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November 4, 2016

Honorable Members of the City Council
City Hall, Room 395
200 N Spring Street
Los Angeles, CA 90012

RE: CF 14-1278 Departments of City Planning and Economic and Workforce Development Report on Northeast Los Angeles Biomedical Technology Industry Cluster

A September, 2014 City Council Motion (CF14-1278) highlighted previous efforts on the part of the City and the former Community Redevelopment Agency (CRA/LA) to establish a specialized industry cluster for the biomedical technology industry in Northeast Los Angeles, and instructed the Department of City Planning (DCP) and Economic and Workforce Development Department (EWDD) to revisit these initiatives and provide a report on the following:

1. Provide an analysis of opportunity sites;
2. Provide a preliminary analysis of land use and case processing incentives to encourage biomedical technology uses within the defined study area;
3. Provide potential economic development initiatives, and incentives to capture investment interest and establish a biomedical technology corridor within the defined study area.

Previous research conducted by the Mayor's Office, the CRA/LA and the County of Los Angeles has emphasized that the biomedical technology industry sector has emerged as an essential umbrella industry leading advancements in medicine, engineering, and technology. The following report, which examines an existing industrial corridor that runs through the Northeast Los Angeles neighborhood of El Sereno, provides a description of existing opportunities and challenges. This report intends to build on previous thinking focused on the establishment of a biomedical technology corridor, and includes a review of past reports and initiatives. Previous research and reporting is included in this report as Appendix 1.

1. Study Area Overview & Opportunities

The area under consideration is an approximately 2.5-mile industrial corridor located between the Los Angeles County/USC Medical Center (LAC/USC) and the Cal State University Los Angeles (CSULA) campus. The industrial corridor aligns with both Valley Boulevard and an active freight rail line, connecting the Los Angeles Basin to the San Gabriel Valley. Industrial tracts are clustered along both sides of this corridor adhering to the rail line, although most uses present today are no longer serviced by it. The San Bernardino Freeway (I-10) runs just south of the corridor providing convenient access from much of the region. The I-10 Freeway also serves as the route for the Los Angeles Metro Busway with stations at both

ends of the corridor located near the LAC/USC and CSULA. A Metrolink station located at the CSUSLA campus also provides access for rail commuters arriving from the San Gabriel Valley or Los Angeles Union Station. Despite these transit connections, there is generally a lack of pedestrian oriented infrastructure making present day connections to and from transit somewhat unpleasant. Similar constraints exist with the vehicle road network. The area is largely hemmed in between Valley Boulevard, the freight rail corridor, and the I-10 Freeway, limiting surface street connections to surrounding neighborhoods. Access to the industrial lots south of the rail corridor are often cut off for extended periods while long freight trains pass through the valley at grade. Hillsides north and south of the corridor also serve to limit points of access from the adjacent neighborhoods of El Sereno, Boyle Heights and East LA. For these reasons the corridor relies heavily on Valley Boulevard as its main artery.

Along the corridor there exists 137 acres of industrial land, yet this land is not entirely contiguous. Two clusters of industrial land exist along different sections of the corridor. The larger of the two stretches from Soto Road and sprawls south of Valley Boulevard and across the City's border with the County where it abuts the 1-10 Freeway. This cluster contains approximately 56 acres of industrial land within the City's limits and roughly double that amount falling within the County's jurisdiction. Close proximity to the LA County + USC Medical Center make this area the most obvious location for any expansion of campus research and development facilities to occur. The area is made up of a mix of warehousing and light manufacturing facilities. Buildings include large tilt-up concrete warehouses, a number of metal sheds and hangars, and several brick buildings dating from the 1940s. Because the rail line runs between Valley Road and much of the industrial land located to the south of the corridor, access is limited to just two crossing points. Along this stretch the industrial facilities primarily front Medford Street to the south. The entire area is currently designated for Light, Medium, and Heavy Industrial use in the Northeast Los Angeles Community Plan, with a mix of CM, MR1, MR2, M2, and M3 zoning, all of which permit medical laboratories, medical facilities, and research and development centers.

The second cluster of industrial land found along the corridor is located at the eastern edge near the Long Beach Freeway (I-710). This area contains approximately 40.5 acres of industrial land set atop a small hill located to the north of Valley Boulevard and is already the location of a major pharmaceutical research and development company, Grifols Biologicals. Much of the site is occupied by the large complex of laboratory and office buildings that make up the Grifols facility, while other buildings and business that share the industrial complex include warehouses used for wholesale and distribution. The area is located to the north of the Cal State LA campus and to the west of a large undeveloped piece of land that had been cleared in anticipation of the extension of the 710 Freeway northward. Access to the industrial complex is fairly restrictive because of its hilltop location and single, winding access road from Valley Boulevard. Connections to the site from the north are completely severed by a wide rail right of way which fans out into 13 rail lines with no road crossings. The hilltop location does provide the qualities of an isolated campus setting but it is not a site that would easily allow uses to integrate with its surroundings. This area is zoned MR1, which, again, permits laboratory uses and limited manufacturing.

All of the opportunity sites found along the corridor currently possess the General Plan land use designations and zoning that would be required to permit biomedical research and development facilities as well as the manufacturing of medical devices. A significant amount of industrial land located along the corridor possesses the potential for future development of consolidated research campuses. There are also a large number of existing concrete building that could potentially be retrofitted for use as laboratory space. The corridor is located in an area with excellent connections to the 1-10 and 1-710 freeways and is near several Metro Busway stations and a Metrolink station where opportunities for pedestrian and roadway infrastructure improvements exist. There are significant challenges to connectivity due to the barriers caused by the at-grade freight rail line running through the middle of the corridor in addition to the valley topography limiting north/south access. For the corridor to function cohesively these connectivity issues would need to be addressed. Nevertheless, the corridor has ample land area with the appropriate planning and zoning for the evolution of a major biomedical cluster.

The table below shows the total acreages for each Land Use Designation found within the corridor.

Land Use Designation	Acres
Limited Manufacturing	113.5
Light Manufacturing	11.7
Heavy Manufacturing	11.8
Total Industrial	**137**
General Commercial	36.6
Public Facilities	13.8
TOTAL	**187.4**

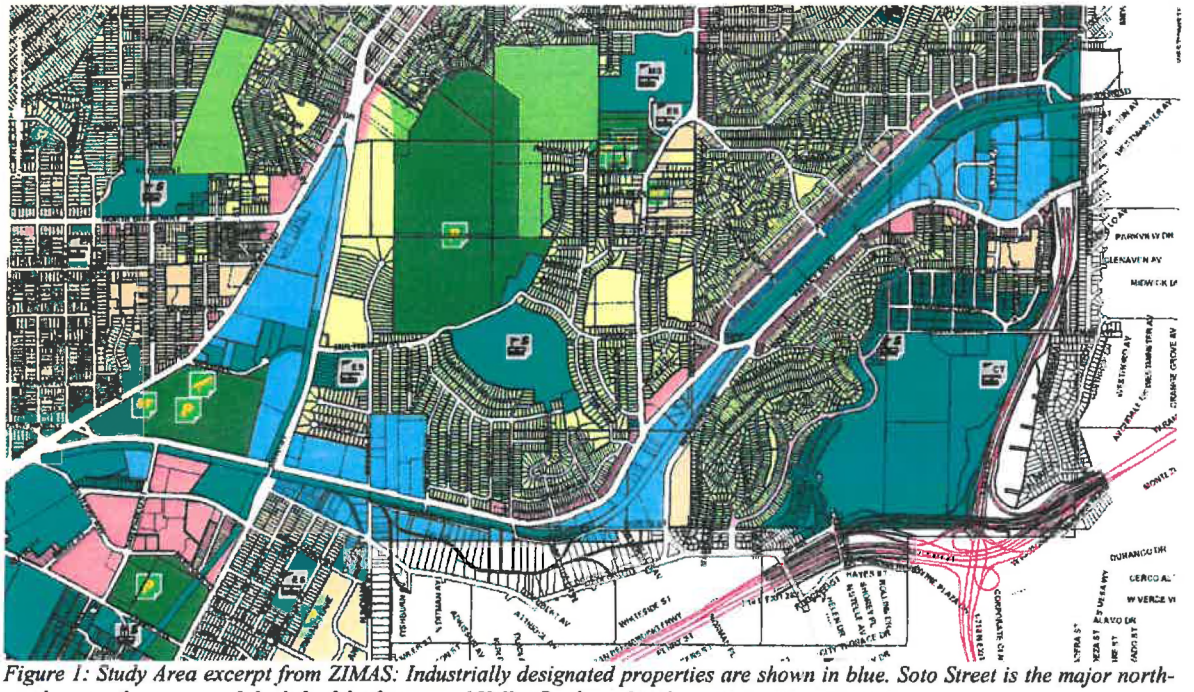

Figure 1: Study Area excerpt from ZIMAS: Industrially designated properties are shown in blue. Soto Street is the major north-south street shown toward the left of the figure, and Valley Boulevard is the major east-west street.

2. Land Use & Case Processing Incentives

As discussed above, the vast majority of the study area has been designated for a range of light to heavy industrial uses in the Northeast Los Angeles Community Plan, and is zoned with a range of industrial zones (CM, MR1, MR2, M2, and M3), all of which permit medical laboratories, medical facilities, and research and development centers. From an entitlement standpoint, biomedical technology uses are allowed by-right within the subarea. Individual projects that exceed 50,000 square feet would be required to undergo Site Plan Review, per LAMC 16.05. From a land use entitlement standpoint, there are few barriers that would prevent a biomedical use from locating within the study area.

3. Economic Development Initiatives

There are several citywide initiatives that apply to the study area.

- The New Business Tax Holiday exempts any new business from paying the City of Los Angeles gross receipts business tax during its first three years of operation.
- The Use Tax Rebate Program provides participating businesses a rebate of 20% on the additional State collected use tax (67.5%) remitted by the business.

The City of Los Angeles Clean Tech Corridor in downtown between the Los Angeles River and Alameda Street offers a range of incentives for clean tech companies. This program is the cornerstone of the City's green economy strategy. Similar applicable incentives could be utilized within a biomedical technology corridor. Moreover, an Enhanced Infrastructure Finance District (EIFD) to finance specified types of improvements with tax increment could aid a specialized industry cluster for the biomedical technology industry in within the study area. An economic development tool such as an EIFD could help underwrite the cost of land acquisition, infrastructure, development or repair of industrial buildings, Brownfield restoration and other environmental mitigation as well as projects implementing a Sustainable Communities Strategy or alternative greenhouse gas emission reduction strategy.

EIFDs are a relatively new land use and economic development tool created following the dissolution of the Community Redevelopment Agency. Presently, the Economic and Workforce Development Department (EWDD) has engaged a consultant to examine the feasibility of establishing the City's first EIFD along the Los Angeles River, including areas within a 1.5 to 2 mile radius of the river. As an independent place-based authority established by SB628 and AB313, an EIFD has the potential to produce significant revenue to finance projects within the district. Moreover, EWDD has worked with advisors to draft the City of Los Angeles EIFD Establishment Policy in furtherance of tapping into this potential funding source.

In addition to the possible formation of an EIFD, there are several statewide initiatives that could be leveraged to assist in capturing developer interest within the study area:

1. The Franchise Tax Board provides the California Research Credit to reduce the income or franchise tax of those taxpayers who engage in qualified research activities in California. It is a 15% credit rate for excess expenditures over a base.
2. The California Energy Commission provides the Energy Efficiency Financing Program to provide low interest loans on projects that have proven energy and/or capacity savings. The maximum loan amount is $3 million.
3. The California Air Resources Board provides the Air Quality Improvement Program as a voluntary incentive program to fund clean vehicle and equipment projects, research on biofuels production and the air quality impacts of alternative fuels, and workforce training.
4. The Governor's Office of Business and Economic Development provides the California Competes Tax Credit to businesses that want to locate in California or stay and grow in California. $200 million is available in each fiscal year through 2017-18.

Leading bioscience regions have a number of incentives that attract businesses and that may be worth considering in order to capture investment interest in the study area:

1. The City of San Diego works closely with organizations to assist high-tech companies with various issues. For example, BIOCOM (a regional association for many biotechnology, medical device, and bio-agriculture companies) proactively addresses significant business and legislative issues, educates the general public, and develops programs to help these companies operate efficiently and economically.
2. The Massachusetts Life Sciences Center provides the Accelerator Loan Program which offers up to $750,000 for early-stage life sciences companies to help leverage additional sources of capital.
3. The New York City Bioscience Initiative is a partnership with the State/City of New York and world-class research institutions, business leaders and the investment community. It has created a

$15 million loan program that is available for bioscience companies looking to establish headquarters and principal operations at the East Rivers Science Park in Manhattan.

4. The State of Maryland's Biotechnology Investment Incentive Tax Credit provides an income tax credit equal to 50% of an eligible investment in a Qualified Maryland Biotechnology Company up to $250,000 for each Qualified Maryland Biotechnology Company per fiscal year.

Sincerely,

Vincent P Bertoni, AICP
Director of Planning
Department of City Planning

Jan Perry
General Manager
Economic and Workforce Development Department

APPENDIX

The following section summarizes findings from previous research initiates and reports conducted by USC, the Mayor's Office, and the CRA/LA:

Adelante-Eastside Biomedical Technology Corridor Background Research

SUMMARY:

The State of Los Angeles Bioscience Industry

The Los Angeles Region is home to one of the Country's leading regions for the bioscience industry and it continues to be a growing sector and economic driver for Los Angeles County. The bioscience industry's importance as a primary driver of innovation and economic growth over the next century has compelled many of the nation's foremost cities to compete heavily to attract and cultivate the industry in order to secure bioscience as a foundation of their regional economy. Los Angeles' status as a center for the bioscience industry is based primarily on its major research institutions, such as USC and UCLA, which are a significant source of talent and research, collectively generating more graduates with bioscience related degrees than any other region. The Los Angeles Region is also home to several major biotech firms, including Amgen based in Thousand Oaks, which is the world's largest biotech company. However, Los Angeles lags behind other cities with top performing biotech clusters in important factors such as industry growth, cohesion, venture capital investment and commercialization. The top regions for bioscience industries include San Francisco, Boston and San Diego, all of which are attracting more private investment, have a higher relative concentration of biotech jobs and are attracting more employees, innovators and start-ups than Los Angeles. Despite Los Angeles' enviable pool of graduates with bioscience-related degrees, the region continues to lose educated graduates and start-up companies due to the lack of a dynamic biotech cluster locally, and more opportunities for collaboration and commercialization elsewhere. Additionally, the LA Region's few large established biotech firms are not contributing to the growth of the industry locally because they are insular, isolated, and don't function as part of an agglomeration that supports a culture of inter-firm collaboration, spin-offs and starts ups, which are the magnetic qualities of the leading biotech clusters in San Francisco, Boston, and San Diego. Ultimately, while Los Angeles possesses many of the essential ingredients for igniting a robust biotech cluster, the wide geographic dispersion of the industry and its research institutions across a large region has failed to create the conditions needed to cultivate an ecosystem of start-ups and emerging companies that is so essential to leading innovation and industry growth, and attracting top management talent, venture capital investment and aspiring graduates.

Commercial Lab Space: One Missing Ingredient

An important missing link is the availability of commercial bioscience lab space, and a commercial bioscience real estate market for that matter due to the high upfront investment needed to fit-out bioscience wet laboratory space, which the commercial market is hesitant to do on a speculative basis considering the assumed lack of demand locally. Alternatively, it is considerably risky and burdensome for an emerging start-up to invest the significant capital necessary to construct a specialized bioscience wet lab before a company has become established. The available inventory of bioscience wet lab space being leased in the leading bioscience regions is a major reason why many emerging companies and ventures leave the LA Region. There are several important features of commercial bioscience facilities that go beyond the technical fit-out specifications, these include proximity to university and academic medical center scientific resources as well as other bioscience companies. This is why the industry has favored the multi-tenant research parks and complexes that are anchored by major research institutions which serve as important intersections of complementary talents, from bioscience researchers to bioscience company managers to technicians. The unique hurdles that exist for private commercial developers and emerging companies when developing capital intensive lab space often requires assistance from local governments to overcome. Many state and local governments have partnered with research universities and major medical centers to provide the necessary laboratory and office space in the form of multi-tenant bioscience parks and complexes in order to attract emerging bioscience companies and cultivate the environment that will allow the industry to thrive. The glaring lack of commercially available laboratory space and bioscience complexes in the Los Angeles Region is a major disadvantage that needs to be resolved if the region hopes to retain the talent its

universities are producing and benefit from the potential commercialization of much of the innovation that is taking place at its existing academic medical institutions.

PAST INITIATIVES AND REPORTS:

USC's Biomedical Research Park Feasibility Study (2001) - USC

Analyzed the feasibility of a proposed biomedical research park of 80 to 100 acres adjacent to USC's Health Sciences Campus. The report concluded that in order to accommodate the 100+ acre research park, the County would need to relocate the Juvenile Hall, public works yard, County-USC hospital facility, and other ancillary facilities over the next few years.

Building a Biotech/Medical Device Hub in Los Angeles (2007) – Mayor's Office

Analysis the state of LA's biotech industry and recommended a number of actions. These included: creating a formal network of key leaders dedicated to building the biotech sectors, seek state and federal funding, create fast-track permit process, build stakeholder support, market LA as biotech hub, develop a small business development office to support development of new bioscience firms, and establish a dedicated incubator space that would be closely linked to universities.

Biomedical/Technology Focus Area Study (2009) – CRA/LA

Analysis the entirety of the Adelante CRA/LA Redevelopment Area and the Whiteside LA County Redevelopment Area. Identifies underutilized areas of industrial land, incompatible land-uses, and infrastructure and mobility issues. Proposes major infrastructure and access improvements and public/private development of bioscience campus.