



In July, the sophomore technology startups of 410 Townsend met in the heart of San Francisco's SOMA district with Wall Street Journal reporter Pui-Wing Tam and building owner Jeffrey Palmer. They discussed the current state of the digital tech sector, the advantages of the 410 Townsend Building, and the renewed popularity of SOMA.



David Sacks  
**Yammer**



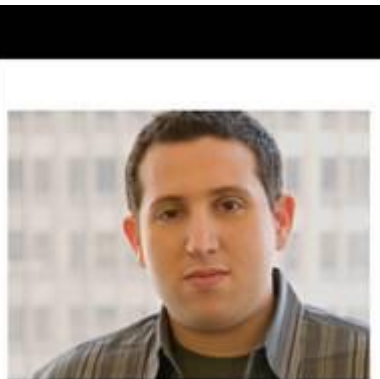
Kevin Hartz  
**Eventbrite**



Charlie Graham  
**Shop It To Me**



Mikkel Svane  
**ZenDesk**



David Ulevitch  
**OpenDNS**



Heather Harde  
**TechCrunch**

## Why has SOMA become more popular with digital tech companies?

**Kevin Hartz:** The location is amazing... that is the big difference, why SOMA is growing. We think it is more real than the first time. For the first time you see engineers migrating up. You see a lot of Googlers and Facebook folks looking to live in the City. Being able to draw from that talent base is pretty amazing. Peter Teil, the founder of PayPal, used to say that you could not start a company north of San Mateo because you have to draw upon the engineering talent there. I know he has revised that with great engineering companies growing here in the City

**Charlie Graham:** I think the ballpark has helped the area. The safety level has gone up in the area. A lot of new building has emerged and a lot of new apartments buildings in the area. There are a lot of people that work at Google or used to work at Google that wanted to live in the City. A lot of them commuted down from here. Now they live up here and ended up working at companies up here.

**Kevin Hartz:** We have an engineer that moved from Nebraska and just graduated from school and he rented a flat 100 yards from the building.

**Mikkel Svane:** There are a lot of good cheap small studios, good bars and restaurants.

## What attracted you to 410 Townsend?

**Heather Harde:** Rates and pricing in Palo Alto went up 40% and we needed to grow square footage... We finally came up to the city and the close proximity, being in a building, seeing other leading startups, and feeling more confident about business class internet service in the building all helped shape our decision.

**David Sacks:** The building is very nice; it's in a good location...it had already been set up. It was like completely plug and play. We wanted something where we could just move everyone in and just start going.

The building was plug and play. Even if it wasn't cheaper, you just want to move into somewhere where you do not have to spend a lot of time.

**Mikkel Svane:** You need to account for the total cost of ownership. Here you can just move in; everything was set up; the exact contractors were here to set up your network. It is easy to expand your unit. You get the impression of a very agile building.

**Charlie Graham:** Just the vibe of the building brings out creativity and excitement. Now, particularly with everyone here, there's such a buzz of people just coming in and out. It just makes it, I think, more exciting for everybody... We looked at probably 12-15 spaces and like everyone else we fell upon this one and went wow what a great space. I think this buzz has also helped new recruiting.

**David Ulevitch:** We were dreading our move. It was easier to move in here than move out of our old building. You would have to schedule a loading dock time and schedule a licensed moving company and all this stuff that is meaningless. And here you just pull up a

moving truck and unload, and we were done in an hour.

**Kevin Hartz:** The location is amazing right next to Caltrain. You can draw from the Peninsula. Of course you can draw from the City. You can draw from the East Bay right off the Bay Bridge. Parking is easy.

**David Ulevitch:** More than just having your workstations ready, getting electrical work done, getting your networking work done is all very easy here. In Class-A buildings you have to use their one vendor who only work on Tuesdays after 3 and charges you \$500 per hour. Here we got everything done over the weekend. It was all easy.

We moved in because we wanted a new office space, we wanted to leave the startups we were with. They didn't share the same growth mentality or drive that we had. We were in the financial district just south of Market... and that building has accountants and law firms. [It] just was not the environment that I wanted the company to be in... We looked for a long time and there's tons of Class-A space in the financial district that's very cheap, it's very dreary and dismal and there's no sunlight and can't really be configured very easily; it's just not the environment we wanted to be in. So we found this space, sounds intuitive, but it was the last space we looked at so we tried to close as quickly as possible.

**Charlie Graham:** We picked it, like everyone else, because it's just a really fun building.

**It seems there's a sort of digital tech community vibe at 410 Townsend, how is that?**

**Kevin Hartz:** There is heavy cross-pollination of individuals with other companies in the building. We pollinate with David's company. Eventbrite is an investor in Yammer. We use each other's product... One of our employees dates one of [Zendesk's] employees.

**David Sacks:** My sister in law works at Zendesk.

**Mikkel Svane:** There are quite a few informal networks.

**Kevin Hartz:** Our head of marketing is in touch with everyone in the same capacity with other companies' head of marketing.

**David Sacks:** We have a Yammer community set up for all the companies in the building. TechCrunch has declared that anything in there is in the public domain. We are on better behavior now.

**Kevin Hartz:** Does anyone here not use Yammer?

**Charlie Graham:** We all probably read TechCrunch too (laughter).

**Kevin Hartz:** We're looking at ZenDesk right now... we'd love to move over to ZenDesk.

**David Sacks:** For events we use Eventbrite.

**Jeffrey Palmer:** We purposely leased only to digital tech companies in order to create a cluster and achieve this environment.

### **Why stay in 410 Townsend? Is expansion ever a problem?**

**Mikkel Svane:** It seems this building is well-suited for expansion. As you grow past 60 or 70 people, there is a chance of getting another unit.

**Kevin Hartz:** You want to be able to grow and constrict. Entrepreneurs need to have a plan B if things don't go well and be able to constrict.

**Jeffrey Palmer:** There are people that want to always expand in this building. This velocity helps everyone. If someone ends up finding a space out of the building that works better for them, it is costless to move. Another tenant is ready to take their space so there is no sublease downside. Therefore, the lease terms almost become irrelevant. Twitter did what they needed to do when they needed to expand. Even though they loved our building, they moved to larger space because their focus is on running their business.

### **Is the growth of digital tech companies in 410 Townsend a sign of another internet bubble? What is different about the companies in 410 Townsend?**

**Charlie Graham:** Everyone here has been through the first tech bubble. You can say look they are growing like crazy. We have been through that...we focused on building a good business first and then once you have that, then focus on expanding. Instead of us building all this stuff, we leveraged the fact that someone else in the first bubble did it. We are just coming in afterwards and getting the benefit.

**David Sacks:** It is like open source or some kind of service operating off of the preexisting infrastructure of the last bubble. We bootstrapped off our profitability to raise additional capital before we moved here.

**Kevin Hartz:** This is not an incubator. I don't think many of believe in incubators. This is almost Darwinian. You've made it to a certain level but yet you have this collaborative environment. It's not like you're growing something from scratch that's been forced together. You have all these companies coming together because we've made it to a certain level.

### **What is the demand for software engineers?**

**David Sacks:** I think this space is a lot nicer than other spaces in SOMA so you'd expect it to do better. That being said, it was only a year ago that we moved in, we've increased our people from 15 to close to 60... We've also noticed the hiring market is tighter now. It's always been hard to hire engineers but it feels like it's the hardest it's ever been. In the last year there has been a huge turnaround in the tech sector... If everyone became software engineers there would be a demand for that.

**Kevin Hartz:** We've actually had to go overseas and actually bring somebody from South Africa over. It's

just so hard to find engineers. Part of growing your business is having a great business model but the other part is building a recruiting infrastructure, and it's extremely tight. So how do you recruit in a way that's a competitive advantage?

**Jeffrey Palmer:** That is one of the advantages of clusters. Software engineers attract digital tech companies who attract more software engineers and create a virtuous feedback loop.

### **Who are you hiring?**

**Kevin Hartz:** We have a preference that we generally like kids right out of college. They tend to be very smart, raw talent, and we catch them on that upswing. But we have both sides of it in terms of software engineers.

**David Sacks:** I don't think any particular educational background is important. A lot of these guys are self taught; a lot of them are college dropouts; occasionally you'll get a high school dropout. I think we have a bias for people with a few years of experience writing code. you know with a guy out of school you're going to have to do more work to get him up to speed... the economy would be doing better if we had more software engineers. It is awkward when you turn someone down for a job ends up working in the building and you end up seeing them in the elevator.

