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NYC Biotechnology Firms Gain New Lease on Life; Packages of Grants, Tax Breaks Allow Developers to Offer Competitive Rents

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When it came to deciding where to locate its new laboratory, the International AIDS Vaccine Initiative wrestled between a biotechnology park in New Jersey and one being planned for Brooklyn.

IAVI, which has been awarded a \$23.7 million grant from the Bill and Melinda Gates Foundation to develop an HIV vaccine, chose to become the anchor tenant in the Bioscience Center at Brooklyn Army Terminal, or BioBAT. The terminal building, located on the waterfront in Sunset Park, is being retrofitted to house up to 25 bioscience companies.

Company officials acknowledge that they have reservations. "We realize we're taking a risk," says IAVI Chief Operating Officer Mike Goldrich, whose group signed a 15-year lease. "We could have taken space in an [existing] biotech park, but we wanted to be a pioneer in the city's efforts to create an environment that promotes collaboration in the biosciences."

After years of complaining about a lack of affordable space in New York City, biotech companies are seeing work start on BioBAT and another biotech park, the East River Science Project in Manhattan. The key has been cobbling together elaborate financial packages of government grants and tax breaks, which allow developers to offer rents they hope will be competitive with other less expensive biotech centers, such as Boston and San Francisco.

Few laboratories

Despite its academic assets, prestigious research institutions, venture capital firms, topflight scientists and proximity to pharmaceutical companies, New York City has not been able to build a formidable biotech industry. While there are nearly 120 biotech companies in the city, most of them have offices for marketing or clinical trials, not laboratories for R&D or manufacturing facilities.

A major problem has been finding areas in New York where biotech firms can cluster and collaborate with each other, much the way high-tech firms concentrate in areas like Silicon Valley. In a city as populated as New York, it has been difficult to set aside parcels of land for such purposes. Exacerbating the problem is the fact that life-science space can easily cost twice as much as office space because labs require higher ceilings, heavier floor-load capacities, and complicated electrical, ventilation and plumbing systems.

Companies in the city's two biotech incubators--the Audubon Business & Technology Center at Columbia University and the Advanced Biotechnology Park at SUNY Downstate Medical Center--typically leave the city when they are ready to expand.

"We've lost spinoffs from research and academic institutions because there's no lab space in Manhattan," says Patricia Ardigo, first vice president for the life-science group for CB Richard Ellis.

To alleviate the lab space shortage, Phase 3 Properties Inc. of San Diego is developing 486,000 square feet of lab and office space at BioBAT with a \$12.5 million grant from the city and a \$42 million state grant and other tax credits.

Although most of the \$100 million project is not expected to be ready until 2010, IAVI's 36,000-square-foot space will be ready this fall. The nonprofit's rent will start at \$15 a square foot, but will escalate up to \$30 or more over the life of the lease.

An even larger endeavor is the East River Science Project, a \$700 million, three-building complex of 1.1 million square feet of laboratory and office space that is being developed in Manhattan on spec by Alexandria Real Estate Equities Inc., a Pasadena, Calif.-based company that specializes in biotech facilities. Rents are expected to be \$50 to \$70 a square foot.

The complex will be situated in the heart of "hospital row" on 3.5 acres between East 28th and East 29th streets, and First Avenue and the FDR Drive, near Bellevue Hospital Center and New York University Medical Center.

Job generator

The center is expected to create about 2,000 jobs for researchers, technicians and bioscience professionals in 25 to 45 companies.

The first phase, which began in October and is slated for completion next year, will include two towers of office and lab space, a glass pavilion, underground parking, a cafe, a conference center and ground-floor retail space.

Alexandria is receiving subsidies, including \$14 million from the city for infrastructure, \$27 million from the state and \$2 million from the federal government. The New York City Investment Fund, the economic arm of the Partnership for New York City, is granting \$10 million for tenant improvements. The project will also receive about \$5.6 million through the city's Industrial Development Agency.

The developer negotiated a land lease with the city for 49 years, with two 25-year renewal options. Once construction is complete, Alexandria will pay the city \$2 million a year, but that escalates over time. There will be property tax abatement over 25 years worth \$251 million, and breaks on city and state sales taxes and recording taxes worth about \$22.7 million.

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