

Memorandum

TO: HONORABLE MAYOR,
CITY COUNCIL AND
REDEVELOPMENT AGENCY BOARD

FROM: Del D. Borgsdorf
Harry S. Mavrogenes

**SUBJECT: BID TO HOST THE CALIFORNIA
INSTITUTE FOR REGENERATIVE
MEDICINE**

DATE: March 11, 2005

Council District: City-wide

RECOMMENDATION

Adoption of a resolution authorizing the following actions related to attracting the California Institute for Regenerative Medicine (CIRM) to San Jose:

- (1) That the City Council and Agency Board authorize submission of the joint City and Agency site location proposal described in the staff memo to request that San Jose be designated to host the CIRM headquarters facility;
- (2) That the Agency Board authorize the Executive Director of the San Jose Redevelopment Agency to negotiate a ten-year Lease Agreement with a Landlord in North San Jose or Downtown for not more than 19,000 square feet of building space to house the CIRM Institute Headquarters.
- (3) That the City Council authorize the City Manager to pledge and/or contract with third parties, if necessary, to provide the additional resources required to support the CIRM as described in the memo below.

These actions further Strategic Initiative No. 8 of San Jose's Economic Development Strategy to "Diversify San Jose's Economic Base, and Preserve/Create Middle-Income Jobs," and support the objectives of the Redevelopment Plans for Rincon de Los Esteros and Downtown.

BACKGROUND

In November 2004, California voters passed Proposition 71, the California Stem Cell Research and Cures Initiative. This statewide ballot measure provided \$3 billion in funding for stem cell research at California universities and research institutions, and called for the establishment of an entity to make grants and provide loans for stem cell research, research facilities, and other vital research opportunities (i.e., the California Institute for Regenerative Medicine or CIRM).

The San Jose City Council and Chamber of Commerce were among the first of their peers statewide to support the measure. More than two-thirds of San Jose voters voted in favor of it, above the statewide average.

On behalf of CIRM, the State of California Department of General Services submitted a Request for Proposals (RFP) on February 28, 2005, for office space to host the 50-person CIRM headquarters operation (approximately 17,000 net usable square feet and a minimum 40 parking spaces).

In the RFP, the State requests that the interested governmental entities provide certain incentives and professional services to the State, which would benefit the implementation of CIRM objectives. The State's preferences include:

- No-cost rent for the first four years. No-cost or below-market rent for years five through ten.
- Tenant improvements, parking spaces, and other operations-related amenities including provision of HVAC and after-hours utilities included with the building.
- No/low cost conference facilities that can accommodate 150+ people for at least six days per year.
- No/low cost hotel facilities.

Proposals from interested governmental entities are due in Sacramento on March 16, 2005, by 5:00 p.m. Anticipated competition, as recorded in media accounts, includes San Diego, San Francisco, Los Angeles, Sacramento, and San Mateo County.

ANALYSIS

Benefits to San Jose

Securing the headquarters operation of CIRM will benefit San Jose in the following ways:

- Gain recognition as a key leadership center for a next wave of innovation related to bioscience. CIRM's location in San Jose will solidify San Jose/Silicon Valley as the world's leading center for innovation, at a critical time.
- Establish an "anchor" institution that will attract researchers, entrepreneurs, business visitors, and affiliated organizations, stimulating our local economy and helping to diversify our area's driving industry job base.
- Provide another avenue to accelerate technology convergence—linkages among Silicon Valley's diverse technology fields—that can benefit a wide array of business sectors.
- Attract the "best of the best" talent in the fields of regenerative medicine, continuing our tradition of attracting the best people nationally and internationally.
- Attract additional resources in terms of venture capital and additional research funds.
- Significantly enhance the City's efforts to become a leader in the bio-medical field and will leverage our recent \$6.5 million investment in the San Jose BioCenter.

Alignment with City Strategy and Redevelopment Plans

San Jose's proposal to host CIRM is aligned with the City's Economic Development Strategy, the Redevelopment Plans for North San Jose and Downtown and San Jose's proven commitment to support the advancement of health and life sciences. This commitment is demonstrated by our recent investment in:

- *Children's Health Initiative.* With the support of San Jose, Santa Clara County was the first county in the nation to ensure access to health care insurance for all children.
- *Canary Fund/Early Cancer Detection.* San Jose recently made a five-year commitment to host the Champ Car World Series, which will benefit research on early cancer detection funded by the nonprofit Canary Fund.
- *San Jose BioCenter.* San Jose has invested \$6.5 million to provide state-of-the-art laboratory facilities and business development services to young bioscience companies—in order to help get important medical advances and new technology applications more quickly to people who need them.
- *Workforce Development.* SVWIN's board of directors has identified the bioscience and healthcare sectors as key drivers of economic growth in the upcoming years. They have dedicated up to 50% of the workforce development budget to support job seekers and employers from bioscience and healthcare sectors. For example, the organization recently funded two separate customized job training proposals for Valley Medical Center and Kaiser Hospital for clinical lab specialists, nurses, and pharmacy assistant positions. In addition, we have recently initiated a research effort to assess changes in hiring and training needs of local bioscience employers in our area.
- *Relationships with World Bioscience Regions.* In April, Mayor Gonzales will sign an "Economic Partnership Agreement" with the Cambridge/East of England north of London. This region is the UK's leading region for innovation and technology, and is one of Europe's leading bioscience communities.

Hosting the headquarters of the California Institute for Regenerative Medicine is a rare opportunity to contribute the best San Jose has to offer to advance one of the most worthwhile civic and economic development initiatives underway in the world today.

Core Elements of Our Proposal

The core elements of San Jose's proposal are as follows:

- San Jose will offer CIRM a choice of two buildings—one in Downtown and one in North San Jose;
- The Agency will lease space in the facility chosen by CIRM, and then enter into a sub-lease with the State meeting the requirements of the RFP for a ten-year period;
- The City will provide free use to CIRM of City-owned conference, meeting, and cultural facilities for 12 days each year.

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In addition, the proposal offers:

- Office Technology/Furniture package - Corporations in San Jose are offering a package of software, equipment, and furniture that is heavily discounted. The Redevelopment Agency is providing some of their excess used furniture.
- Corporate Concierge Service - Team San Jose will provide a "24x7" Concierge Service to provide one-on-one assistance to CIRM board members, staff, and visitors as they make arrangements for meetings and overnight stays in our community.
- *Security Liaison* - A top-level Security Liaison from the San Jose Police Department to provide advice and counsel to CIRM security.

PUBLIC OUTREACH

San Jose's proposal has been endorsed by the major regional economic organizations in Silicon Valley - the San Jose Silicon Valley Chamber, the Silicon Valley Manufacturing Group, and Joint Venture: Silicon Valley. Letters of endorsement are being received by state and federal political leaders as well.

COORDINATION

This memo has been coordinated with the City Attorney's Office, the Office of Economic Development, the Redevelopment Agency, Agency General Counsel, and the City Manager's Office.

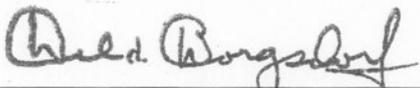
FISCAL IMPACT

The fiscal impact will be determined once San Jose's proposal has been selected, at which time staff will return with a recommended budget action.

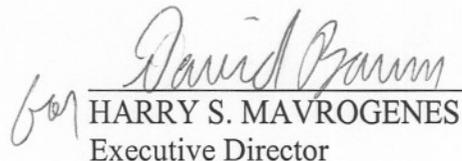
There are no General Fund implications.

CEQA

Exempt, PP05-051



DEL D. BORGS DORF
City Manager



HARRY S. MAVROGENES
Executive Director