

## ***Memorandum***

### **Agenda Item 4a**

TO: Bay Area Headquarters Authority

DATE: January 22, 2016

FR: Executive Director

W. I. 9130

RE: 375 Beale Street Status Report – January 2016

#### **1. Construction Update**

The Fire/Life Safety commissioning is underway and the State Fire Marshal is making final inspections. McCarthy's schedule had the building receiving the certificate of occupancy (CO) in December; however, McCarthy has since revised the date to January 29.

On Sunday, January 17, main power went out in the building due to damage at the bus duct feeding from the existing General Electric (GE) transformers to the switchgear. GE performed visual inspections on January 18, and began dismantling the bus duct on January 21. At this point, there does not appear to be damage downstream of the switchgear to new or existing equipment. BAHA has initiated a claim with its insurance provider, Affiliated FM Insurance Company (AFM), and is working with all parties to determine the cause and repair.

When the incident occurred, the emergency generator activated and provided power to equipment tied into it, including emergency lighting and fire/life safety devices. This has allowed some life/safety commissioning to continue. McCarthy tied into emergency panels to allow construction to continue. Mobile generators have been delivered to the building and are in the process of being installed to allow main power to be restored while the electrical repair is in progress. Staff will provide a current update on the status of repair and the effects to our relocation schedule at the Authority meeting.

#### **2. Inter-agency Collaboration**

The MTC, ABAG and Air District executive management team continues to meet to discuss shared business operations and technology solutions. BAHA is working with KCA Engineers to develop parcel maps for the 375 Beale Condominium. BAHA and Office of General Counsel staff are working on finalizing other related documents that support execution of the purchase agreements with the Air District and ABAG.

#### **3. Technology**

BAHA's technology vendor, NexusIS, is entering its final phases of work, installing the network hardware and software for the Regional Headquarters Data Center. A vast majority of the network connections are completed and WiFi is in testing. The board room technology, including projection displays and video production equipment is installed and crews are training on its operation. The shared agency multi-function printing devices arrive in late January with installation scheduled shortly thereafter. Basic telephone service is scheduled for completion in mid-February.

#### **4. Furniture Procurement**

Furniture for the new building has been ordered; 90% of the budget has been expended and costs are tracking to the budget. Installation of the private offices and workstations on Levels 2, 6 and 7 has been completed. Conference room table installation has commenced. Level 8 installation began in early January and will be completed by early February. Additional furniture orders are being scheduled for installation including chairs, executive offices, and public areas/atriums.

5. Leasing Update

Attachment A is a stacking plan that summarizes the planned occupancy of the building including Agency, commercial office, and retail spaces. Attachment B provides a summary of the Twilio, Inc. lease, which was executed on January 8th. All of the commercial spaces, except the space reserved for the San Francisco Bay Conservation and Development Commission (BCDC), have been leased. Construction of the FasTrak® Customer Service Center (CSC) tenant improvements on Levels 2 and 3 is scheduled to be completed for its relocation to the building in early April 2016. Negotiations are underway to execute an agreement with Ada's Café for the smaller retail space on Level 1. Cushman & Wakefield continues to market the larger retail space.

6. Rincon Place

An agreement was executed with 201 Folsom Acquisition Partners, LP ("201 Folsom") prescribing the development and use of Rincon Place. An amendment to the grant easement was executed, providing for 201 Folsom to build out Rincon Place, which includes property owned by BAHA and property owned by 201 Folsom Acquisition Partners, LP, and complete streetscape improvements to BAHA's property. BAHA will contribute \$900,000 towards the total cost, with the balance being paid by 201 Folsom. Work is scheduled to commence in February 2016.

7. BCDC Update

There is no further news to report on the outcome of BCDC's report to the Senate Committee on Budget and Fiscal Review. In the interim, a Level 5 design was developed for the BCDC and MTC spaces similar to the other agency floors. The original plan was to build out the BCDC space concurrently with the MTC build out. However, we are now exploring options to either build out the space and lease it on a short-term basis (i.e. 3 years) or leave the BCDC space in warm shell condition with a demising wall separating the two areas, if a decision by the Governor and Legislature is not forthcoming soon.

8. Regional Resource Center (RRC)

A Request for Proposal (RFP) was re-issued by MTC to select a firm as the Regional Resource Center (RRC) customer service representative. The selected firm will provide visitors with information and products related to the three regional agencies, specifically public transportation services, assistance with and purchase of items related to MTC-managed projects, and information on transportation alternatives and transit connections. Two proposals were received and staff expects to present a recommendation for approval by the MTC Administration Committee at its February 10 meeting.

9. Move Management

Work continues with Relocation Connections Inc. (Relo) to provide move coordination services for the relocation of the partner agencies to 375 Beale Street. Execution of the contract with Alexander's Mobility Services for the physical move has been executed. The current plan is for MTC and ABAG to move during the weekend of Friday, March 4 and the Air District to move during the weekend of Friday, April 1. BATA's Fastrak® contractor, Xerox, is scheduled to move the same weekend as the Air District. We expect the first board meetings at the new building to be held in April.

  
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Steve Heminger

Attachments

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# 375 BEALE STREET - LEASING UPDATE

375 Beale Street							
ESTIMATED AGENCY RSF - STACKING PLAN							
BOMA Legacy Method A: Smith Group 6.19.15							
FLOOR							
8        7        6        5        4        3        2        1	Agency (MTC, ABAG, BAAQMD) 55,700 RSF						
	Agency (MTC, ABAG, BAAQMD) 57,300 RSF						
	Agency (BAAQMD) 58,100 RSF						
	Agency (MTC) 14,900 RSF		BCDC (pending negotiations) 21,000 RSF		DEGENKOLB 22,536 RSF (occupy: 2-1-2017)		
	TWILIO 58,290 RSF (occupy: 10-15-2016)						
	BATA-Fastrak 9,170 RSF	RUTHERFORD & CHEKENE 13,961 RSF (occupy: 6-1-16)		TWILIO 33,533 RSF (occupy: 10-15-2016)			
	PARKING 16,064		BIKES/ LOCKERS 4,396	BAAQMD & BAHA 9600 RSF	CW 1,082 RSF	BATA-Fastrak CSC 21,100 RSF (occupy: 4-1-16)	
	BUILDING SUPPORT 10,326	PARKING 15,912		LOBBY 14,606		Board Rooms & Public Meeting Rooms 14,200 RSF	Resource Center & ADA's 1,521 RSF

Agency Space

Lease/Pending Space

Vacant Space

**Agenda Item 4a – Attachment B**

**Commercial Office Lease #4 Summary: Twilio, Inc.**

**Tenant:** **Twilio Inc.**  
Cloud Platform Developer founded in 2007 with 485 employees in its San Francisco headquarters

**Effective Date:** January 8, 2016

**Space:** Approximately 91,823 Rentable Square Feet (RSF)  
33,533/rsf on 3<sup>rd</sup> Floor Suite 300 and 58,290/rsf on 4<sup>th</sup> Floor Suite 400

**Rent:** Base: \$54.00/rsf (net electric)  
Increase: \$1.00/rsf at anniversary  
Cap: \$61.00/rsf  
Average: \$57.52 /rsf over 8.04 year period

**Term:** Eight (8) years and two (2) weeks with two (2) three (3) year options to renew at 100% of fair market value. Also one time (subordinate) right of first refusal to lease any space that becomes available on Floors 2, 3 and 5 during initial term

**Delivery:** 3/1/2016 for both the 3<sup>rd</sup> floor and the 4<sup>th</sup> floor

**Commencement:** 7.5 months from actual delivery date of both 3<sup>rd</sup> floor in warm shell condition and 4<sup>th</sup> floor in cold shell condition.

**Free Rent:** None

**Tenant Improvement Allowance:** \$80.00/rsf (\$7,345,840)

**Cold to Warm Shell Allowance:** \$16.88/rsf (\$983,935.20) – transfers existing project funding from Cushman Wakefield contract to Twilio, Inc.

**Commissions:** \$1,836,460 (total)  
Cushman Wakefield \$550,938 and Jones Lang LaSalle \$1,285,522  
50% payable at lease execution and 50% due upon commencement of the lease term.

Effective Net Rent: \$14,410,861.53 (over 8.04 Year Term)

Security Deposit: \$7,437,663 as cash or letter of credit

Possessory Tax: Tenant shall directly pay any Possessory Tax due and payable by the City of San Francisco and will provide Landlord with receipt of paid invoice. BAHA will reimburse for the Base Year's Possessory Interest Tax (excluding any tax on Tenant's improvements) in the form of a rent credit.