

THE REDEVELOPMENT AGENCY OF THE CITY OF SAN JOSE

MEMORANDUM

TO: COMMUNITY AND ECONOMIC DEVELOPMENT COMMITTEE	FROM: JOHN WEIS DEPUTY EXECUTIVE DIRECTOR
SUBJECT: SEE BELOW	DATE: MAY 9, 2008

SUBJECT: EDENVALE BIOCENTER EXPANSION

The San Jose BioCenter is a life sciences business incubator and laboratory facility supported by the Redevelopment Agency. In 2003, the Agency entered into a lease and development agreement with Mission West Properties ("Mission West") to rent the second floor of the building at 5941 Optical Court and have Mission West improve the space to create the BioCenter. In 2004, the Agency entered into an agreement with the San Jose State University Research Foundation to operate and manage the BioCenter. To date, the Agency has funded tenant improvements, specialized laboratory equipment, and rent payments for the BioCenter in an investment totaling approximately \$10 million.

The BioCenter now has 22 tenant companies and 10 affiliates that are active in a wide range of life science activities, including drug development, biotechnology, stem cell research, diagnostics and medical devices and analytical instruments. The tenant companies employ over 150 people and occupy several hundred to several thousand square feet of space. The BioCenter is fully occupied and has a wait list of companies seeking space at the facility. The BioCenter's success is testimony to the unique combination of space, specialized equipment and services that it offers to start-up companies. The facility has been critical to San Jose's ability to attract new life sciences companies to San Jose and the creation of a life sciences industry cluster.

A number of BioCenter companies are growing rapidly and need more space than is currently available at the BioCenter. Five companies have expressed interest in expanding at the BioCenter, requiring between 1,300 and 10,000 square feet each.

To accommodate the needs of the existing BioCenter companies, retain these companies in San Jose, and attract additional life sciences companies to Edenvale, the Agency intends to expand the BioCenter. The BioCenter is currently located in 35,000 square feet on the second floor of a R&D/office building. The first floor of

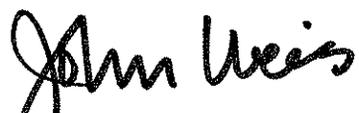
this building, also 35,000 square feet, is vacant shell space. The Agency plans to lease and build out the first floor, installing infrastructure and finishing the interior space.

The first-floor design will maximize the flexibility of the space. The wet labs, dry labs and offices will be modular, allowing the space to be divided or aggregated to create smaller or larger spaces, depending on client needs. This floor will also have: a common equipment room; conference room; storage area; receiving area; and administrative offices for the BioCenter staff. The Agency is considering the conversion of the conference room and some of the dry labs and offices on the second floor into wet labs. These improvements may be phased, depending on cost.

The Agency is working with Kobza & Associates, Mission West's architect, to develop the first-floor expansion design. The Agency has assembled a team of experts and stakeholders to assist the Agency with the design development. This group includes Kornberg Associates, the architectural firm that designed the first set of tenant improvements at the BioCenter; Affiliated Engineers, an engineering firm with experience in life science facilities; and the BioCenter staff, who can advise the Agency on client companies' space and facility needs. Agency staff expects that the design will be sufficiently complete by Summer 2008 to allow preparation of a preliminary cost estimate.

After the preliminary cost estimate is completed, the Agency intends to negotiate a lease agreement with Mission West to rent the first floor and have Mission West build the improvements. The Agency has budgeted \$2.5 million to fund part of the improvements. Mission West has agreed to provide a tenant improvement allowance and finance additional improvements as necessary, to be negotiated as part of the lease agreement. The details of the lease agreement and funding for the improvements will be determined in discussions with Mission West. The Agency anticipates bringing a lease and development agreement with Mission West to the Agency Board in Fall 2008.

In addition, the Agency will select an operator for the first floor and also expects to bring an operating agreement to the Board for consideration in Fall 2008. If these milestones are reached on schedule, the Agency anticipates that construction will be completed and the expanded BioCenter will be ready for occupancy during 2009.


JOHN WEIS
Deputy Executive Director