



City of Cambridge

20.

IN CITY COUNCIL

May 17, 1993

COUNCILLOR WALSH
COUNCILLOR SULLIVAN

WHEREAS: In the Boston Globe on Wednesday, May 12, 1993, an article entitled "Beyond Cambridge", a copy of which is attached, stated among other things that Cambridge biotech companies both start-ups and established firms seeking larger facilities have looked beyond Cambridge to places like Waltham, Lexington and Woburn; and

WHEREAS: The article further states that the three main reasons for these companies seeking new locations are cheaper rents, parking and municipal business excise taxes; and

WHEREAS: The biotech industry is important to the present and future financial stability of the City of Cambridge and every effort should be made by the City administration to entice this industry to stay and grow in the City of Cambridge; now therefore be it

ORDERED: That the City Manager be and hereby is requested within one week to submit to the City Council a complete report on the Cambridge municipal business excise taxes advising the Council as to whether or not said tax is higher of that being charged in communities like Waltham, Lexington and Woburn and in the event that said tax is higher than the above cited communities what, if any, special legislation can be created to make the tax have less of an impact on the biotech industry so as to induce this industry to stay in Cambridge; and be it further

ORDERED: That the City Manager be and hereby is requested to submit to the Council a report on what, if anything, can be done in the way of creating a real estate tax incentive to the owners of buildings who rent to biotech companies in exchange for those owners granting rent concessions and parking fee concessions to biotech companies who are willing to make long-term commitments to staying in Cambridge and to giving priority to hiring Cambridge people; and be it further

ORDERED: That the City Manager be and hereby is requested to hold an immediate summit with the biotech industry representatives to see what other considerations could be worked out in order to have them continue to consider Cambridge as the home of the biotech industry.

In City Council May 17, 1993.

Adopted by the affirmative vote of eight members.

Attest:- D. Margaret Drury, City Clerk.

A true copy;

ATTEST:-

D. Margaret Drury

D. Margaret Drury, City Clerk

THE BOSTON GLOBE • WEDNESDAY, MAY 12, 1993

EMERGING

BUSINESS

A REPORT ON NEW ENGLAND'S GROWING COMPANIES

Beyond Cambridge



GLOBE STAFF PHOTO/TOM HERDE

Autoimmune's Hennessy: "We took a hard look at Cambridge and there just wasn't much to find."

Biotech companies seek cheaper rents, fewer hassles as the industry expands

W

By Ronald Rosenberg
GLOBE STAFF

hen ImmuLogic Pharmaceutical Corp. realized last year that it was outgrowing its Cambridge headquarters and would need more space, it first looked in the neighborhood.

After all, there were benefits, both psychological and professional, to staying in a city that is the heart and soul of the state's biotechnology industry.

But in January the company moved to Waltham. There, in what might be viewed as a biotechnology hinterland, it was able to get nearly three times as much space for the same rent and save \$90,000 a year in employee parking expenses.

"The move here has been a positive experience," said Richard Small, ImmuLogic's chief financial officer.

have looked beyond Cambridge to places like Waltham, Lexington and Woburn for their new homes. Here they are finding spacious quarters, cheaper rents and easy parking.

In addition, several Cambridge-based companies are building manufacturing facilities in suburban areas while keeping their headquarters in Cambridge. The moves mirror the industrial migration by computer companies in the 1960s and 1970s, which made Route 128 a synonym for the state's electronics community.

For biotech companies heading out of town, there are sacrifices besides the loss of a Cambridge address. For example, the dearth of restaurants near ImmuLogic's new Waltham headquarters prompted the company to install a subsidized cafeteria at a cost of more than \$20,000 a year.

Still, Small says, the move generally has been a plus for both the company and its 125 employees. "My sense is that the employees are happy," he said. "We did lose about 10 people who didn't want to commute to Waltham, but it's nice not having to

Cambridge biotech company that has turned to the suburbs for its future growth.

For example, Autoimmune Inc., Intermunon Pharmaceuticals Inc., GeTex Inc. and Pharm-Eco Laboratories Inc. have set up shop in the sylvan campus of the former Kennicott Copper Co. research complex, a series of 30-year-old interconnected buildings near Raytheon Co.'s headquarters in Lexington that has been refurbished for biotech companies.

"We took a hard look at Cambridge and there just wasn't much to find and the stuff that was good was pretty expensive," said Thomas V. Hennessy Jr., vice president and chief financial officer of Autoimmune.

And some Cambridge-based companies are expanding outside the city. ImmunoGen Inc. has its biopharmaceutical pilot production lines in Norwood behind a furniture store, and is completing a facility in Canton. Genetics Institute built the first major biotech production facility in Andover.

Clearly, Cambridge remains the biotechnology mecca. It is home to more than 70 biotech companies, including the local industry's Big Three - Genzyme Corp., Biogen Corp. and Genetics Institute. And it is the intellectual base for hundreds of researchers and scientists, many of them faculty members of the Massachusetts Institute of Technology and Harvard University. The city is just across the river from Boston's vaunted teaching

Biotech firms expand beyond Cambridge

EMERGING BUSINESS

Continued from page 34

But Cambridge has its drawbacks. The demand for space has pushed rents up to between \$30 and \$40 per square foot for complete research facilities, called "wet labs." Immunologic was paying about \$33 per square foot for its 30,000-square-foot facility at One Kendall Square in Cambridge; for that \$1 million-per-year rent it is now getting \$5,000 square feet in Waltham, according to Small.

And finding a parking space in Cambridge is difficult and expensive, despite efforts to get workers to take public transportation. Small said that Immunologic was paying \$100 per month for 75 employees to park across the street from its offices; at its Waltham location, the parking is free. In addition, the company anticipates savings in municipal business excise taxes.

Cambridge's high rents, lack of available space and parking woes already have helped create a kind of biotech satellite in Worcester over the past five years. The Massachusetts Biotechnology Research Park there has more than a dozen biotech tenants, including Cambridge Biotech, TSI Corp. and, soon, EAST Research, the worldwide research and development arm for the German company's biotechnology development operations. The park is a short walk from the University of Massachusetts Medical Center.

But the recent growth of biotech companies along Route 128 represents not a satellite but a spreading out from the Cambridge core. Two of the most popular destinations are Lexington and Woburn, communities with different industrial cultures.

Lexington's proximity is a plus. "We wanted to be close to Cambridge, and we're just six minutes to the Alewife T station" in Cambridge, said AutoImmune's Hennessey. He added that AutoImmune's 14,000-square-foot facility in Lexington costs the company about \$23 per square foot compared to the nearly \$40 per square foot it would have to pay in Cambridge.

One of the newest Lexington biotech companies is GelTex Inc., whose president, Mark Skaletsky, said that while rents and taxes are less expensive compared to Cambridge, operating costs are about the same.

"People can live a little bit further west and commute here and not worry about the traffic jam in the middle of Cambridge," said Skaletsky, who previously ran Biogen and Enzytech Inc., both in Cambridge.

Still, he said, "I am not ruling out going back to Cambridge. We still do a lot of collaboration with academic people, and it's nice to be close to the universities, researchers and libraries."

Some biotech executives insist that even Lexington is expensive. The low-rent district, they say, is Woburn and the Cummings Office Park, a 3-million-square-foot maze of multistory office buildings off Washington Street.

Widely known as an incubator space for medical electronic companies, Cummings Park has small restaurants, a day-care center and a health club. In the past 12 months, Cummings has attracted four biotech start-ups, according to Fred D. Keefe, leasing manager for Cummings Properties.

"We figure we can charge biotech companies an average of \$10 per square foot less than [they'd pay in] Cambridge," said Keefe. He explained that Cummings costs are low in part because it has its own work crews to convert yesterday's electronic office into a biotech research laboratory space and is able to use some equipment of the previous tenants.

Trevor Castor, the president of Bio-Eng Inc., a 4-year-old biotech company that recently relocated its 16 employees from Cambridge to Woburn, maintains there are tradeoffs. He said the company has a 5-year lease on 7,000 square feet and is paying about \$10 per square foot. The company's incubator space in Cambridge cost \$12.50 per square foot, he said, but the company company needed more room and larger

laboratories would have been \$25 to \$35 per square foot.

Given the moves out of Cambridge, it isn't surprising that several communities are aggressively seeking biotech companies. Last November, Reading passed a local ordinance aimed at urging developers to find biotech start-ups.

This is a far cry from the early years of biotech, when Somerville residents protested against a proposed Genetics Institute lab in the town, citing concerns that cockroaches and rodents would carry microorganisms from the lab to a neighboring supermarket. Genetics Institute withdrew the plans and built their headquarters and re-

search facilities in Cambridge, providing an anchor there for the budding industry.

As the industry expands beyond Cambridge, companies are weighing the attributes of different locations. Castor of Bio-Eng considered Lexington and Woburn.

"Lexington has a nice ambience and it looks more corporate with the surrounding woods," he noted. "Woburn is more industrial, it's got squat flat buildings, no marble facades. But then that's not essential to get work done."

He added: "We chose Woburn for the costs. But I do miss the good restaurants of Cambridge and its diversity."

CCM-101



City of Cambridge

[Handwritten signature]
Non-
Consent

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NON-CONSENT ORDER #20

Sullivan

CM-136

Councillor Walsh re: Incentives in
order to keep biotech businesses
in Cambridge.

In City Council,

May 17, 1993

Order adapted