

THE REDEVELOPMENT AGENCY OF THE CITY OF SAN JOSE

MEMORANDUM

TO: SAN JOSE REDEVELOPMENT AGENCY BOARD	FROM: RICHARD A. KEIT MANAGING DIRECTOR
SUBJECT: SEE BELOW	DATE: DECEMBER 2, 2011

SUBJECT: TRANSITION PLAN FOR THE SAN JOSE INCUBATORS
AND ENTREPREUNER CENTER

RECOMMENDATION

It is recommended that the Agency Board approve the Transition Plan for the San Jose Incubators and Entrepreneur Center.

OUTCOME

Approval will allow staff to immediately implement the strategies detailed in the attached Transition Plan (incorporated in the November 14, 2011, Memo to the Community and Economic Development Committee) for the Incubator Programs and the Entrepreneur Center.

BACKGROUND

In support of San Jose's economic strategy, the Agency has financed business incubation programs to grow start-up companies that create local jobs and fosters innovation. Due to the Agency's uncertain financial future, the Agency may not be able to continue its support of the various incubator programs, which includes the San Jose BioCenter (BioCenter), the Environmental Business Cluster (EBC), the US Market Access (USMAC), and the Entrepreneur Center (eCenter). Currently, the Agency supports these programs by leasing space and then subleasing that space for these programs. While the Master Lease for the BioCenter building terminates on August 30, 2012, and the Master Lease for the downtown Innovation Center building (which hosts the EBC, USMAC, and eCenter programs) terminates on September 30, 2014, the Mayor has directed staff to seek other sources of revenues to support these programs beginning July 1, 2012.

At the August 24, 2011, Rules and Open Government Committee meeting the Mayor recommended that the Community Economic Development (CED) Committee direct staff to prepare a Transition Plan and for the CED Committee to review and make recommendations to the Council and staff on the Plan.

ANALYSIS

The Transition Plan focuses on strategies that allow the three incubators and Entrepreneur Center programs to continue to exist without Agency support beginning July 1, 2012. The transition strategy for the BioCenter recommends assisting the San Jose State University Research Foundation (SJSURF) to negotiate a new master lease with the property owner before the Agency lease terminates on August 30, 2012. SJSURF will seek lease concessions and an investor-partner to help manage or co-sponsor the facility.

The transition strategy for the San Jose Innovation Center, which houses the Environmental Business Cluster, US Market Access Center, and the Entrepreneur Center, recommends the issuance of a joint Request for Interest (RFI) with SJSURF and Humboldt State University Sponsored Programs Foundation. The initial focus would be to negotiate an assignment of the remaining term of the Master Lease, from July 2012 to September 2014. The RFI would seek new partners to support the lease obligation. If there is no response from the initial RFI, then the Agency will issue a second RFI to for profit and other non-profit organizations. Staff is recommending that the initial RFI be released on December 14, 2011, with a 45 day response period. This is slightly different than the 90 day response time that was recommended and approved by the CED Committee.

On November 28, 2011, the CED Committee approved the Transition Plan with a recommendation to agendaize an update and progress report for the January 23, 2012 CED Committee meeting. Several issues raised by the Committee are being evaluated by staff and will be incorporated into the work program over the next few months. One issue is the ownership of assets at the BioCenter. Staff is conducting an inventory and assessing the value of the Agency owned assets related to the BioCenter and the incubator programs.

The Committee recommended that staff contact other area universities to discuss partnering and commercialization opportunities that would increase incubator revenues. Outreach to universities was done when the BioCenter business plan was developed in 2000. Staff will re-engage with these academic institutions to determine current interest for partnerships.

EVALUATION AND FOLLOW-UP

Agency staff will provide a transition report update to the CED committee on January 23, 2012.

PUBLIC OUTREACH/INTEREST

This Memorandum was posted on the Agency's website and made available for public review in the Agency's public lobby area.

- Criterion 1:** Requires Council action on the use of public funds equal to \$1 million or greater. (Required: Website Posting)
- Criterion 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. (Required: E-mail and Website Posting)
- Criterion 3:** Consideration of proposed changes to service delivery, programs, or staffing that may have impacts to community services and have been identified by staff, the Board or Council, or a community group that requires special outreach. (Required: E-mail, Website Posting, Community Meetings; Notice in appropriate newspapers)

COORDINATION

This Boardmemo has been coordinated with the Agency's General Counsel and the Office of Economic Development.

FISCAL IMPACT

If the strategies listed in the Transition Plan are successful in finding a private investor for the two buildings, the Agency would save \$1,077,159 in lease payments at the Innovation Center and \$65,870 in lease payments at the BioCenter assuming that lease payments end as of June 30, 2012.

CEQA

Not A Project, File No. PP10-066(a)



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