

## ***Memorandum***

### **Agenda Item 5a**

TO: Bay Area Headquarters Authority

DATE: September 20, 2018

FR: Executive Director

W. I. 9130

RE: Lease Agreement: Twilio Inc.

### **Background:**

BAHA has been negotiating with the Department of General Services on behalf of the San Francisco Bay Conservation and Development Commission (BCDC) the terms of a lease for approximately 21,000 RSF on Level 5 of the Bay Area Metro Center (Metro Center) at 375 Beale Street. The State's current budget allocates funds for BCDC to move to the Metro Center; however, the funding is below the amount originally agreed to between BCDC and BAHA. BAHA is now in direct talks with the Department of Finance (DOF) and these talks have been positive. All parties are focused on working to secure adequate funding in the Governor's FY 2019-20 budget that would allow BCDC to move in next year. In the meantime, the space BAHA built out and furnished for BCDC remains unoccupied.

Twilio Inc. (Twilio) is currently in its second year of an 8-year lease for 91,823 RSF on Levels 3 and 4. Twilio's current lease rate is \$55/RSF per year, increasing by \$1/RSF each year. Twilio is expanding and in need of a short-term lease for temporary space while it secures additional office space outside the Metro Center. By extending a nine-month lease to Twilio for the BCDC space, provided in as-is condition, BAHA will collect revenue to repay BATA toll contributions while continuing its commitment to bring BCDC to the Metro Center.

Twilio is a cloud communications platform as a service (PaaS) company based in San Francisco. Founded in 2008, the company has a customer base that now includes Coca-Cola, Airbnb, Intuit, Uber, Salesforce, and American Red Cross. Twilio is publicly traded, listed on the New York Stock Exchange, with 2017 revenue of \$399 million and a current market capitalization of more than \$8 billion.

### **Proposed Lease:**

Staff is seeking authorization to proceed with final negotiations on a lease under the following terms set forth in the letter of intent dated September 18, 2018.

Tenant:	<b>Twilio Inc.</b> Cloud Platform Developer, founded in 2008, with 500+ employees in its San Francisco headquarters
Space:	Approximately 15,500 Rentable Square Feet (RSF) on 5 <sup>th</sup> Floor Suite 510 with the option to increase to 19,500 RSF.
Rent:	Base: \$75.00/RSF (net electric) Increase: 3% at anniversary Cap: None Average: \$75.00/RSF over 1-year period

Possessory Tax: Tenant to pay any Possessory Tax due and BAHA to reimburse in form of a rent credit

Term: Nine (9) months. Any time after July 1, 2019, BAHA or Twilio, either at its sole discretion, shall have the right to terminate the lease upon sixty (60) days written notice.

Delivery: 10/1/2018

Commencement: 10/1/2018

Free Rent: None

Tenant Improvement Allowance: \$0

Broker Commissions: \$40,200

Net Effective Rent: \$840,000 (over 9-month term)

Security Deposit: \$365,625\* as cash or letter of credit

*\*Figures assume lease of 19,500 RSF; subject to adjustment if RSF of space is adjusted before lease execution*

While Twilio will be responsible for tenant improvements, we believe it is prudent to set aside \$50,000 as a contingency to cover potential interface issues between the MTC and Twilio space.

**Recommendation:**

1. Authorize the Executive Director, or his designee, to enter into negotiations to lease Suite 510 to Twilio Inc. at terms and conditions consistent with the letter of intent dated September 18, 2018 and to execute a lease agreement and other required documents.
2. Direct the Treasurer and Auditor to set aside funds for contingency and real estate broker commissions consistent with the final lease agreement; and
3. Direct the Executive Director, or his designee, to report back to BAHA with final terms and conditions of the lease.



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Steve Heminger

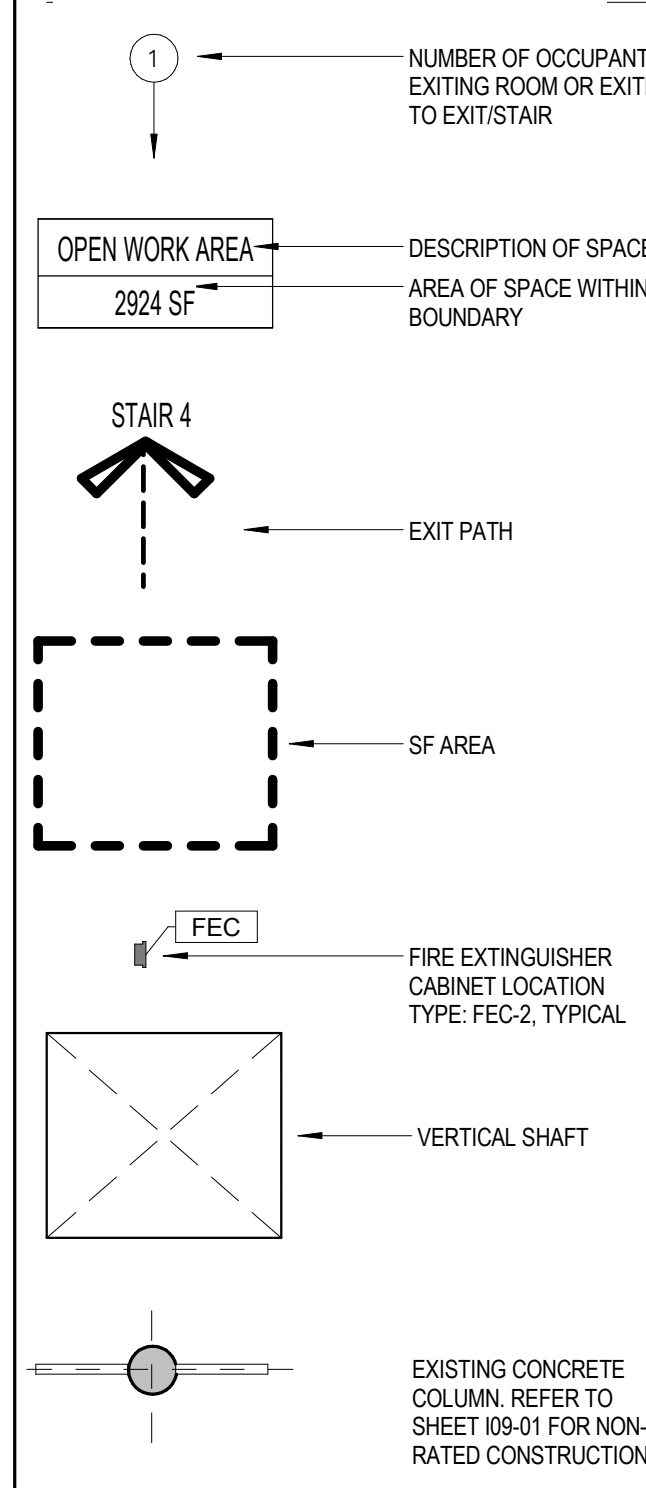
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Attachments



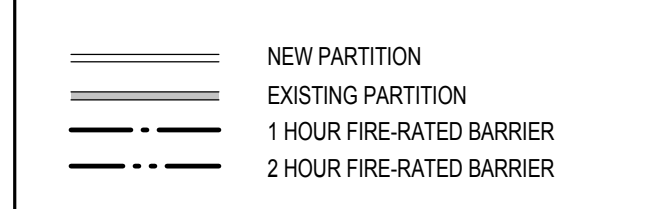
## GENERAL NOTES

1. REFER TO SHEET 04-05 FOR WALL FIRE RATING.
2. REFER TO SHEET 07-07 FOR HIGH DENSITY STORAGE LAYOUTS.
3. AREA CALCULATED AT 1:100 GSF U.N.O.
4. FURNITURE SHOWN FOR REFERENCE AND SCALE ONLY.
5. PROVIDE SIGNAGE AT EACH FIRE EXTINGUISHER LOCATION TO MATCH BUILDING TYPICAL.
6. SEE 000.03a FOR SIGNAGE TYPES.

## LIFE SAFETY LEGEND



## FIRE-RATED PARTITION



NOTES:  
1. FOR FIRE-RATED PARTITION TYPES, SEE 04-05  
2. FOR FIRE-RATED PARTITION SCHEDULE, SEE 10-01  
3. FOR ALL OTHER PARTITIONS, SEE 10-02  
4. (E) FIRE-RATED PARTITIONS, CONTRACTOR TO MAINTAIN  
(E) FIRE-RATING

## OCCUPANT TOTALS

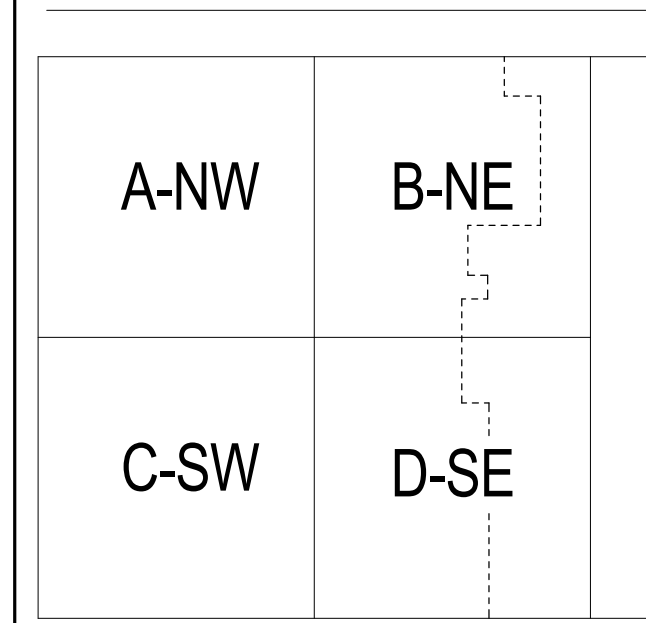
STAIR INFORMATION				
	WIDTH	POTENTIAL CAPACITY	ACTUAL USE	FUTURE CAPACITY
STAIR 1	42"	143	141	2
STAIR 2	46.5"	155	153	2
STAIR 3	96"	320	296	24
STAIR 4	45.5"	150	150	0
TOTAL		768	742	26

LOBBY OCCUPANT LOAD	
STORAGE	169 GSF @ 1:300 = 1
SEATING	355 GSF @ 1:15 = 24
COFFEE BAR	127 GSF @ 1:15 = 9 110 GSF @ 1:200 = 1
CONFERENCE	561 GSF @ 1:15 = 38
TOTAL	= 73

BDC OCCUPANT LOAD	
STORAGE	1399 GSF @ 1:300 = 5
BUSINESS	1428 GSF @ 1:100 = 145
CONFERENCE	1669 GSF @ 1:15 = 73
TOTAL	= 223

MTC OCCUPANT LOAD	
STORAGE	1312 GSF @ 1:300 = 5
BUSINESS	10041 GSF @ 1:100 = 101
CONFERENCE	1227 GSF @ 1:15 = 82
TOTAL	= 188

## KEY PLAN



## PERMIT SET

DECEMBER 29, 2016

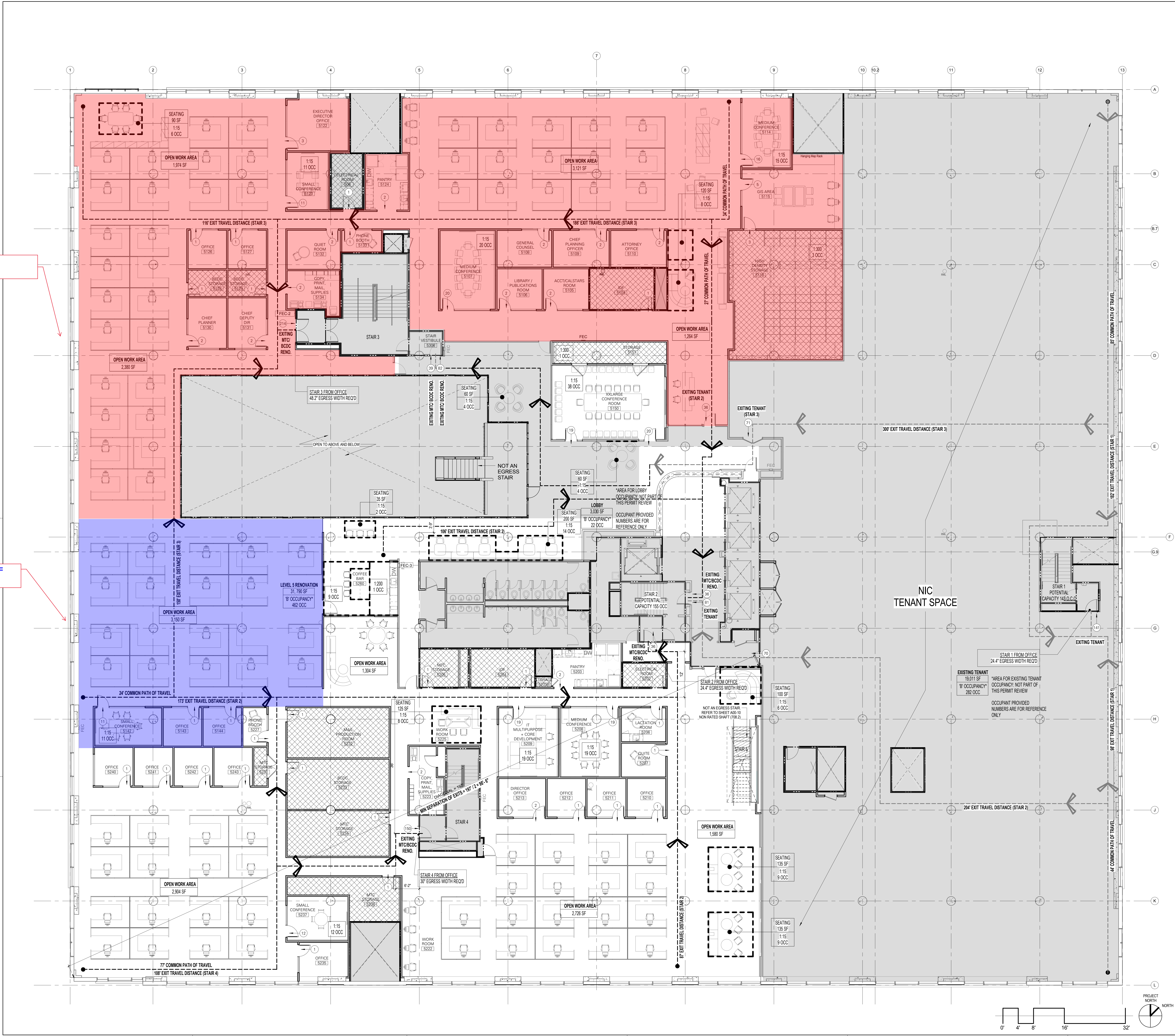


Project No.	21614.00	Issue Date	02/17/16
Scale	1/8" = 1'-0"	Project	100% CD
Print Date	12/28/2016 12:06:05 PM		
Job		Date	
		Drawn	
		Checked	
		Reviewed	
		Approved	

## LEVEL 05 LIFE SAFETY DIAGRAMS

13,800\*1.12 =  
15,500rsf

3,600\*1.12 =  
4,000 rsf



All drawings and written material appearing herein constitute original and unpublished work of the Architect and may not be duplicated, used or disclosed without consent of the Architect.

If this drawing is not 100% complete, then the drawing has been revised from its original use. Revised notes must be included. This note should be used to report such.



## REQUEST FOR AUTHORITY APPROVAL

### Summary of Proposed Lease Agreement

Lessee:	Twilio Inc. San Francisco, California
Term:	Nine (9) months. Any time after July 1, 2019, BAHA or Twilio, either at its sole discretion, shall have the right to terminate the lease upon sixty (60) days written notice.
Space:	5 <sup>th</sup> Floor Suite 510 Approximately 15,500 RSF, with the option to increase to 19,500 RSF (estimated)
Full Service Rent:	\$75.00/RSF over 1 year with 3% increase at rental anniversary (estimated)
Commissions:	\$40,200 payable to Cushman & Wakefield of California, Inc. (estimated)
Rent Commencement:	10/1/2018
Design/Build Out:	Twilio to occupy as is
Funding Source:	FY 2018-19 Operating Budget
Net Effective Rent:	\$840,000 over 9-month term (estimated based on 15,500 RSF)
Security Deposit:	\$365,625
Parking:	None
Motion by Authority:	That the Executive Director or his designee is authorized to negotiate and enter into a lease agreement with Twilio Inc. for Suite #510 at 375 Beale Street as described above and in the Executive Director's Memorandum dated September 20, 2018, and the Treasurer and Auditor is directed to set aside funds in the amount of \$40,200 for broker fees and \$50,000 for contingency. The Executive Director or his designee shall report back to BAHA with final terms and conditions of the lease.
BAHA Chair:	<hr/> Jake Mackenzie
Approved:	Date: September 26, 2018