



MEMORANDUM

October 7, 2022

TO: MEMBERS, PORT COMMISSION
Hon. Hon. Willie Adams, President
Hon. Kimberly Brandon, Vice President
Hon. John Burton
Hon. Gail Gilman
Hon. Steven Lee

FROM: Elaine Forbes
Executive Director

SUBJECT: Informational presentation regarding a proposed new lease with Autodesk, Inc., a Delaware corporation (“Autodesk”), for approximately 30,590 square feet of office space and unimproved shed space located at Pier 9 for a term of 12-months with one 12-month option to extend, subject to Board of Supervisor’s approval

DIRECTOR'S RECOMMENDATION: Information Only – No Action Required

EXECUTIVE SUMMARY

Port and Autodesk entered-into Port lease No. L-15169 which commenced on October 1, 2012, will expire on January 22, 2023, and has a monthly lease rate of \$51,753.97. As Autodesk’s staff have the ability to telecommute, Autodesk is not sure of its ongoing office needs and is only willing to enter a 12-month lease with a 12-month option to extend to retain this space.

This informational presentation discusses the terms of the proposed Lease L-16848 (the “Lease”) and is being brought to the Port Commission because the Lease will generate more than \$1 million (\$1,494,090) in Rent for the initial 12-month term with total estimated Rent equaling \$3,032,636 if the extension is exercised.

The proposed Lease incorporates Autodesk’s use of solar panels, currently covered under License No. 15698, which will be terminated on the commencement of the Lease. In addition, the “barnacle- themed” concrete seating structures constructed by Autodesk on the marginal wharf between Pier 9 and Pier 15 currently covered

under a Management Agreement dated July 8, 2014 has been incorporated into the Lease. The Management Agreement will be terminated upon commencement of the Lease.

STRATEGIC OBJECTIVE

The proposed Lease supports the Strategic Plan goal of Stability by maintaining a rent-paying tenant in place for at least 12 more months with a material rent increase.

BACKGROUND

About the Tenant

Autodesk is an American multinational corporation that focuses on 3D design software for use in the architecture, engineering, construction, manufacturing, media, and entertainment industries.

Autodesk was founded in 1982 by John Walker, a co-author of the first version of the company's flagship CAD software product. Autodesk software has been used in the design of everything from the New York Freedom Tower to Tesla electric cars.

Autodesk has been a Port tenant in Pier 9 since 2012 and spent more than \$3 million on improvements. Autodesk enclosed unimproved shed space to construct a workshop, including installation of non-permeable floors, wall construction, installation of floor to ceiling windows, replacement of doors and windows, installation of new HVAC and electrical and data systems, installation of an elevator, and ADA upgrades.

Autodesk pays as agreed and generally in advance.

Autodesk Financials

Autodesk's balance sheet as of July 31, 2022 shows \$8.2 billion in assets, including slightly more than \$1.5 billion in cash and marketable securities. Liabilities, total \$3.8 billion (before common stock and accumulated losses and deficit) indicating a strong financial position.

On April 9, 2022, Moody's Investor Service upgraded Autodesk's senior unsecured rating to A3, up from Baa2 and said their outlook is "stable". A3 is a "medium" investment grade credit rating

Autodesk's strong financial statements, investment grade credit rating, and Port payment history indicate low risk of a financial default.

STAFF ANALYSIS

The Lease is being brought before the Port Commission because the total rent paid will exceed \$1 million over the lease term. All other terms, conditions, including rental rate, conforms to the Port Commission's approved FY 22/23 parameter terms and

conditions. This lease also requires approval by the City’s Board of Supervisors under Charter Section 9.118 due to the anticipated rent revenue exceeding \$1 million over the term of the Lease.

The Lease encompasses the Solar License and the Maintenance Agreement for the Public Access Parcel into one document, eliminating the need to administer three agreements.

Autodesk has three other leases with the Port as identified below:

- L-16611 – 1,668 square feet of office and storage space in Pier 9
- L-16612 – 6,383 square feet of storage space in Pier 19
- L-16711 – 3,454 square feet of office space in Pier 9, Suite 117

The above leases all expire on December 31, 2022. Port Staff and the City Attorney’s office are actively working on the lease renewals and the expiration dates will be coterminous with the expiration date of the Lease. The Lease will contain a cross default provision so a default under one lease is a default for all.

PROPOSED LEASE TERMS

The schedule below is an outline of the important terms and conditions of the Lease.

Tenant:	Autodesk, Inc. a Delaware corporation
Lease Number:	L-16848
Premises, Solar License Area, and Public Access Area:	<p>Parcel A: approximately 12,064 square feet of ground floor office space and 9,266 square feet of second floor office space.</p> <p>Parcel B: approximately 5,860 square feet of ground floor office space hereto.</p> <p>Parcel C: approximately 3,400 square feet of shed space</p> <p>Solar License Area: Approximately 6,622 rentable square feet of roof space on Pier 9 above the Premises</p> <p>Public Access Area: Approximately 6,594 square feet on the marginal wharf located between Pier 9 and Pier 15, including barnacle themed seating structures.</p>
Term:	12 months
Permitted Use:	<u>Parcels A and B:</u> Office, research and development

	<p>and workshop space uses, and all related legal uses. The workshop space use shall include the placement and operation of machinery and equipment, including, without limitation, mills, lathes, drill press, circular saw, scroll saw, laser cutter, welder and the like, and maintenance, repair and replacement of such equipment.</p> <p><u>Parcel C:</u> Research and development and workshop space.</p> <p><u>Solar License:</u> Approx. 6,622 rentable square feet of roof space on the facility together with all improvements and alterations.</p> <p>Tenant has the right to enter and use the Solar License area to maintain, repair, and remove solar panels, together with related equipment, inverters, mountings, and support on the area of the roof of the facility at their own cost.</p>
Lease Commencement Date:	Upon the full execution of the Lease which is subject to Port Commission and Board of Supervisors approval
Rent Commencement Date:	Upon the full execution of the Lease which is subject to Port Commission and Board of Supervisors approval,
Option to Extend Term	Autodesk shall have one Option to Extend for an additional 12-months at the stated rent structure.
Initial Monthly Rent:	\$124,507.50 per month
Monthly Rent During Extended Term:	\$128,212.20 per month
Security Deposit:	Two Hundred Forty-Nine Thousand Fifteen Dollars (\$249,015.00)

<p>Public Access Parcel:</p>	<p>Tenant constructed public amenities on approximately 6,594 square feet on the marginal wharf located between Pier 9 and Pier 15. The amenities are primarily “barnacle-themed” pre-cast concrete seating structures and wharf railing. Autodesk agreed to pay Port \$3,000 per month for Port to provide routine cleaning and maintenance.</p> <p>This Lease will incorporate terms from the existing Maintenance Agreement for such area and improvements. The Maintenance Agreement will be terminated effective on Commencement of the Lease.</p>
<p>Cross Default:</p>	<p>A default under any of the following agreements is a default under the Lease:</p> <p>Lease L-16611 dated as of May 29, 2020. Approximately 1,668 square feet of office and storage space in Pier 9.</p> <p>Lease L-16612 dated May 29, 2020. Approximately 6,383 square feet of storage space in Pier 19.</p> <p>Lease L-16711 dated as of January 21, 2021. Approximately 3,545 square feet of office space in Pier 9, Suite 117</p>
<p>Holding Over:</p>	<p>Holdover rent with Port consent is 150% of base rent and without consent 200% of base rent.</p>
<p>Insurance:</p>	<p>Tenant shall provide insurance coverage as required under the terms of the Lease.</p>
<p>Form Lease; City Requirements:</p>	<p>The Lease shall be on Port’s form lease and include all standard Hazardous Materials, Insurance, Indemnity and Release, Damage and Destruction and all current City ordinances and requirements as necessary.</p>
<p>Termination of Existing Agreements:</p>	<p>The parties agree that as of the Commencement Date, Lease No. L-15169 dated as of September 12, 2012, as amended, is terminated</p> <p>The parties agree that as of the Commencement Date, License No. 15698 (Solar Panels) dated as of August 20, 2013, is terminated.</p> <p>The parties agree that as of the Commencement Date, the Public Access Maintenance Agreement dated as of July 8, 2014, as amended, is terminated.</p>

NEXT STEPS

Port staff anticipate returning to the Port Commission as soon as possible to seek approval of Lease No. L-16848 with Autodesk, Inc. a Delaware corporation, for premises located at Pier 9 for a minimum term of 12 months with one 12-month option and on such additional terms and conditions as described in this staff report. If approved by the Port Commission, Port staff will seek Board of Supervisors' approval, as required due to the lease's revenue value.

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