

CITY OF EMERYVILLE

INCORPORATED 1886

OFFICE OF THE CITY MANAGER

1333 PARK AVENUE

EMERYVILLE, CALIFORNIA 94608-3517

TEL: (510) 596-4370 FAX: (510) 596-3724

April 18, 2005

State of California
Department of General Services
707 Third Street, Fifth Floor
Sacramento, CA 95605

Attention: Rebecca Donnachie
Staff Real Estate Officer

Re: Permanent CIRM Facility at EmeryStation 1
5858 Horton Street
Emeryville, CA

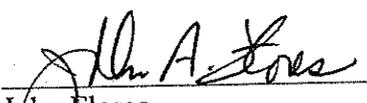
Ladies and Gentlemen:

The City of Emeryville is pleased and honored to have made the final list of four cities competing to be the new home for the California Institute for Regenerative Medicine (CIRM). Emeryville, its partner in this proposal Wareham Development, the Chamber of Commerce and the general business community are extremely supportive of this crucial State research initiative. As you know, Emeryville and Wareham's EmeryStation 1 building already host CIRM on a temporary basis, and we remain convinced that this location is ideal for their permanent headquarters.

Please find attached additional comments, information and clarification regarding our proposal as you have requested. Please consider anything contained herein part of our initial proposal and officially certified by us. We are happy to answer any follow-up questions you may have and look forward to your site visit process.

Respectfully submitted,


Richard L. Kassis
Mayor


John Flores
City Manager

Cc: 
Robert Klein, Chair
Site Selection Committee

CITY OF EMERYVILLE COMMENT TO PRELIMINARY FINALISTS' POINT SCORING (headings and numbering tie to scoresheet attached to letter from Walter Barnes to John Flores dated April 15, 2005):

GOVERNMENTAL ENTITY PREFERENCES

1a. Qualified professionals that reside within less than 45 minutes of the proposed building.

Emeryville was preliminarily scored 0 in that category. We believe we should be scored 10 points.

Please refer to our proposal's Tab 2 / City of Emeryville: Preferences. Therein we refer to a number of studies and data points attached from several credible economic research sources (e.g. A.T. Kearney study, Bay Area Economic Forum) which measure employment in the biotech field in the Bay Area. Supplementing this data in our proposal were maps of biotech company locations and of research institutions, hospitals, etc. We specifically stated in the 4th of the 5 paragraphs in this section (i.e. professionals engaged in biomedical research...) that "all of the major residential areas within the San Francisco Bay Area are within 45 minutes drive of Emeryville", which implies that all of the people who work in the biotech field within a 45-minute drive of our site also live within a 45-minute drive.

If it assists to give you more explicit metrics, we can also refer you to the US Census Bureau and EDD data (1997 and 2002 - dates of economic census) and NAICS code 5417102 - Research and Development in the Life Sciences (establishments primarily engaged in conducting research and experimental development in medicine, health, biology, botany, biotechnology, agriculture, fisheries, forests, pharmacy, and other life sciences including veterinary sciences.). According to this information, in 2002 the estimated number of persons in this category that lived within 45 minutes driving distance of Emeryville (south to Mountain View, East to Livermore, north to Napa and Fairfield in 2002) is 26,275 persons. That number has certainly grown since then.

1b. Qualified professionals that reside within 45 and 90 minutes of the proposed building.

Emeryville was preliminarily scored 0 in that category. We believe we should be scored 5 points.

We did not specifically see a reference to the "45 to 90 minute radius" as a preference in your RFP. However, a 90-minute radius could easily be applied to the same population and employment numbers in the various studies attached to our original proposal, as discussed above. Using the same census data and NAICS codes we reference, there are an additional 12,186 persons in the biotech field who reside within the 45 to 90 minute circle, making a total of 38,461 persons within the overall 90-minute radius. Obviously a new census in 2005 would show this number has grown.

In the most recent public hearing held by the Site Selection Subcommittee, the issue of relative cost of living in each City under final consideration was discussed as being an important consideration along with the people density. An Emeryville location offers CIRM all the benefits of meaningful biotech employment and residential density with important but in an area with meaningful cost-of-living benefits versus other California locations. This is evident in the statistics below:

COST OF LIVING INDEX

City	City Index	Metro Index
Emeryville	115.1	135
San Francisco	152.9	217
San Diego	168.6	136
Sacramento	109.6	101

* Source: yahoo.com/re/neighborhood/California (March 2002)

What the above means is that if a person made \$100,000 in Emeryville, he or she would need to make \$142,002 in San Francisco for an equivalent quality of life (and would need to make \$106,945 in San Diego and \$98,373 in Sacramento, respectively). Calculated via "Salary Calculator" at homestore.com.

1d. Number of leading universities, research hospitals and/or private research institutions that specialize in biomedical research within 45 minutes.

Emeryville was preliminarily scored 17 in this category. We believe Emeryville's score should be the same as that of San Francisco (who is currently scored 20).

We and San Francisco both listed the same set of relevant institutions in our RFP responses, so we believe the scores should be the same. Please refer to Tab 2 City of Emeryville: Preferences, Item 1 of our response and the attached maps and research pamphlets.

3f. Provide for more than 6 days per year (for available hotel rooms and conference facilities).

Emeryville was preliminarily scored 0 in that category. We believe we should be given at least 3 of the 4 total points.

Please refer to Tab 2 of our Proposal labeled City of Emeryville: Preferences, Items 3 and 4 Conference Facilities and Hotel Accommodations. There we offered the following:

Hotels: Pool of 1000 subsidized room nights (subsidized both by the five hotel-partners and by the City of Emeryville). Those room nights are unlimited to as to the number of days they can be spread over and certainly represent more than a total of 6 days worth.

One benefit of Emeryville to CIRM is the close walking-distance accessibility of all of the hotels to the proposed CIRM headquarters offices and the various conference facilities. Even so, our proposal went further and offered free shuttle service via the EmeryGoRound to attendees during any CIRM conferences as well.

Conference Facilities: The five hotel-partners between them offer up to six days availability of conference facilities. However, our proposal also specifically references the additional conference facilities listed below that augment the hotels' and provide for substantially more than the minimum of 6 days:

- EmeryStation (5858 Horton Street) tenant conference facility: Available for unlimited use along with the other tenants of the project.
- Pixar Animation Studios' conference facility/theater: Available for 6 days a year. Attached please find a letter from Pixar that clarifies and confirms the offer we made in our original proposal.
- Chiron Corporation corporate conference facility: Available for 6 days a year. Attached please find a letter from Chiron that clarifies and confirms the offer we made in our original proposal.

Thus, between the hotels, Pixar and Chiron our offer provided up to 18 days of conference facilities a year and the EmeryStation facility is available at any time in addition to that.

BUILDING OWNER PREFERENCES

6a. Number of years at no cost (4 points per year).

Emeryville was preliminarily scored 16 points in that category. We believe we should be scored the full 40 points.

We apologize for any confusion that may have arisen from the wording of our response to this issue (refer to our Tab 3 Wareham Development: Terms and Conditions, Item A4 regarding Gross Full Service Rent). We offer therein a full 10 years free of all rent, expenses and parking charges for the entirety of a 10-year committed term. In the second paragraph under Project Description in the State's RFP, DGS was identified as the counterparty with the Building Owner in the proposed lease. There was discussion at the last public hearing that DGS is prohibited from making a firm commitment longer than 4 years, and hence our proposal was only credited for 4 years of free rent. We did not find a prohibition to longer firm term referenced in the RFP. Additionally, Wareham Development recently completed a State lease for premises in Berkeley, CA with DGS as the counterparty (State Project # 110490) where DGS committed to a 10-year firm term. It was on the basis of these factors that we created the wording in our RFP response. There are clearly 10 years for free rent available to CIRM in our proposal and therefore we believe it should be scored as such.

We appreciate receiving the clarification in last Monday's public meeting of the CIRM Site Selection Subcommittee that there is indeed apparently such a 4-year restriction.

On the basis of that clarification, and to avoid any misunderstanding, we have re-written Tab 3 Item A4 of our proposal and respectfully submit it for your review:

4. Gross Full Service Rent

Based on a ten year lease term with a four year firm term, the State shall pay gross total monthly rent, inclusive of operating expenses, taxes, insurance, maintenance, utilities and parking as follows:

Beginning at the start of Month 1 and through the end of Month 48, the State shall pay \$0.00 per rentable square foot per month for base rent and \$0.00 per rentable square foot per month for operating expenses, taxes, insurance, maintenance, utilities and parking.

Beginning at the start of Month 49 and through the end of Month 120, the State shall pay \$0.00 per rentable square foot per month for base rent and \$0.00 per rentable square foot per month for operating expenses, taxes, insurance, maintenance, utilities and parking.

Please see the attached letter from the building owner confirming the above business terms.

6b. Total Cost of Lease

Based on our discussion regarding 6a. above and the fact that Emeryville's proposal certainly offered 10 years free of rent, expenses, utilities and parking charges, we believe Emeryville's preliminary score of 2 should be increased to at least 8.

8a. Financial value of identified incentives – tenant improvement account, additional parking, moving and conventional furniture allowance and existing facilities that require minimal TI and meet the State's requirements.

We were given no points in this category. However, our proposal did identify incentives that we believe qualify for points, including:

- Free employee use of the EmeryStation health club/work-out facility (refer to Tab 3 Wareham Development: Terms and Conditions Item A1). Using a typical third-party health club monthly membership cost of \$75 per person per month and the estimated CIRM staff size of 50 persons, this incentive would be worth \$45,000 annually to CIRM and \$450,000 or more over a 10-year term.

- Each of the several potential locations in our building for the CIRM premises were noted as being second generation space and thus have differing levels of reusable tenant improvements (refer to Tab 3 Wareham Development: Terms and Conditions Item A1). Based on our experience fitting out spaces in the building for second-generation tenants, these existing improvements should be worth \$25 to \$30 per usable square foot or a total of **\$425,000 to \$510,000** to CIRM and the State.
- The building owner offered the State a very generous amortizable Tenant Improvement Allowance of \$100 per square foot (i.e. a **total of \$1,700,000**) which can be applied to design, tenant improvements on top of what is there now and reusable, voice/data systems, furniture, security systems, moving and the like (refer to Tab 3 Wareham Development: terms and Conditions Item A7).
- The offer (see Tab 3 Wareham Development: Terms and Conditions Item B8) allows the State to tie into our existing building security system to provide easy 24/7 manned monitoring and to defray related capital and operating costs. The control center and central monitoring station with hardware, video cameras and software represent an investment (and thus potential saving to CIRM) of **over \$100,000**.
- Regarding parking, the offer included 40 spaces for free as requested by the State and also noted that some of these could be fully reserved spaces if CIRM and the State so desired. We understand now that an additional, larger supply of parking may be of interest, and the building owner is more than willing and happy to provide the State with free parking of up to 3 spaces per 1000 net usable square feet of space, which is the normal ratio the building provides. The total spaces available free of charge would therefore be 51. The building owner currently charges \$75 per unreserved space per month and \$100 for a "premium" reserved space, so the value of **this benefit easily exceeds over half a million dollars** over a 10 year term.
- As you are aware, Emeryville and Wareham Development (the building owner) now host the CIRM headquarters on a temporary basis. As CIRM already exists as a tenant in the building, there are real savings to be had by them in terms of moving costs since all of it would be simply accomplished inside the very same building using much of our own staff and facilities. Existing phone lines and numbers could be maintained. Our proposal should not be penalized for that fact that it is in the same building as CIRM's temporary premises; we believe the saved moving costs could reach **\$50,000 or more**, depending on the alternative site to which they might move).
- CIRM is able to re-use the free furniture that has been made available to them by the building owner in the temporary space (which has a **value of approximately \$30,000**).

- As discussed earlier, our offer includes use of the shared tenant conference facility that already exists in EmeryStation, which could be used for CIRM internal purposes generally and specifically for their special external conference needs (see Tab 3 Wareham Development: terms and Conditions Item A1).

WAREHAM DEVELOPMENT

April 18, 2005

By Hand

Mr. John Flores
City Manager
City of Emeryville
1333 Park Avenue
Emeryville, CA 94608-3517

Re: **California Institute for Regenerative Medicine Proposal**

Dear John:

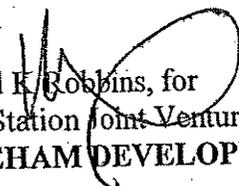
As you are aware, the California Institute for Regenerative Medicine (CIRM) Site Selection Committee clarified at last week's meeting at UCSF that the lease transaction must have a firm term of four years and that DGS cannot contemplate an extension to this firm term as occurred with the lease transaction that Wareham concluded with the State in Berkeley last year (State Project No 110490).

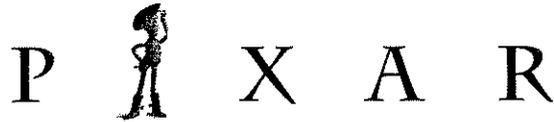
In order to avoid any misunderstanding, therefore, please accept this letter as absolute confirmation of the building owner's commitment that there will be no rental or operating expense (including taxes, insurance, maintenance, utilities and parking) charged to the State for a ten year CIRM lease at 5858 Horton Street, only four years of which are firm.

I apologize for any confusion that may have been caused by our interpretation of the Request for Proposal.

Please do not hesitate to call me if you have any questions.

Very truly yours,


Richard K. Robbins, for
EmeryStation Joint Venture, LLC a
WAREHAM DEVELOPMENT



April 14, 2005

By Hand

Mr. John Flores
City Manager
City of Emeryville
1333 Park Avenue
Emeryville, CA 94608-3517

Re: Conference Facilities for California Institute for Regenerative Medicine

Dear John:

This letter will serve to confirm that Pixar Animation Studios will make our Emeryville conference facilities located at 1200 Park Avenue available at no charge to the California Institute for Regenerative Medicine (CIRM) should Emeryville be selected as the permanent headquarters for CIRM.

The conference facilities are located less than half a mile from 5858 Horton Street and are directly served by the Emery-Go-Round shuttle. The conference facilities can comfortably accommodate 225 attendees and we would further make our on-site parking facilities available at no charge to CIRM conference attendees.

Our state-of-the-art conference center features leading edge digital projection technology and outstanding acoustics and is recognized as one of the top facilities in the State of California.

We would be happy to make our conference facilities available to CIRM for a minimum of four days a year on mutually convenient dates.

Congratulations on reaching the short list for the permanent headquarters for CIRM. Pixar Animation Studios is proud to be able to participate in the City's proposal to bring this important organization to Emeryville.

Please do not hesitate to call me if you have any questions.

Sincerely,

A handwritten signature in black ink that reads "Thomas G. Carlisle".

Thomas G. Carlisle
Facilities Director
Pixar Animation Studios

April 15, 2005

Mr. John Flores
City Manager
City of Emeryville
1333 Park Avenue
Emeryville, CA 94608-3517

Re: Conference Facilities for California Institute for Regenerative Medicine

Dear John:

This letter will serve to confirm that Chiron Corporation will make our Emeryville conference facilities located at 4560 Horton Street available at no charge to the California Institute for Regenerative Medicine (CIRM) should Emeryville be selected as the permanent headquarters for CIRM.

The conference facilities are located less than half a mile from 5858 Horton Street and are directly served by the Emery-Go-Round shuttle. The conference facilities can comfortably accommodate 294 attendees and we would further make our on-site parking facilities available at no charge to CIRM conference attendees.

We would be happy to make our conference facilities available to CIRM for a minimum of six days a year on mutually convenient dates.

Congratulations on reaching the short list for the permanent headquarters for CIRM. Chiron Corporation is proud to be able to participate in the City's proposal to bring this important organization to Emeryville.

Please do not hesitate to call me if you have any questions.

Sincerely,



Meghan B. Leader
Vice President Business Services
Chief Information Officer