

SAN FRANCISCO BUSINESS TIMES

Who will be next to join the Bay Area corporate HQ exodus? Eyes turn to Chevron, Twitter, Wells Fargo



Oracle The Redwood City-based tech giant quietly dropped the news in an SEC filing in December 2020 that its headquarters had moved from Redwood City to Austin, Texas, spurring observers to pay closer attention to the "principal office" designated by other companies in their SEC filings.



By Mark Calvey – Senior Reporter, San Francisco Business Times
Oct 19, 2022

Bay Area business leaders seeking the end of the steady flow of companies moving their headquarters out of California may have to wait, as more of the region's stalwarts could be heading to the exit.

Concern of an imminent headquarters departure centers on Chevron, Twitter and Wells Fargo, given recent corporate actions, and in the case of Twitter, the expected outcome of a contentious buyout that would put Elon Musk in charge.

“I certainly wouldn’t be surprised to eventually see all three move their headquarters out of California,” said John Boyd, a site selection consultant and principal of The Boyd Co. He said it could be a tipping point in the outmigration of Bay Area companies and residents if one of those three companies officially moves its headquarters out of state.

“If that doesn’t wake up members of both political parties to this economic crisis, I don’t know what will,” Boyd told me. “Concerns about the softening U.S. economy are creating even more pressure and more momentum for companies to improve and streamline operations, to cut costs and to be in markets that are more desirable to their key talent.”

Chevron, which has been helping to pay relocation costs for Bay Area employees voluntarily moving to Houston, disclosed in September that it has sold its San Ramon corporate headquarters to Sunset Development Co., the owners of Bishop Ranch, where Chevron will now lease 400,000 square feet. That move to leased space could make it a lot easier for Chevron to quietly shed office space and ultimately move its headquarters to Houston. Texas, with no individual income tax, can be attractive for Chevron employees now paying income tax in California, which has the dubious distinction of having the nation’s top rate on personal income.

Chevron has said over the years that its headquarters will remain in San Ramon. But Chevron occupies Enron’s former headquarters tower in Houston, where it employs nearly 6,000 people — about three times the number working at its East Bay headquarters.

“It’s the most written-about story that has never happened,” Alex Mehran Jr., Sunset Development CEO, told Fox Business in September in discussing persistent speculation that Chevron’s headquarters will move out of California, where it’s been based since the 1870s. “As much as they can be more efficient in Houston, they have an enduring presence in California.”

Wells Fargo fueled speculation of an eventual headquarters move when it said this month that it cut a deal for more than \$36 million in incentives from Texas for a new corporate campus in the Dallas suburb of Irving-Las Colinas that could accommodate up to 4,000 workers.

Adding to the speculation, Wells Fargo told me last week that no member of the bank’s “senior leadership team” remains based in San Francisco. Most are based in New York, where CEO Charlie Scharf sits. A handful of senior leaders are based in Charlotte, the bank’s largest employment center. The bank says its headquarters, if not its top executives, will remain in San Francisco.

Twitter is in the process of being acquired by Musk, who has already voted with his feet in moving Tesla’s headquarters and himself to the Lone Star State. Few expect Musk to keep Twitter’s headquarters in San Francisco if he closes on the deal.

While Twitter is a relative newcomer to the Bay Area's corporate citizenry, Chevron and Wells Fargo have been based in the region almost as long as California has been a state. Wells Fargo has been based in San Francisco since its founding in 1852 amid the Gold Rush.

But apparently there's no room for sentimentality. Even Levi Strauss, with California roots going back to the days gold miners needed sturdy pants, sent the Bay Area into a tizzy during the pandemic on word it too might take its headquarters out of San Francisco.

"You know, we almost lost Levi Strauss," San Francisco Mayor London Breed said at a San Francisco Business Times event last February.

The company later announced it planned to re-sign its 355,000-square-foot lease for Levi's Plaza near downtown San Francisco, but the lease apparently still remains unsigned as it goes through arbitration on terms with landlord Jamestown. In May, the company reiterated it is committed to the Bay Area.

When it comes to the exodus, a few troubling signs are beginning to emerge — troubling for Texas and other states that have long viewed the Bay Area as a land of easy pickings. At least that's Boyd's take. He pointed to California Gov. Gavin Newsom opposing Prop. 30, which would raise the state's top tax rate on personal income to more than 15%. Voters will decide on the measure in November.

"It was interesting to see Gavin Newsom recently rejected efforts to increase taxes," Boyd said.

There could be more good news for the Bay Area tackling challenges spurring corporate departures. Many business leaders, such as those at the Bay Area Council, had been in denial several years ago, but now express deep concern over the pace of companies leaving California.

Even Mayor Breed addressed the city's challenges, speaking at the Business Times' San Francisco Structures breakfast this month.

"One thing that I know for certain is we have work to do — work like we've never had before," Breed said, calling for making sure San Francisco is clean and safe, improving transit, and filling downtown vacancies, among other steps.

"San Francisco too long has taken for granted the fact that we are San Francisco. We've never had to really work hard for conventions and tourism and for business.

"A center of innovation, creativity, a wealth of talent, a beautiful city that captures the imagination and draws dreamers that want to change the world," Breed said in describing San Francisco. "I still believe that's who we are. But I know today, in this day and age, it's just not enough. We need to adapt."