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Urban Redevelopment Spurs Economic Growth

By Marie Tindall
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Location, location, location. For companies scouting out potential sites, this real estate mantra no doubt rings loud and clear. Finding that perfect spot can be a challenge, but it's easier in some places than in others.

In cities where neighborhoods are being transformed from underused, light-industrial districts into active, mixed-use urban hubs with a focus on biotechnology and life sciences research, deciding where to break ground should be an obvious choice.

Cultivating an existing biotech and life sciences sector has become a key ingredient in many local, regional and state economic development strategies. And business leaders and public officials are whipping up new plans to attract both workers and residents.

A 2002 Brookings Institution study ranked Seattle, San Diego and Raleigh/Durham among the nation's five top regions for new biotech companies. The trio outpaced Los Angeles, Washington, D.C., Baltimore, Chicago, Detroit, Houston and St. Louis, but trailed Boston and San Francisco, which have led America's biotech industry since its birth in the late 1970s.

According to the study, two factors are critical in developing a biotech industry: strong research capacity and the ability to convert that research into successful commercial activity. Having enough space to support such growth also helps.

Take Seattle, for example. South Lake Union, a previously overlooked urban enclave just minutes from the downtown business district and bordering the southern shores of Lake Union, is emerging as a potential economic engine that many say could drive the city's future.

Because of its existing low density, South Lake Union is one of Seattle's last in-city neighborhoods that can support new commercial and residential development. Vulcan Inc., the investment management company of

Microsoft co-founder Paul G. Allen, owns more than 50 acres in South Lake Union, roughly 30 percent of the total area.

With a development capacity of 10 million square feet, Vulcan's real estate division is redeveloping its holdings to create a neighborhood that combines housing, life sciences research, commercial business, retail, open space and more. Already, 1.8 million square feet of projects are under construction or planned.

"The revitalization of this neighborhood represents an opportunity for Seattle as significant as the day Bill Boeing decided to build airplanes and Bill Gates and Paul Allen decided to write software," Mayor Greg Nickels says.

Nickels' office recently conducted a study to determine the economic potential of a redeveloped South Lake Union. Issued in late 2003, results indicated that the redevelopment of the neighborhood would create at least 32,000 new jobs in the city by 2025.

In Seattle, as in other burgeoning biotech hubs, developers are working with local officials to implement several strategic initiatives, including:

- * Boosting the momentum for a new regional economic engine by creating a life sciences research center that will propel the city to the forefront of the industry.
- * Fostering a community that thrives on ideas and creativity by attracting tenants with a breadth of focus areas such as architects, scientists, designers, artists, advertising agencies and independent retailers, for example.
- * Creating a new model for urban, sustainable redevelopment. This includes supporting public transportation proposals that promise more walkable neighborhoods, embracing density so that growth

occurs in the city rather than the suburbs, and implementing sustainable or “green” building practices.

Creating a New Economic Engine

Biotech and biomedical companies considering newly redeveloped urban enclaves as potential lab and office space report being attracted by the proximity to existing research centers. With many distinguished organizations already located in a neighborhood or about to move there, such sites offer researchers a rare opportunity to cluster with similar organizations.

The University of Washington’s School of Medicine, one of the nation’s largest and most well-funded research organizations, will anchor South Lake Union’s research core. The university plans to lease 800,000 square feet of new research and lab space from Vulcan during the next few years, and it will hire 2,200 new employees by the time its new South Lake Union campus is completed.

The Fred Hutchinson Cancer Research Center — a global leader in cancer research and home to two Nobel laureates — already has 2,300 employees in South Lake Union, and a long-term master campus plan could eventually expand the employee count to 6,200. “The Hutch” is often viewed as a pioneer in South Lake Union, having moved to the neighborhood more than a decade ago.

In addition, biopharmaceutical leader ZymoGenetics is adding 45,000 square feet to its existing 200,000-square-foot research campus in South Lake Union. And another biotech company, Corixa, will enhance its capabilities by acquiring 138,000 square feet in a new building near the neighborhood.

In March, South Lake Union became the new home to three research organizations. Rosetta Inpharmatics, a subsidiary of pharmaceutical leader Merck & Co., moved into a new 133,000-square-foot building. Seattle Biomedical Research Institute, a recent recipient of a \$10 million grant from the Bill & Melinda Gates Foundation, moved into a new 112,000-square-foot building, which it will share with a research division of Children’s Hospital and Regional Medical Center.

“What we hear time and time again is that an existing talent pool, proximity to a major research university and a critical mass of established research entities are

the key priorities for life sciences firms when they are making relocation decisions,” says Ada M. Healey, vice president of real estate for Vulcan. “Because South Lake Union meets all of these criteria, it continues to attract a lot of interest from organizations in search of new lab and office space.”

Diversity and Creativity Drive Mixed-Use Vision

But biotech is just one element in the revitalization of many underused urban areas. By combining a mix of housing choices, retail shops, open space and transit systems, neighborhoods will offer a lifestyle equally appealing to employees and residents.

These urban areas also attract the interest of “creative class” companies. NBBJ, one of the world’s largest architecture firms, is moving its headquarters and 430 employees to South Lake Union in 2005. Tommy Bahama, the island-inspired lifestyle brand of upscale apparel, accessories and home furnishings, is moving its headquarters and 325 employees to the neighborhood this fall.

Several retailers have already signed leases for new shops and restaurants in South Lake Union, many of them viewing the opportunity to operate in the middle of this thriving community as a profitable move.

Diverse, available neighborhood housing is a fundamental piece of the plan because employers moving to South Lake Union want to know that there are nearby housing opportunities for their employees. Vulcan plans to dedicate a sizable portion of its portfolio to residential projects. The developer recently completed a 160-unit moderate-rate apartment building and will begin construction on nearly 500 apartment and condominium residences in 2004.

A New Model for Sustainable Urban Development

Many cities are also taking steps to create pedestrian-friendly neighborhoods. Because streets and sidewalks account for a large percentage of space in urban areas, efforts are being made to maximize that open space. In South Lake Union, artistic paving, mature tree planting, attractive lighting, public art, open plazas and other initiatives are in place to beautify public spaces and create active streets.

Seattle is working on several transportation improvements to South Lake Union, including a

streetcar system that would connect the neighborhood with downtown Seattle and other major regional transportation hubs. With a streetcar in place, residents and workers would be able to travel to major destinations without ever setting foot in a car. Plans are also under way to create and enhance a number of other regional transit systems that will benefit the neighborhood, including an expanded monorail, a new light-rail system and improvements to major arterials.

“Creating this neighborhood so close to downtown Seattle, and serving it with transit and other services, will allow us to build an economic engine that will keep the city thriving through the 21st century,” Nickels says.

The city is also leading an initiative to redevelop the Lake Union waterfront and create a new 12-acre waterfront park. When completed across the next several years, the park will become a major regional destination and amenity.

Respect for the environment is a goal of many developers — and one that companies frequently consider when choosing a site.

Sustainable development practices are a cornerstone of Vulcan’s environmental approach to redeveloping South Lake Union. It provides a framework for using energy and other resources efficiently, conserving water, promoting the use of environmentally friendly or recycled materials, and protecting and enhancing the quality of life for a building’s occupants.

The buildings at South Lake Union are “high-performance” sustainable buildings. Through the use of enhanced natural daylight, features that improve air quality and low-toxicity materials, such buildings run efficiently and relatively inexpensively while providing a healthy, comfortable environment where people can perform well. For many of its buildings, the developer is also on track for Leadership in Energy and Environmental Design certification by the U.S. Green Building Council, which recognizes achievements in sustainable building.

As the redevelopment of urban neighborhoods continues across the country, public-private partnerships between city leaders and developers will play a key role in laying the groundwork to seize the opportunity for future growth.

For more information about the South Lake Union project visit www.vulcan.com.

New Jersey is a True Partner in Real Estate Matters

The New Jersey Economic Development Authority’s Real Estate Division offers a friendly solution to some of the challenges of relocating.

The authority understands the permitting process, has the power of condemnation, is exempt from municipal land use regulations, and can assist with financing, including issuing tax-exempt bonds and other long-term bonds. “We can be a full-service financier and real estate developer and so many of our projects have combined investment banking capacity,” says Tim Lizura, director of real estate development for the authority’s real estate division.

Additional financial support includes the state’s Business Employment Incentive Program, which issues rebates of employee withholding taxes back to corporations of anywhere from 10 to 80 percent to expanding or relocating companies. The rebate can happen every year for up to 10 years. Companies are eligible for the program based on where they locate, how many jobs they create, the amount of wages and the total investment.

“Additionally, the governor has instituted some significant changes to our incentive programs, and one of the more significant ones is for life science and biotech companies,” Lizura says. “These companies only need to create 10 new jobs to qualify for the program. Other companies need to create 25 new jobs to qualify.”

In the real estate realm, recent activities have focused on technology and urban industrial development. “We have become the state’s leader in developing high-tech research parks,” Lizura says. Among its projects is the Technology Centre of New Jersey, located on a 50-acre site in North Brunswick. The authority has invested \$100 million and developed about 400,000 square feet at the facility, mostly life sciences based. The centre features facilities that start at 800 square feet at the commercialization incubation center to standalone buildings.

Lizura says the authority is embarking on expanding the centre. In addition to improving the facilities to expand and eventually double the size of the commercialization incubator, the authority is looking to acquire a 25-acre parcel adjacent to the site.

In Camden, the authority will develop a 100,000-

square-foot multi-tenant high-tech building on 4.5 acres called the Camden Technology Center. “It is adjacent to a site we developed 10 years ago, which is occupied by L-3 Communications, which has about 650,000-square-feet of high-tech, defense-related space,” Lizura says.

In Newark, the authority completed an \$80 million, 180,000-square-foot wet lab facility at the University Heights Science Park. The facility is a biocontaminant level 3 facility built for the Public Health Research Institute. It was recently designated as a regional biocontaminant lab from the Centers for Disease Control and will undergo a \$30 million expansion.

“We are also in the process of beginning a feasibility study for a 100,000-square-foot building in the science park called the Digital Century Building,” Lizura says.

On the urban industrial development side of the real estate division, a memo of understanding has been signed with the New York/New Jersey Port Authority to institute a Port Fields Initiative to recapture some of the underused land in and around the Port of New Jersey.

In Camden, the \$175 million Camden Recovery Program is designed to invest in bricks and mortar, Lizura says. He says any project could qualify for the funding, even residential development. He says funding is given to tangible assets as opposed to working capital or relocation costs.

For complete details on the New Jersey Economic Development Authority’s Real Estate Division visit www.njeda.com.

More Than 5,000 Acres Being Developed in Coastal Georgia

Situated between Savannah and Brunswick, Ga., along Interstate 95 is 5,100 acres available for development in Liberty County. The site is also 75 minutes north of Jacksonville, Fla., and is equidistant between Charleston, S.C., and Jacksonville.

This huge site is split into two sections, with 1,600 acres on the east side of the Interstate 95 interchange, and 3,500 acres on the western portion of the property. Both properties are under the Mid Coast Business Center, with the eastern side called Liberty Ridge and the western side called Liberty Place.

We are planning this development as a Planned Unit Development (PUD),” says Ron Tolley, CEO, Liberty County Development Authority. “Some areas will be suitable for distribution centers, or light-manufacturing assembly. Other areas are more amenable to office and even residential development.”

Tolley notes that the county is working with the large adjacent land owners at the expansion of the PUD to cover roughly as much as the total acreage of the Mid Coast Business Center. “They have expressed an interest in participating in an expanded PUD concept,” he says.

The park’s environmental work is complete and it is permitted. Both properties have been cleared. The west side’s road is under construction. Awards for the water and sewer lines on the west side were expected to be awarded in April.

Tolley notes the Mid Coast Business Center is located in an area that meets the requirements for a state of Georgia program for a \$3,000 per job income tax credit against the corporate income taxes for the state. “If there is significant port activity it can go up \$3,500 per job,” he says.

The Mid Coast Business Center is strictly a Liberty County development project, as far as acquiring the land and putting in the infrastructure. “Of course, we are keeping adjoining counties apprised of our effort because it will impact all of coastal Georgia,” Tolley says. “And with the labor draw available to us, given the location on I-95, it will draw from a good distance, if needed, because I think we can supply the bulk of the labor force within a 30-minute drive.”

To learn more about the Mid Coast Business Center, visit www.lc-da.com.