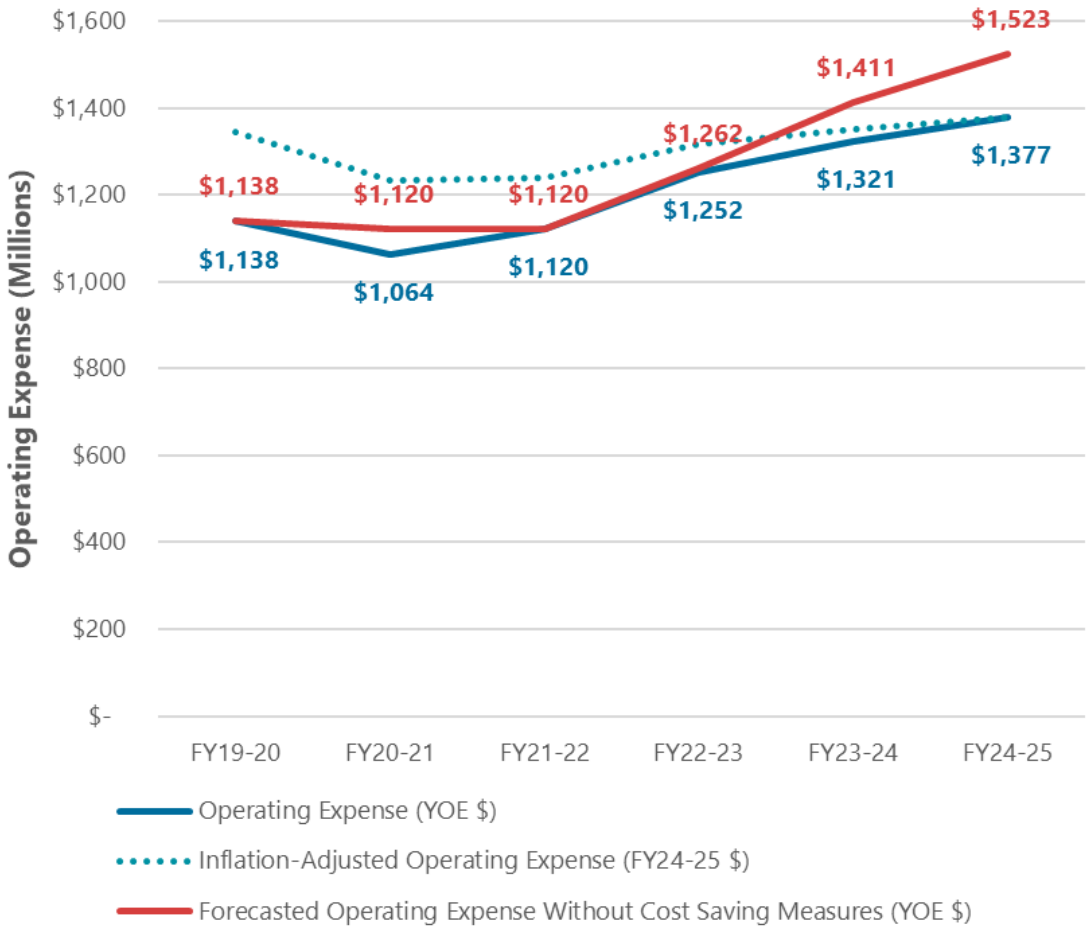
- $302 million in operating cost savings, and $389 million in capital savings during the reporting period.
- Combination of workforce reductions, service redesign, and deferred or scaled-back capital investments.
- Cost-saving measures materially slowed operating cost growth and offset inflationary pressures.
- Service output rebounded strongly and outpaced operating cost growth, improving productivity.
- Long-term capital investments have supported ongoing operating efficiencies and service improvements.
- Most efficiency gains are structural and position the agency to address future fiscal challenges.

SFMTA

Impacts of Cost-Saving Actions Implemented by Operator During Reporting Period (reported in $ millions, rounded to nearest million)

Fiscal Year	Capital Cost Savings	Operating Cost Savings	Enhanced Revenue
2019-20	NA	$0	$0
2020-21	$194	$56	$0
2021-22	NA	$0	$0
2022-23	$61	$10	$0
2023-24	$14	$90	$0
2024-25	$120	$145	$37
Total	**$389**	**$302**	**$37**

Operating Savings and Expenditures by Operator by Fiscal Year (reported in $ millions)



Questions?

Early Action Strategies

Not all early action strategies are applicable to all transit agencies. This analysis examined a range of strategies for each individual transit agency and identified those that are feasible and impactful.

- **Delaying zero-emission bus transition plan is the most impactful cost-savings strategy,** although these savings would not be realized in the next three years.

Biggest opportunities to increase ridership, revenue, or customer experience are:

- **Reducing barriers to fare payment**—e.g., expanded pass programs
- **Scheduling efficiencies to run service using fewer resources**. Specific opportunities vary by agency.
- **Provide faster and more reliable transit operating speeds to reduce operating costs**. Leverage capital investments to reduce operating costs for SFMTA and AC Transit.
- **Increase revenue to reinvest**, e.g., parking fees, leasing fiber and other communications assets, and capturing regenerative braking credits. Many require external coordination. Some of that is underway.

Methodology

We examined financial trends, cost drivers, service performance, and operational practices to:

- Understand how resources are currently deployed
- Identify resource gaps and opportunities to improve efficiency, reliability, and customer experience

Metric	What it Reflects	Example Strategies
Operating Cost per Revenue-Hour	Underlying cost structure of service delivery	• Workforce strategies; • Administrative efficiencies; • Maintenance practices
Operating Cost per Passenger	Overall system efficiency	• Increase ridership; • Adjust service levels; • Improve productivity
Passengers per Revenue-Hour	Service productivity	• Network redesign; • Frequency adjustments; • Stop optimization and spacing; • Reliability improvements
Farebox Recovery Ratio	Effectiveness of fare policy, collection and enforcement	• Fare policy updates; • Fare enforcement; • Fare technology improvements; • Expanded fare partnerships and pass programs
On-time Performance	Service quality and reliability	• Scheduling adjustments; • Transit priority investments; • Operational changes

Methodology

We identified "early action strategies" as those that are
(1) almost or entirely within a transit agencies' control
(2) generate high value relative to effort
(3) can be implemented within the next one to three years

Strategies are intended to enhance services and customer experience using existing resources and are focused on decisions related to workforce levels, service levels, and fares & other revenues.

Overview of Early Action Strategies by Agency

General Categories of Early Action Strategies Considered	Transit Agency			
	AC Transit	BART	Caltrain	SFMTA
Scheduling and operational efficiencies that don't impact service to the rider	X	X		X
Travel time and reliability improvements that can yield savings or be reinvested into service	X			X
Revenue generation opportunities	X	X	X	X
Other programs to save costs or improve efficiency	X	X	X	X

Most agencies identified some strategies in each category. All agencies identified expansion of Clipper BayPass or other pass programs as an opportunity to generate new revenue.

AC Transit

Scheduling and Operating Efficiencies

- Pursue scheduling efficiencies that do not impact service to the rider

Travel Time and Reliability

- Identify opportunities to improve transit travel time and reliability
- Incentivize attendance and reduce absenteeism to improve reliability

New Revenue

- Expand EasyPass and/or Clipper BayPass with more institutions and employers

Other Programs

- Evaluate zero-emission bus (ZEB) transition program for cost efficiency

BART

Scheduling and Operating Efficiencies

- Run shorter trains during lower-demand periods

New Revenue

- Expand Clipper BayPass to more institutions and employers
- Continue strategies to enhance parking revenue
- Further monetize fiber and other communications assets
- Optimize fare gate performance to further reduce fare evasion and continue with station hardening program

Other Programs

- Explore terms of the SFO lease payment for possible renegotiation
- Identify opportunities to negotiate contracts

Caltrain

New Revenue

- Expand GoPass and/or Clipper BayPass program with more employers and educational institutions
- Seek strategies to enhance parking revenue
- Further monetize fiber and other communications assets

Other Programs

- Explore efficiencies when procuring and negotiating contracts
- Explore feasibility of energy storage project

SFMTA

Scheduling and Operating Efficiencies

- Pursue scheduling efficiencies that do not impact service to the rider
- Identify more opportunities to run shorter trains during lower-demand periods

Travel Time and Reliability

- Continue to reinvest savings from transit priority treatments back into service

New Revenue

- Improve fare compliance
- Expand Clipper BayPass with more institutions and employers

Other Programs

- Re-evaluate ZEB transition program for cost efficiency
- Identify and capture cost savings in larger contract renewals
- Retire Muni Mobile and use a regional trip planning app

Questions?

Real Property Assessment

Overview

We analyzed transit agencies' real property and identified potential redevelopment opportunities that support ridership growth and generate long-term value. This is a high-level review and not intended to replace or supersede any existing process the agency has applied for identifying joint development. Instead, it provides a general overview of the types of property that could be suitable for joint development based on their physical conditions, existing uses, and the role they play in either current transit operations or future development of the system.

Real Property Assessment

Joint Development

Development or use of transit agency owned property by private or non-profit developer through a long-term lease. Joint developments can generate ongoing revenue for the agency, providing additional riders to the system, and/or amenities for existing riders.

Identifying Joint Development Opportunities

We identified sites suitable for joint development based on the criteria below. Further analysis is required to determine whether joint development is feasible.

- Size – At least ½ acre
- Shape suitable for building
- Vehicular access
- Current use
- Impact to transit operations – No impact or mitigatable impact

Real Property Assessment

Benefits of Joint Development

The primary benefits of joint development are:

- Long-term **revenue** for transit agencies
- Additional **riders**
- Additional **amenities** for new and existing riders

Challenges to Joint Development

There are several major challenges to delivering successful joint development:

- Complex **regulatory environment**
- Conflicting **policy goals** for joint development projects
- Dependent on **market conditions** beyond a transit agency's control
- Properties are often needed for **transit operations**
- Not suitable for development due to **individual parcel's physical attributes**.
- Community **opposition**

Real Property Assessment

Conclusions

- **Long-term opportunity rather than a near-term solution**
  - Operational needs, site conditions, regulatory requirements, and market factors limit the number of properties that are suitable for near-term development
  - Real estate-related revenues generally represent only a small share of operating budgets
- **Successful joint development programs typically require**
  - Clear agency policies,
  - Staff capacity,
  - Supportive local zoning, and
  - Alignment with market conditions.

Methodology

We examined the property holdings and existing joint developments, policies, and programs to:

(1) understand how agencies use real properties for transit services, development, and non-fare revenue purposes

(2) identify joint development opportunities to increase revenue

Property assets were classified into **four categories**:

Potential Opportunity (Vacant/ Underutilized)	• Vacant or primarily surface parking • Not dedicated to critical operations or capital projects • At least ½ acre in area • Have vehicle access and site configuration suitable for a significant joint development.
Potential Opportunity (with an Existing Use)	• Not dedicated to critical operations or capital projects • At least ½ acre in area • Have vehicle access and site configuration suitable for a significant joint development, but that have an existing transit related use that would need to be either relocated or incorporated into the new development.
Under Review or Needs More Study	• Not dedicated to critical operations or capital projects • May be appropriate for joint development after further study of various factors like irregular configurations, recent changes to developable area, encumbrances, or other factors that may make development challenging
Not Currently Suitable for Joint Development	• Not currently suitable for joint development because they are already dedicated to critical operations or capital projects, are less than ½ acre in size, are irregularly shaped, lack adequate access, or have other encumbrances or challenges.

Real Property Inventory

Transit Agency	Overview of Property Holdings	Existing Joint Development	Joint Development Opportunities	Other Opportunities
AC Transit	16 sites, including administrative offices, maintenance and operational facilities, warehouses, park and ride, and parking lots	• None	• None identified	• None identified
BART	795 sites, 22% are developable surface parking lots and 15% developable vacant sites	• MacArthur Park (24-story tower, over 800 units)	• None identified	• Dispossession of land • Parking Revenue
Caltrain	65 sites, including operational facilities and parking lots	• None	• Hayward Park Station (entitled for multifamily) • Redwood City Statin • Mountain View Station • Diridon Station (entitled for office) • Belmont Station • 4th and King Terminal	• Parking revenue
SFMTA	52 sites, including operational facilities and parking lots and structures; ½ acre in size	• Four affordable housing projects • One hotel on a ground lease • One youth and recreational facility	• Some parking structures and operational facilities	• Parking revenue

AC Transit

Overview of Property Holdings

- 16 sites, including administrative offices, maintenance and operational facilities, warehouses, park and ride, and parking lots

Existing Joint Development

- **None**

Joint Development Opportunities

- **None identified.** Emeryville Bus Yard is the only property that may support development in the near term, but would depend on identifying a feasible alternate location for the bus yard.

Other Opportunities

- **None**

BART

Overview of Property Holdings

- 795 sites, 22% are developable surface parking lots and 15% are developable vacant sites

Existing Joint Development

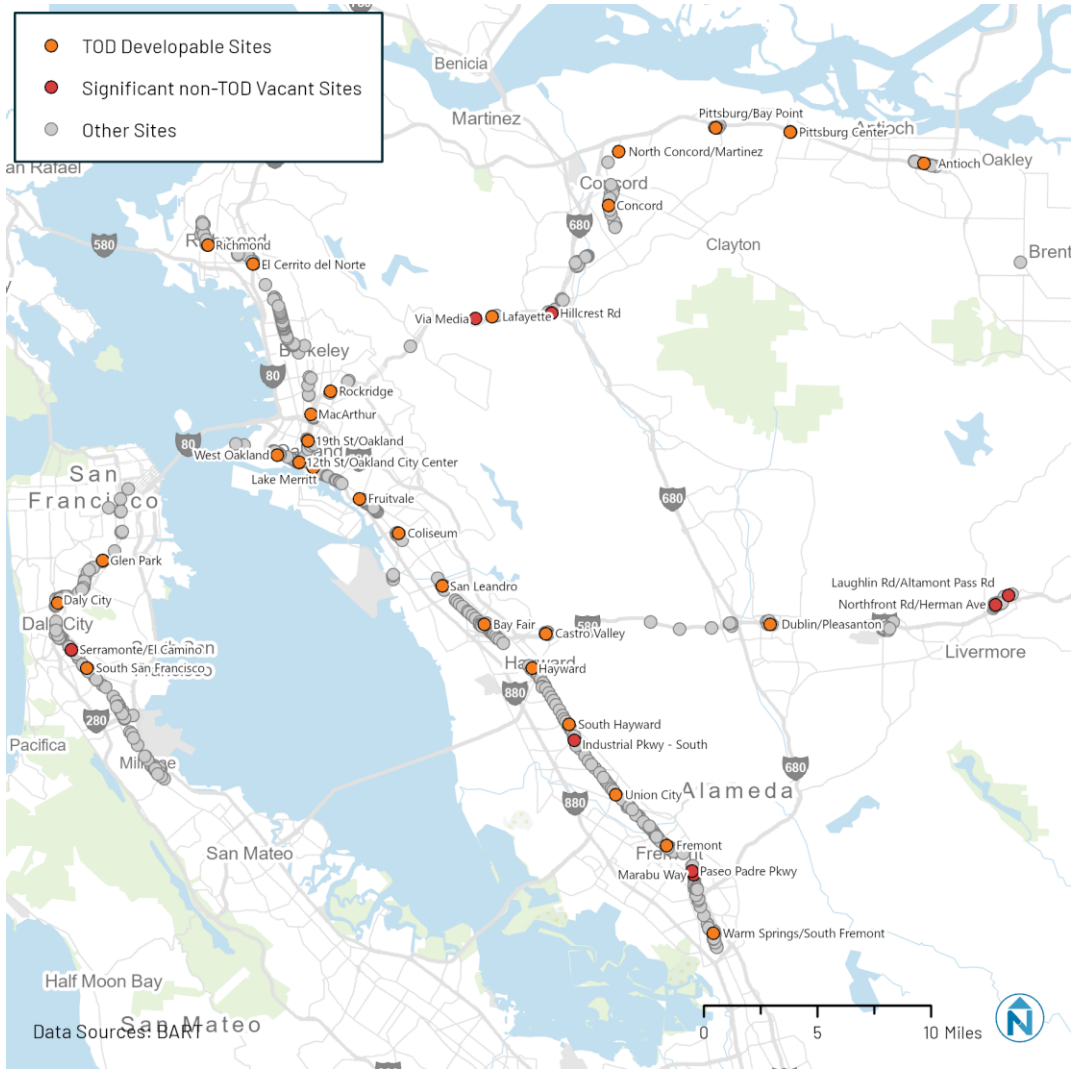
- MacArthur Park (24-story tower, over 800 units)

Joint Development Opportunities

- **None Identified.** This review did not identify any additional opportunities because BART's joint development and TOD process already follows best practice.

Other Opportunities

- **Dispossession of land.** Eight (8) vacant sites totally 175 acres
- **Parking revenue** (as noted in Early Action Strategies)



Caltrain

Overview of Property Holdings

- 65 sites, including operational facilities and parking lots

Existing Joint Development

- **None**

Joint Development Opportunities

- Hayward Park Station (entitled for multifamily)
- Redwood City Station
- Mountain View Station
- Diridon Station (entitled for office)
- Belmont Station
- 4th and King Terminal

Other Opportunities

- Parking revenue (as noted in Early Action Strategies)

SFMTA

Overview of Property Holdings

- 52 sites, including operational facilities and parking lots and structures; ½ acre in size

Existing Joint Development

- Four affordable housing projects
- One hotel on a ground lease
- One youth and recreational facility

Joint Development Opportunities

- Some parking structures and operational facilities

Other Opportunities

- Parking revenue (as noted in Early Action Strategies)

Questions?

Next Steps/Path to Final Phase One Analysis

April 1–24

Feedback from IOC and Operators

Mid-May

IOC to adopt Final Phase One Analysis

July 1

Statutory deadline for operators to identify and adopt Early Action Strategies

April ’26 → **May ’26** → **June ’26** → **July ’26**

April 25–May 1

Incorporate feedback into Phase One analysis

May-June

Operators identify and adopt Early Action Strategies

Look Ahead to Phase Two

- Phase Two (Only If Measure is Approved by Voters)
  - Builds on Phase One with a broader, more comprehensive set of cost-saving measures, including deeper structural efficiencies and potential trade-offs
  - Develops a regional development and financing strategy to maximize the value of operator real property assets
  - Introduces a formal implementation and accountability framework, with continued Oversight Committee and operator engagement

Comments by Lou Thompson on the Financial Efficiency Review, MTC Draft Report, March 31, 2026, by Nelson\Nygaard, Consultant Team

I am sorry that I cannot attend the April meeting due to a long-planned trip to Europe. I appreciate the opportunity to submit my comments in writing. Some of my comments clearly pertain to this report, others may be more relevant to the analyses we will conduct after the November election (if ever).

Overall, the report is well written and comprehensive, providing a summary of selected performance statistics for AC Transit, BART, Caltrain and SFMTA, along with a compendium of actions taken to reduce costs (and improve revenues) and limit capital investment during the stressful Covid period and the ensuing inflation. The report also catalogs the real estate holdings of the agencies and discusses the limitations on past and future development opportunities.

Changes to the draft report

While the statistics provided tell part of the story, I recommend addition to the final report of several performance indicators for each agency for all six Fiscal Years, not just FY 2024-25. All of these indicators are readily available in the National Transit Database:

- Annual Passengers
- Annual Passenger-miles
- Annual Seat-miles
- Annual Route miles served
- Breakdown of operating expenses by labor, materials, energy, etc.
- Percent of weekday vs. weekend service (passengers or passenger-miles)

These indicators would help to put some of the performance of the agencies into a better perspective, especially issues such as cost/passenger-mile, fares/passenger-mile, public funds/passenger and per passenger-mile.

It would be significant to know if there have been any studies on the demographics of the passengers themselves, such as average annual income, educational level, and type of employment. It would be useful to identify any studies covering user characteristics or preferences. This would be helpful in assessing the relationship between public funding provided and the economic needs of the passengers served. What do the agencies actually know about the markets they serve?

There is no discussion of the significance of the fact that Caltrain has a contract operator, whereas the other agencies operate with their own employees. Would analysis of the potential for contract operation be an early action that the three agencies could undertake, especially given that labor expenses are such a high percentage of costs and revenues?

The property holding discussion identifies the issues involved and the opportunities that each agency may have. The report would benefit from at least a short discussion of **why** agencies have been so slow to develop properties given their continual need for added revenue.

Early Action Strategies:

- Many of the recommendations are common to most, or all, agencies. Is there a role for MTC to convene and coordinate?
- AC Transit. The issue of modifying the ZEB transition applies to all regional bus agencies, not just AC Transit and SFMTA. Should this be a unified effort spearheaded by MTC? This said, should the focus of the effort be on stretching out the program or generating the needed amount of investment to keep the program on schedule? The other recommendations appear unexceptionable.
- BART. Most recommendations seem correct and straightforward. Awarding or renegotiation of service contracts could be significant, and Caltrain has experience that might be useful. Capturing regeneration credits is also a common issue with Caltrain.
- Caltrain. The TASI contract is an important area for examination, especially as the impact of electrification becomes clearer. At the same time, other agencies should examine the Caltrain experience to see if it is applicable to them. Also, the issue of energy storage (and possibly solar generation) is important and potentially applicable to BART as well.
- SFMTA. Mostly straightforward and similar to other agencies.

Real Estate Inventory and Opportunities

The discussion of real estate development issues is useful and informative. One salient fact that deserves emphasis is that (except for SFMTA, which is a special case) revenues from real estate development may be helpful, but there is NO indication that they will be a panacea (a common misconception among the public and politicians) in solving funding problems. Another fact is that, as suggested above, the apparent priority agencies have assigned to real estate development is less than one would expect given the revenue needs of the agencies. The reasons for the questionable priority could be: a focus on operations rather than finance; relatively low actual potential benefit; complexity and long-term effort compared with immediate survival; lack of clarity in agency objectives and focus. In the short term, the most useful opportunity might lie in strategies for pricing of parking, including charging for access by non-riders if capacity permits.

Next Steps and Recommendations

I support the recommendation to improve and implement tracking and evaluative data. This should start with the added data suggested above but could be extended to a few measures of operating and capital efficiency that can be common to all four agencies. I also agree that MTC might take a stronger role in advocating for changes (i.e. ZEB or utility rate structures for regeneration) that affect multiple agencies. I support the suggestion that MTC take a role in defining reporting requirements for the area's transit agencies.

Longer-term issues that should shape our current thinking

There are very few examples of publicly owned passenger transportation agencies that cover their full operating costs and capital needs wholly from passenger fares. In theory this is because the agencies incur costs for providing public benefits – reduced pollution or congestion,

improved safety, more concentrated land use, access to employment for those with lower incomes – that cannot, and should not, be recovered through fares. The bargain, often implicit, is that the operating agency will meet its market needs efficiently and adopt a fare structure that supports public objectives, while the owning agency will define the public objectives and fund the difference between fare revenues and full costs, including investment. The challenge of the SB 63 exercise lies in making the terms of that bargain **agreed and explicit** as they apply to the four agencies.

So, what are the issues in the future bargain (may well differ by agency)?

- Adjustment of efficient capacity to future (not past) demographics. How will future populations grow and be distributed? If daily commuting is never going to come back, at least at prior levels, when and how do agencies adjust?
- What is the balance between public support (willingness to fund) and social need? Is public support aimed at those who need it or, for example, are the wealthy being supported because they drive and cause congestion even though they do not need public support for welfare purposes.
- If the value of agency assets is restricted for public reasons (affordable housing, joint development, urban amenities, local zoning), how can the agency be compensated? If there are restrictive local zoning rules that also affect property development by an operator in the wider region, how can they be identified and either changed or compensated?
- How can fares be effectively coordinated and integrated across agencies, and what is the best fare structure to achieve public objectives? For example, should bicycles take up capacity for free that could otherwise generate revenue for the operator?
- Efficiency versus politics. Where should the responsibility lie for politically imposed inefficiencies such as union contracts and environmental limitations, and who should pay for public security when homeless are allowed for social reasons to intrude in stations and on passenger security?