

# **SUPPLEMENTAL COMMUNICATIONS AND REPORTS 2**

## **BERKELEY CITY COUNCIL SPECIAL MEETING**

**DATE OF MEETING: TUESDAY, JULY 20, 2021**

**TIME: 6:00 P.M.**

*The agenda packet for this meeting was distributed/posted on July 15, 2021. Communications in this supplement were received after 5pm on July 15, 2021. This communication packet was distributed/posted on July 19, 2021.*

### **Worksession**

*Each item in this supplement follows the corresponding item on the City Council Agenda for this date.*

#### **Item #2: Bayer HealthCare LLC Development Agreement Amendment**

2. Supplemental material, submitted by Councilmember Taplin
3. Ali Kashani, on behalf of MPI Homes
4. Maryann O'Sullivan



**SUPPLEMENTAL  
AGENDA MATERIAL  
For Supplemental Packet 2**

**Meeting Date:** 7/20/21

**Item Number:** 2

**Item Description:** Bayer HealthCare LLC Development Agreement Amendment

**Submitted by:** Councilmember Taplin

- Memo regarding the original DA's establishment of the West Berkeley Community Programs Board and its re-establishment under the Community Resiliency category of the renewed community benefits package.



Work Session  
7/20/2021

Exhibit G-6 of the original development agreement between the City of Berkeley and Bayer details the establishment of the West Berkeley Community Programs Board to “identify and support programs for the health and welfare of community residents” and which comprised “West Berkeley business and community members and City officials”(pg 140). The original Board no longer remains. However, West Berkeley continues to face health disparities, housing precarity, substandard roads and infrastructure, traffic violence, economic blight, homelessness, and environmental injustice.

In addition to the benefits of expanding Berkeley’s competitive and viable life-science innovation ecosystem, the renewal of the agreement affords a powerful opportunity to reinvest in the community that has housed Bayer for the last 30 years. Under the Community Resiliency category, we must re-establish the West Berkeley Community Programs Board to administer a West Berkeley Fund with an emphasis on health equity, economic development and justice, housing stability, small business recovery and relief, arts and cultural programming, youth engagement, recreational equity, and care for our senior community.

A reimagined West Berkeley Community Programs Board could include among its roster the Mayor of Berkeley, City Councilmembers representing Districts 1 and 2, business leaders representing West Berkeley’s commercial districts, faith leaders, nonprofits leaders working with youth, seniors, and families, and leaders in fields of arts and health care, among others. A West Berkeley Fund could also provide seed funding to leverage other philanthropy and grants for innovative solutions for economic, health, and housing equity. Engagement with members of the ad-hoc community adversary group convened by the Mayor’s office and D2 office as well as with community members, business and neighborhood leaders has yielded a strong desire to see dedicated resources remain in the West Berkeley community most impacted by Bayer’s activity and expansion.

**Benado, Tony**

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**From:** Ali Kashani <akashani@mpihomes.com>  
**Sent:** Saturday, July 17, 2021 5:36 PM  
**To:** City Clerk  
**Cc:** Berkeley Mayor's Office; Skjerping, Lars; Loni Hancock; Taplin, Terry; Klein, Jordan; White, David; Allen, Shannon  
**Subject:** Bayer's Proposed Development Agreement  
**Attachments:** Bayer CB calcs\_attachments.pdf; AK ZAB\_PC Ltr.pdf; Bayer's Comm B Proposal June 18 2021.pdf

**WARNING:** This is not a City of Berkeley email. Do not click links or attachments unless you trust the sender and know the content is safe.

Dear Mayor Arregin, Council member Taplin and Members of the City Council:

Here is an update of my (enclosed) letter to the ZAB and the Planning Commission regarding Bayer's proposed community benefits and mitigations.

The methodology used by Bayer is fundamentally flawed as it focuses on what "value" the Development Agreement provides Bayer, and based on its own rather self-serving metrics, quantifies those "values," then assigns economic prices to those values, and finally uses an unorthodox Discount Rate to arrive at the lowest possible Community benefits proposal. Properly done, the City uses the values the community receives from awarding development rights, concessions and waivers to all developers. So, we propose the City consider re-framing the negotiations before discussing the specifics of Bayer's proposed community benefits.

Bayer's attached June 18, 2021 Community Benefits Proposal indicates "The DA's primary value to Bayer is expedited and predictable permitting for new facilities..." Conveniently, it leaves out the significant height waivers and variances it requests the City. Additionally, Bayer uses a 6.8% Discount Rate to arrive at the Net Present Value of such values. Discount Rate is the expected cost of funds over the 30 year horizon, the higher the DR, the lower the NPV would be today! A Discount Rate of 2.00% would nearly double its purported values and calculated benefits to above \$40 million for our community!

The last page of the above referenced proposal provides a summary of Bayer's calculations of its proposed \$21.5 Million community benefits. The largest number of \$14.9 million in "calculated" value to Bayer includes a set of assumptions all of which must be revisited and re-evaluated by the City or a competent consultant retained by the City.

For your reference, Bayer's overall community benefits and mitigations between 1992-2021 is reported (by Bayer) to be \$27.6 million, versus its current proposal for 2022-2052 at \$21.5 million, a significant reduction of 22%!

Further, Bayer's consultants use a self-serving and unusual methodology in evaluating the waivers and variances for height limit: they claim that once the City awards one waiver of height from 40 feet to 80 feet, all subsequent waivers follow that precedent and do not have "value" to Bayer!!

I implore you to re-organize the negotiations with Bayer and provide additional opportunities for our community to receive a fair and equitable benefit from the requested 30 year Development Agreement. Thanks. Ali

**A l i R. K a s h a n i**

**MPI Homes**

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**From:** Ali Kashani  
**To:** zsb@cityofberkeley.info  
**Cc:** Lori Hancock; Erin Rhoades; Jesse Arreguin (Mayor@CityofBerkeley.info); Sciampino, Lars; Martin Bourque  
**Subject:** Bayer's DA  
**Date:** Thursday, July 8, 2021 2:55:00 PM  
**Attachments:** image003.png  
 image005.png

Dear Members of the ZAB:

The community benefits and mitigation portions of the proposed 30-year Development Agreement by Bayer has been under a shroud of secrecy. We have not been able to receive clear, concise answers to how the community benefits have been calculated. It is not clear to us why Bayer has not been cooperative in this respect. The staff report is woefully inadequate in addressing these issues.

I write to implore you to not take any actions without our community reaching an agreement on benefits and mitigations after we have an opportunity to review and discuss Bayer's proposals.

Bayer's Community Benefit Proposal (Attachment 3 in the ZAB packet), asserts that "the primary value to Bayer is expedited and predictable permitting for new facilities," and opaquely concludes the Net Present Value of this "value" is \$14.9 million, based on a review and "agreement" by EPS. The public has not seen either the methodology or the calculations. What's more is the absence of necessary findings to justify a myriad of height variances Bayer needs, and simply justifies the "valuation of community benefits is based on efficiency gained for overall ... project."

Accordingly, Bayer's calculation of Net Present Value for Affordable Housing and Childcare fees of \$1.9 million appears to use a very unreasonable discount rate of 8.00%! Time-value of money over 30 years should be closer to 2.00% discount rate. Below, is a brief table showing the calculations that at a 2.00% discount rate, the NPV of the fees is closer to double what Bayer is proposing.

Impact Fees for Housing/Childcare					
	Total SQFT	\$/SQFT	Total Fees	Discount Rate	Net Present Value
Aff Hsing Impact Fees	1,740,000.0	\$2.25	\$3,915,000		
Childcare Impact Fees	1,740,000.0	\$0.75	\$1,305,000		
<b>Total Fees in today's dollars</b>			<b>\$5,220,000</b>	<b>8.00%</b>	<b>\$1,961,127</b>
			\$5,220,000	2.00%	\$3,922,145

For the above reason, the community deserves to see and understand the underlying assumptions for Bayer's \$14.9 million NPV calculation of the benefits in has presented.

The issues with Bayer's current proposal are in three categories:

1. Current proposal is 27% lower than the 1992 DA;
2. Current proposal is woefully lower than City's Impact Fees for multifamily developments;
3. Current proposal is significantly below a recent project at 600 Addison.

Bayer's current proposal of \$720,000/year amounts to \$21.6 million in today's dollars for both Impact Fees and Community Benefits, versus its payments between 1992-2019 (27 years) is \$26.7 million, which would be \$29.7 million for 30 years ending in 2021, **a reduction of 27%!!**

The below table summarizes the City's imposition of Housing Impact Fees on six multifamily projects approved in 2020. Except for the payment of fees for 2150 Kitteredge project amounting to 3.83% of Total Development Costs (TDC) (which appears to be an outlier, or a reporting error), all other projects payments as a percentage of TDC are round 10%-11%, while **Bayer's proposed \$21.6 million amounts to less than 2% of its TDC!**

Berkeley approved Developments 2020 Affordable Housing Impact Fees										
	Total SQFT	Total units	#of BMR	Cash Pmt	Cost/Unit	Cost of BMR	Total Pmt	TDC	% of pmts/TDC	
2590 Bancroft Way		87	5	\$2,160,000	\$800,000	\$4,000,000	\$6,160,000	\$69,600,000	8.85%	
2150 Kitteredge		165	0	\$6,000,000	\$950,000		\$6,000,000	\$156,750,000	3.83%	
3000 San Pablo		78	7	\$1,500,000	\$800,000	\$5,600,000	\$7,100,000	\$62,400,000	11.38%	
2023 Shattuck		48	4	\$977,000	\$800,000	\$3,200,000	\$4,177,000	\$38,400,000	10.88%	
2650 Telegraph		45	4	\$872,100	\$800,000	\$3,200,000	\$4,072,100	\$36,000,000	11.31%	
2720 San Pablo		25	2	\$600,000	\$950,000	\$1,900,000	\$2,500,000	\$23,750,000	10.53%	

Finally, As Erin Rhoades has pointed out (see enclosed email to Mayor), the City's total fees of \$7 million for 600 Addison is significantly higher than Bayer's proposal.

I hope you will encourage Bayer to work with the community in an open and transparent manner so that we can reach an equitable agreement and get behind supporting its request for a 30-year Development Agreement. Cheers.

Ali R. Kashani

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## **MEMORANDUM**

To: Jordan Klein, City of Berkeley  
From: Benjamin C. Sigman, Economic & Planning Systems  
Subject: Bayer Community Benefit Valuation Review  
Date: May 20, 2021

*The Economics of Land Use*



The City of Berkeley is engaged in negotiations with Bayer Healthcare LLC (Bayer) over the modification and 30-year extension of an existing Development Agreement between the two parties. The City approved the current Development Agreement (DA) with Bayer in 1992 and amended it in 1999. It expires in February 2022. Bayer submitted a project application to amend and extend the existing DA in the spring of 2020 and environmental review is underway. The City and Bayer currently are in the beginning stages of negotiating the terms of the DA extension.

To assist in its negotiations with Bayer, the City engaged Economic & Planning Systems (EPS) to conduct a review of an economic analysis submitted by Bayer. The Bayer analysis seeks to quantify the company's financial benefit from the proposed DA extension, and ultimately will inform the magnitude of community benefits that Bayer will provide the City in return for the new DA. EPS has reviewed the initial benefit analysis submitted by Bayer, and we understand that Bayer will resubmit its benefits analysis after consideration of EPS and City comments.

The general premise of the community benefits negotiation is that Bayer will size its project-based and/or financial contributions to the City based on the value of benefits generated by the DA for Bayer. To assist the City with verification of DA benefits to Bayer, EPS's review of Bayer's analysis considers:

- Categories of benefit to Bayer;
- Methodology for estimating financial benefits;
- Underlying data and assumptions informing financial benefits; and
- Accuracy of the mathematics employed.

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EPS conducted this review based on information provided to EPS by Bayer, and in consultation with City staff familiar with the terms of the current DA and proposed DA extension. Key documents provided to EPS for consideration included:

- Letter RE: Development Agreement Extension dated January 14, 2021 – In this communication to the City Bayer provides the key assumptions and the findings of their DA benefits analysis.
- Letter RE: Development Agreement Extension dated February 18, 2021 – In this communication to the City Bayer provides an overview of the global competitive process for its new facilities.
- Development Agreement Extension Value Data Table dated March 23, 2021 – In this communication to the City Bayer provides a detailed quantitative assessment of DA benefits over the term of the agreement.
- Letter RE: Bayer Community Benefits Package Valuation Analyses dated May 3, 2021 - In this communication to the City Bayer provides a supplementary quantitative estimate of the value to Bayer from DA allowance of building heights above the regulatory standard.

EPS also reviewed additional information provided by the City, including staff memoranda and internal working documents concerning the DA extension.

### **Categories of Benefit**

EPS reviewed key DA terms and discussed potential benefits to Bayer with City staff. In its communications to the City, Bayer initially identified that the DA provides benefits relative to a development scenario without the DA that consist of:

- lower entitlement cost,
- reduced internal process complexity, and
- timeline reduction/surety benefits.

EPS concurs with this categorization of the primary benefits from the DA. In addition, after discussions with EPS and the City, Bayer also acknowledged that the proposed terms of the DA would allow Bayer to develop building at heights that are in excess of codified heights, and that this is a notable benefit of the DA as well. EPS agrees that development streamlining and added height allowances are the major categories of benefit conferred by the DA, and are appropriate for inclusion in the benefits analysis. While EPS also pointed out that there may be unaccounted for benefits to streamlining entitlement of smaller buildings on the campus through Zoning Certificates, Bayer indicated that this is not their intention and committed to revising DA terms to close this potential loophole.

### **Estimating Methods**

EPS reviewed documentation provided by Bayer to assess the estimating methods used in their valuation analysis. Based on the Development Agreement Extension Value Data received, EPS confirmed that Bayer is relying on well-accepted analysis methods. The valuation of reduced entitlement costs establishes a baseline scenario (i.e., no DA) and compares the cost of project development under the baseline to the cost of development with the DA. The difference between the cost of the baseline scenario and the DA scenario provides the measure of cost savings generated by the DA. Project costs (and cost savings) are escalated over the term of the DA and

analytical results are discounted to a net present value, which conforms with standard economic analysis practices.

### **Data and Assumptions**

Estimates of DA benefits to Bayer rely on cost data and streamlining benefits assumptions from Bayer. EPS evaluated the data provided and considered key issues that may affect benefits estimates. Important analytical assumptions include:

- City Permitting: Use Permit cost of \$600,000 and Administrative Use Permit of \$200,000, including all architecture, engineering, legal, and other technical services required (e.g., shadow studies, arborist reports, structural evaluations, parking surveys, traffic studies, historic resource evaluations, environmental site assessments);
- Development Cost: Approximately \$940 million to construct 1.8 million square feet, an average of roughly \$520 per square foot;
- Time Reduction Savings: The DA would generate time savings benefits from reduced delay effects (e.g., idled project team) relative to the baseline no-DA scenario equal to 2.0 percent of construction costs;
- Surety Savings: The DA would generate savings by reducing uncertainty associated with permitting complexity relative to the baseline no-DA scenario, creating benefits for Bayer's internal approval and planning equal to 1.0 percent of construction costs; and
- Cost Escalation and Discounting: The Bayer analysis assumes annual escalation of 2.0 percent and calculates net present value at a discount rate of 8.3 percent, based on the firm's weighted cost of capital.

EPS finds the key analytical assumptions to be reasonable. Permitting and construction cost assumptions appear generally in line with regional norms, and cost savings from project streamlining seem realistic, though no original research has been conducted to verify these assumptions. EPS did review the Bayer Annual Report and found reference to the company's weighted average cost of capital there, which is reported at 6.8 percent (1.5 percentage points lower than the assumption in the analysis). Upon discussing with Bayer representatives, it was agreed that a revised analysis would rely on the cost of capital referenced in the Annual Report.

### **Height Allowance Considerations**

A potential area of concern is the proposed valuation of benefits from height allowances over the regulatory baseline. The supplemental valuation of this benefit (letter dated May 3, 2021) characterizes the height allowance value as a one-time streamlining benefit. Bayer's position is that in the absence of a DA, the company would be required to use a City approval process to establish development rights for the first project proposed with roof height above the codified limit, and after that initial project the precedent for added height would be established. As such, the inclusion of the desired heights in the DA is valued based on additional cost savings from reduced permitting and entitlement efforts, but only for the first project that goes through the City's variance process.

EPS understands from discussions with City staff that the heights sought by Bayer would require discretionary approval and it is unlikely that, if approved, the first Bayer building to exceed the codified height limit would create a precedent that eliminates the process for subsequent discretionary approvals of additional Bayer building designs that seek to exceed the height limit.

Accordingly, Bayer's assumptions concerning the approval process and precedent setting may be optimistic, and thus their valuation of this benefit may be understated. It may be more reasonable to assume that Bayer would be granted the discretionary height approvals, but that the streamlining benefit should be calculated for all buildings seeking to exceed the height limit for the site.

It also is reasonable to consider a baseline scenario in which the heights sought might not be approved by the City. In this framing of entitlement risk, the DA is providing certainty that Bayer can build at densities that might otherwise not be permitted. In this case, the value of the height allowances granted by the DA would be significantly greater. While Bayer is not seeking to develop a campus that exceeds the overall density allowance for their site, they have indicated a preference for taller buildings that improve operational efficiency, increase on-campus parks and plazas for the benefit of their employees, and also would create view premiums for the commercial real estate they develop. Given these benefits and the fact that the building space they are seeking over the height limit otherwise might not be permitted, the allowance of this development likely will generate a windfall value gain to the Bayer property based on discretionary action by the City.

In Berkeley's Downtown Area Plan (DAP) there is precedent for the consideration of community benefits associated with height bonuses. The DAP includes a provision that requires project applicants to provide "significant community benefits" in return for City approval of buildings that exceed the baseline height restriction. Through this provision, the City seeks to share in the value that is created when project entitlement exceeds the City's base height allowance, and City guidelines for determining the community benefit are based on a calculation of the windfall value that accrues to the landowner when the City approves increased development density. The same logic of value capture can be applied to Bayer's request for increased building heights.

Though neither a formal analysis of comparable land sales or pro forma financial analysis has been conducted to value potential land value increases from added building height at the Bayer site, increases to land value could be on the order of \$50 to \$150 per building square foot.<sup>1</sup> For illustrative purposes, if the City's discretionary approval of added height adds \$100 in land value per square foot of building space, the roughly 430,000 square feet in building space proposed by Bayer to exceed the codified height limit would generate a \$43 million windfall for Bayer. Though additional work would be needed to verify the windfall value, it is clear that the increased building heights allowed by the DA may be significantly more valuable to Bayer than the streamlining benefit included in their analysis.

### **Mathematical Calculations**

Based on the Development Agreement Extension Value Data Table provided by Bayer, EPS conducted an independent replication of the calculations to assess the computational accuracy of the analysis. EPS was able to recreate the analysis and verify most of the data provided by Bayer. EPS found only very minor differences in the annual schedule of benefits estimated and the net present value calculated by Bayer. In Bayer's data table, benefits are valued at a net present value of \$12.5 million and EPS calculations yielded \$12.4 estimate. Bayer initially proposed a \$15 million valuation, which EPS understands is rounded up from their \$12.5 million

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<sup>1</sup> Additional analysis of sales transactions and/or residual land value financial analysis could be used to clarify the increase in land value attributable to relaxation of height restrictions at the Bayer campus.

calculation. This initial valuation excluded the supplementary addition of Bayer's building height valuation, which doubles the streamlining benefit to Bayer from the first building approval, adding \$2.9 million to their valuation benefit.

## **Conclusion**

Bayer's initial benefits valuation of \$15 million and their addition of a \$2.9 million valuation for increased building heights brings their current valuation estimate for benefits conferred by the DA extension to about \$18 million. Given Bayer's framing of the entitlement process and precedent setting that would allow for building heights in excess the codified maximum, this valuation is reasonable. However, if the City determines that either the precedent setting assumption concerning height approvals is unlikely or that height variances are uncertain in the baseline no-DA scenario, Bayer's valuation of the benefit of the DA could be significantly understated. If the precedent setting assumption is unrealistic, the streamlining benefit from the DA would be nearly double the original valuation, based on Bayer's assumption that the streamlining benefit on the first building to seek a height variance would be double the streamlining benefit from other DA provisions. Furthermore, if the City determines that Bayer's perspective on the likelihood of height variances without the DA is unrealistic, the value of the height sought for approval in the DA could be much greater. Based on illustrative EPS calculations, a valuation under this interpretation of baseline no-DA conditions for development of the Bayer campus could be four times Bayer's original estimate of DA benefits, including streamlining and added land value attributable to increased building height. This review finds that the reasonableness of Bayer's DA benefits valuation hinges on the validity of underlying assumptions regarding how the City would treat requests for height variances in a no-DA baseline scenario.

## **Additional Considerations**

Though not directly addressed by this review of benefits valuation, the Bayer proposal to provide community benefits is linked to development impact fees associated with buildout of the campus. Their initial letter to the City describing the benefit valuation work, characterizes their \$15 million valuation as "a 35 percent premium over the current development impact fees mandated for affordable housing, childcare and public art by the City." In discussions with Bayer, EPS and City staff confirmed that Bayer is seeking to satisfy community benefits obligations through payment of impact fees. Though there may be fee adjustments considered in the context of DA negotiations, development impact fees would be paid in no-DA baseline development scenario, and so reducing community benefit obligations for baseline fees has the effect of reducing community benefits from the DA. That is, the proposal to offset community benefits value with mandatory fee payments has the effect of reducing the community benefits package to a level well below the benefit to Bayer from having the DA.

This review finds Bayer's DA valuation estimates to be reasonable and accurately calculated, but based on a regulatory baseline that may be optimistic relative to City code and practice concerning entitlement of buildings that seek to exceed height restrictions. Depending on City assessment of baseline entitlement conditions, it may be argued that the benefits to Bayer conferred by the DA are greater. However, through Bayer's proposal to credit development impact fees against the DA benefits estimate, the company has already signaled that their willingness to pay for DA benefits is limited, and less than the full value measured by them. In addition, in meetings with EPS and the City, Bayer has expressed concern that if development impact fees are not credited against the community benefit valuation, the Berkeley Bayer site

will become cost prohibitive for business growth. There may be merit to this competitiveness concern, and a potential next step in the negotiation process could be for Bayer to fully articulate their cost competitiveness concern. To this end, Bayer might provide additional justification for reaching a community benefits deal with the City that only partially compensates the community for the provisions of the DA, in favor of keeping costs for Bayer in check with their national and global site selection options. Berkeley must remain a cost competitive location for Bayer's business growth, or risk the possibility that the company will exit and the potential for community benefits from campus expansion will be lost.

Mr. David White  
Deputy City Manager  
City of Berkeley  
2180 Milvia Street, 5th Floor  
Berkeley, CA 94704

RE: Bayer Community Benefits Proposal

Dear David,

Thank you for the engagement to date as we work through the Community Benefits associated with the extension of the Bayer Development Agreement (DA).

As discussed, securing the long-term development rights for the Bayer Berkeley site supports Bayer Pharmaceuticals' specialty medicine strategy. These development rights are keys for timely/predictable infrastructure investments on site, enabling realization of Bayer's biotech pipeline in multiple product types (protein therapeutics, cell therapy, gene therapy, mRNA). These rights also ensure that the City of Berkeley remains competitive within the global investment options available to Bayer as it evaluates sites for new facilities.

The DA's holistic view of the overall development plan allows for a complete assessment of its impacts and the best ways to support the community over the 30-year term. The current DA has provided consistent support for the community while enabling Bayer to meet its business requirements, and this relationship is one that we would like to continue.

This letter is intended to provide the information requested in the City's correspondence dated May 24, 2021, which included the analysis performed by Economic & Planning Systems (EPS), and serves as a formal proposal of Community Benefit investments by Bayer for inclusion in the DA extension.

#### **Valuation and Payment Structure**

The DA's primary value to Bayer is expedited and predictable permitting for new facilities. This includes the permitting process and the entitled facility uses / heights (including proposed heights that differ from the current zoning which are allowed in the West Berkeley Plan for large sites such as the Bayer campus). Therefore, the valuation of the funding available for Community Benefits is based on the efficiency gained for the overall conceptual development project. We continue to use the Net Present Value of the

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June 18, 2021

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conceptual development technique confirmed by EPS as the appropriate valuation method.

The land use entitlements allow for implementation of the needed capabilities. The entitlements related to the heights above 45' are requested for two specific reasons:

- Our manufacturing processes require vertical adjacencies that are not achievable within a 45' height envelope. Up to 80' is required (above 80' has no additional value). This height increase does not facilitate the creation of additional floors; rather, the additional height for production buildings is necessary to accommodate "taller" floor-to-floor heights allowing for the installation of special equipment and HVAC systems needed for Bayer's therapy development and production processes. These needs are fully documented and supported in the Zoning Adjustments Board's approval in March 2021 of a production Building 69 (B69) along the Bayer campus' western frontage.
- The requested building heights for our manufacturing support facilities enable significant zero build height areas (more than six acres by year 10 of the planning horizon) and the option to integrate parking into functionally purposed buildings. The zero build height zones allow for open green space with a portion being publicly accessible along 7<sup>th</sup> Street and Dwight Way. A constrained envelope of 45' building height not only impacts the business of manufacturing, but it also results in the reduction of publicly available green space and overall open space, retention of surface parking, and an expedited need to construct dedicated parking structures.

Please note that the requested heights have been studied in the CEQA EIR and have less-than-significant impact on views and aesthetics.

The secondary valuation model proposed by EPS describes how additional height provides significant value for residential development and that every increment of additional height increases value for such developers. This residential example is not an effective comparison to Bayer's infrastructure plans, as residential and industrial development create value in disparate manners - that is, sellable square footages that increases in value with height versus allowing space for fundamental operations.

Bayer's height needs are foundational to any future Berkeley site development and, therefore, a fundamental necessity of the entitlements. These building envelope needs are not unique to Bayer, as these height requirements are evident in areas zoned to attract biopharma manufacturing such as the California Biomanufacturing Center in Vacaville, CA where 70-foot buildings are allowed and additional height is simple to entitle.

Also for context, the DA extension would limit the scope of development to densities significantly less than realistically allowed by standard Mixed Manufacturing zoning (i.e., 1.738 million square feet versus more than 2.5 to 3 million square feet), while increasing many setbacks and improving upon other development standards.

Using the methodology reviewed by EPS and incorporating the updated WACC, the net present value (NPV) for the entitlements and permitting process efficiency is \$14.9 million.

In addition, Bayer now understands and agrees that the Development Impact Fees are not included with the entitlement efficiency value. Therefore, the following fees are also considered.

- \$2.25 per sf for Affordable Housing
- \$0.75 per sf for Childcare

The above fees align with the priorities that we have heard from the community (see proposed community investment programs in this document and previous correspondence) and, based on the same development assumptions and methodology used to calculate the entitlement efficiency, have a total NPV of \$1.9 million.

In addition to these fees, an impact fee of 0.8% of facility construction cost is to be paid in support of Art, with a NPV of \$4.7 million (same development method/assumptions).

In total, the net present value of entitlements and process efficiency and the impact fees provides \$21.5 million for community programs, which is significant and summarized below. Bayer recognizes that specific allocation of this total funding may be further detailed and adapted, in order to support the most relevant City budget needs.

<b>Funding Category</b>	<b>Net Present Value</b> (\$m)
DA Entitlement Value	14.9
City Impact Fees ( <i>housing, childcare</i> )	1.9
City Art Fee	4.7
<b>Total NPV</b>	<b>21.5</b>

**Payment Structure and Method**

The entitlements and process efficiency funding and the impact fees each provide significant funding for the community. Given that the extended DA includes a conceptual development plan that is contingent on product success in an unpredictable business, the risk that the development might not occur is reasonable. Also, fees paid only when development occurs will mean that funding is sporadic and not conducive to long-term community/City programs.

Clearly, Bayer is planning for success, and therefore we propose calculating process efficiencies and Development Impact Fees on the full 30-year buildout potential using the full present value to set the first-year community benefit investment level (i.e.  $\frac{1}{30}$  of the total theoretical community benefits and impact fees) with annual escalations. We believe that this provides a consistent funding structure that will better support long-term community programs with foreseeable stability and assurance.

The following table offers a simple proposal summary of the community investments that include the calculated Development Impact Fees as well as the community benefit investments.

<b>Item</b>	
Year 1 Impact Fees & Community Investments (2022)	\$720,000
Year 30 Impact Fees & Community Investments (2051)	\$1,300,000

*Annual escalation rate: 2%*

EIR mitigations costs which require payment to the City or community partners *are not* included. Once valued, Bayer would recommend that these funds are also included in the annual funding schedule (1/30 per year).

Under this funding structure, impact fees are included in the annual payments schedule, and are therefore, not required to be paid with the individual facility investments.

For reference and context, the funding provided under the current DA can be found in the attachments to this document (Attachment A).

### **The Economic Benefit of Bayer in Berkeley is Significant**

The Bay Area Council Economic Institute has completed an independent evaluation of the economic impact of Bayer's Berkeley operations today and 30 years into the future if the site is fully developed as outlined – [here](#) is the link to the report available online. Extending the DA enables a near doubling (97%) of the economic impact by the year 2052. We encourage you to review and consider the economic impacts of this report as part of the total benefit of retaining and growing Bayer in the Berkeley community.

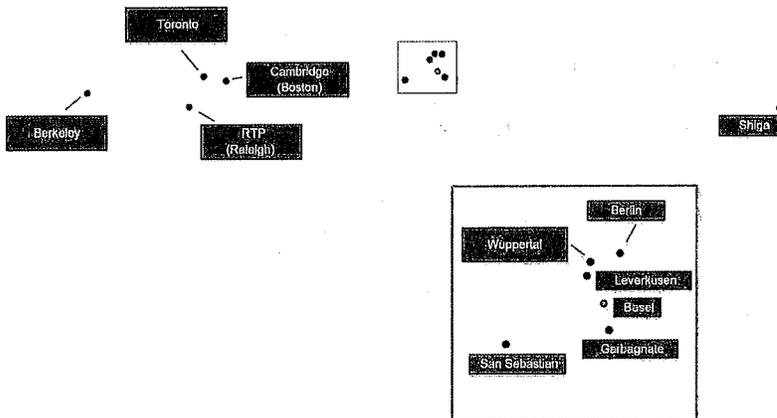
### **Competitive Environment Creates Limits to Community Benefit Funding**

The Bayer Berkeley site provides a well-established workforce and infrastructure in a region that is a clear leader in the life sciences. Site operations are evolving with investments in flexible manufacturing facilities (B68 and B69 for instance) for new specialty medicine products to expand beyond the existing hemophilia business, which was downsized in recent years due to increased competition in the market. Additional significant investment is required to fully evolve the site and would be enabled by the DA extension.

The DA extension improves Berkeley's ability to attract Bayer investment. Without a DA, the local ability to compete will be significantly limited, as the current standard Mixed Manufacturing zoning process would constrain Berkeley's competitive position in the global Bayer network. Bayer has sites in several viable alternative biotech hubs in the United States and in Europe. The Bayer internal Biotech network diagram (see below), headquartered in Basel, Switzerland, illustrates competing options within Bayer's global network. For instance, facilities in Raleigh, North Carolina and Boston, Massachusetts are both locations rich in biotech talent with lower costs of

doing business. Further, the San Sebastian site in Spain is currently investing in gene therapy production capacity to enhance the Bayer network and will provide a European alternative to Berkeley.

 Bayer Biotech Internal Network



The Bay Area Council Economic Institute and Biocom have provided you information on the competitive landscape for attracting biotech industry infrastructure investment and economic benefits in the United States and how the Bay Area fits (also included with this document as Attachment C). This information shows how valuable this type of investment is to communities. Also, a simple google search of incentives Bayer receives for adding operations or jobs shows how fiercely regions compete for these types of investments. The recent business operations consolidation to St. Louis, Missouri is a good example.

Without a DA, the Berkeley site cannot offer the timing assurances that Bayer's internal project review process requires in order to be competitive among numerous other options in the Bayer network. Other locations in the network would have a competitive advantage in attracting further investments, and one could anticipate that Bayer may make these planned investments elsewhere. Further, absent any additional investment, it is not out of the question that the site could be divested. Like all global corporations, Bayer regularly evaluates where it operates and in the past 15 years has closed two biotech sites in the Bay Area – a research facility in Richmond and a

manufacturing facility in Emeryville. And, as we advised earlier this spring and you've seen in the news, Bayer is closing its Pharma research center in Mission Bay in October and consolidating its US research footprint in Boston where it is making significant investments in the Kendall Center in Cambridge. The land Bayer owns in Berkeley has obvious value; the new facilities (B68 and B69 for example) are designed to support standard flexible manufacturing platforms and have potential resale value and, alternatively, removal of the general infrastructure is not cost prohibitive.

**Proposed Community Programs Investments**

The allocation of the community benefit funding is at the discretion of the City acting in the interest of the broader community and ensuring no conflict with Bayer's community engagement priorities. The allocations suggested below consider Bayer paying affordable housing and childcare impact fees in addition to the community benefit package.

With that in mind, based on feedback we receive through our ongoing community engagements and the public community forums, and in concert with our Bayer values, we would offer the following priorities:

Community Benefits Category	% of Total
- STEM/Career Technical Education	60%
- Affordable Housing	20%
- Community Infrastructure Investments & Resiliency Programs	20%

Bayer proposes the following processes to disburse funds in each category.

*STEM / Career Technical Education*

To ensure ongoing relevance of the funding for educational equity initiatives in settings from transitional kindergarten through 8th grade, high school, and community college, Bayer would solicit proposals from local initiatives on a 10-year interval and facilitate a joint review comprised of leaders from Bayer's philanthropic partner (Bayer Fund or successor entity), Berkeley Site Leadership, and subject matter expert appointees made by the Councilmember from District 2 (two appointees) and the Mayor (two appointees).

Recommended allocation across the following programmatic areas:

- |   |     |
|---|-----|
| – TK through 8th grade hands-on science education   | 10% |
| – High School Career Technical Education and/or STEM excellence, including paid internships for high school students at the Bayer campus  | 50% |
| – Community College programming and support for biotechnology and advanced manufacturing/engineering disciplines, including paid internships for community college students on the Bayer campus | 40% |

*Affordable Housing*

Community benefit funds to support Affordable Housing objectives will be paid into the City of Berkeley's Housing Trust Fund and disbursed from there at the discretion of the City Council.

*Community Infrastructure Investments and Resiliency Programs*

To ensure ongoing relevance of the funding, Bayer recommends soliciting proposals from local support programs on a 10-year interval (process similar to educational programs listed above). The projects / investments will align with values shared by Bayer and the Berkeley community including:

- Climate Action – investments or programs designed to advance a carbon neutral community
- Health Equity – investments or programs designed to address inequities in health status among Berkeley residents
- Local Economic Resiliency – investments or programs designed to support locally-owned businesses, entrepreneurship and/or generational wealth building for low-income families of color

The Berkeley Mayor and the District 2 Councilmember have convened a panel of community members to review and provide feedback to the city on the allocation of the community benefits associated with the development agreement extension. This community team will be working into August 2021 and Bayer recommends that this process finish prior to finalizing on program funding allocations.

### **Summary and Closing**

Berkeley has the opportunity to retain a key cornerstone of Bayer's biotech network and its 1,000+ current employees (which include many Berkeley residents). Bayer is not just a corporation; it is a collection of people who live in the region and are a part of its fabric and central to its innovation sector that is a key economic driver. The proposed DA extension, including reasonable Community Benefits, can help ensure this position in Berkeley can endure. Without the DA, alternative locations such as, Raleigh, Boston, and San Sebastian obtain a competitive advantage due to greater predictability than can be expected in Berkeley. Bayer needs the development certainty in order to deliver the necessary infrastructure quickly enough to meet the needs of our patients.

The Bay Area Council Economic Institute (BACEI) Economic Impact Analysis outlined economic benefits of our operations. The joint report by BACEI and Biocom provides an overview of the competitive landscape in which Berkeley must compete. The City's Draft Supplemental Environmental Impact Report concluded that there are no significant environmental impacts resulting from development proposed under a DA extension. Together these robust studies illustrate how we can work together to thrive while our advanced manufacturing operations benefit the community with a de minimis environmental footprint.

Supporting this goal of mutual prosperity, Bayer offers to fund a Community Benefits program and make Impact Fee payments which together total \$30 million over the life of the extended DA, regardless of the level of site development. Any mitigation costs associated with the Draft SEIR are in addition. We consider this a fair level of funding and the maximum that we can justify while remaining competitive within Bayer's global infrastructure investment decision-making process.

Further, although dependent on individual project investments, the real estate tax increases and the building permit fees related to any construction are in addition to this proposal.

We continue to appreciate the engagement from the City and community, working with us collaboratively. This engaged dialogue is critical to the extension of the DA to support the City's ability to compete in Bayer's global site selection process and win significant additional investment from Bayer's European headquarters. In the end, we are all partners.

Thank you for your and the entire City team's continued engagement. We are proud of our history as a local corporate citizen and hopeful that this instrument will continue to serve the Berkeley community into the future.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Drew Johnston". The signature is written in a cursive style with a large, looping initial "D".

Drew Johnston  
Vice President, Site Engineering Berkeley

cc: Jordan Klein, City of Berkeley, Director of Planning  
Eleanor Hollander, City of Berkeley, Economic Development (acting)  
Chris Jensen, City of Berkeley, Attorney  
Benjamin Sigman, Economic and Planning Systems, Principal  
Jennifer Cogley, Bayer Community Relations  
Cathy Keck, Bayer Communications  
Jessica Hays, Bayer Project Manager  
Fernando Santos, Bayer Internal Counsel  
Sean Marciniak, Bayer External Counsel  
Niran Somasundaram, Bayer External Counsel

Attachments

- A. Community benefits contributed by Bayer during the life of the current Development Agreement executed in 1992 and amended in 1999
- B. DA Extension Valuation NPV
- C. Bay Area Council Economic Institute and Biocom Competitive Landscape

What follows is a summary accounting and description of the community benefits contributed by Bayer during the life of the current Development Agreement executed in 1992 and amended in 1999. This section summarizes those payments and outcomes.

**Community Benefits**

Development Agreement code allows a property owner and the host municipality to negotiate additional benefits beyond mitigation to meet local needs. In 1992 and 1999, there appears to have been no affordable housing, childcare, public schools impact fees and no percent for the art ordinance. City leadership negotiated community benefit payments and programs in these areas. A summary of these categories of benefits follows.

Community Benefit Category	1992-2020 Nominal	Inflation adjusted
Biotechnology Education Training <i>(excluding in-kind)</i>	6,480,000	10,350,000
Childcare program <i>(excluding in-kind)</i>	1,318,000	2,020,000
Community Programs	1,082,000	1,976,000
Affordable Housing	884,000	1,513,000
Animal Care and Usage	230,000	407,505
Public Art and Historic Preservation	220,000	333,000
Employment - Hiring Program	20,500	40,660
<b>Total</b>	<b>\$10,170,500</b>	<b>\$16,640,165</b>
<i>In-kind support</i>	7,823,642	
<i>Mitigation payments</i>	9,587,758	
<b>Grand total in nominal dollars</b>	<b>\$27,581,900</b>	
<b>Grand Total Inflation adjusted dollars</b>		<b>\$39,173,810</b>

**STEM and Biotech Career Technical Education**

Since its inception in 1993, Biotech Partners has prepared Berkeley High school students for meaningful rewarding careers in biotech. Over the course of the program, a large majority of these students have come from low income families, or groups underrepresented in STEM fields. Currently, approximately 75 Berkeley High students participate per year and more than 85% of these students identify as youth of color.

The cornerstones of the high school program are technical and workforce preparation classes, with an emphasis on biotechnology industries, as part of their high school coursework combined with paid internship experiences. The wraparound services for these students prepare them to enter the rigorous work environment of biopharmaceutical manufacturing. To date nearly 3,000 students have participated in the program and hundreds have used the experience to launch their careers in the sciences or other STEM related arenas. The program aims to engage students who

may be at risk of not completing high school or who are otherwise underperforming. Comments from students who have completed the program include

*"I might not have completed high school without [Biotech Partners]"*

*"the experience made me feel smart and confident in my skills and I've been highly employed since then..."*

*"Biotech Partners was a great experience and encouraged me to step out of my comfort zone and into the professional world. It helped me grow as an individual and most importantly develop professional skills that I still carry to this day."*

For students who continue to continue their education in the local community college system, Biotech Partners offers the Biotech Career Institute (BCI). The program maintains wrap around social and academic support for students who may face serious challenges to continuing their studies in the face of family or economic challenges. BCI students may also qualify for Bayer paid internships with a special focus on work conducted in our fully equipped biotech laboratories.

Students, however, are not the only beneficiaries of the program. Bayer has consistently hired Biotech Partners graduates to join our biopharmaceutical production teams and benefitted from their talent, training and dedication. Biotech Partner alumni fill vital management roles in our Factor VIII production and in the new Cell Culture Technology Center. The DA calls for six-week internships for 15 high school students and year-long internships eight community college students.

The Biotechnology Education and Training Program benefit also defined financial support to underwrite K-8 grade science education related to biotechnology and a commitment to host high school students to visit the Bayer campus for Career Days.

#### **Employment – Hiring Program**

The 1992 DA had provisions to give preferential treatment for Berkeley residents in recruiting and hiring decisions. It asl required that Bayet pay of fee of \$500 per First Source construction hire whose position lasted for longer than one week. Over the course of the course of the first five years of the Agreement, Bayer paid \$20,500 (\$40,660 in 2020 dollars) in these support fees.

#### **Affordable Housing Investments**

From 1992 to 2002 Bayer made annual payments to the City of Berkeley Housing Trust Fund, \$884,000 (\$1,513,000 in 2020 dollars). The 1992 Development Agreement affordable housing investments were designed to increase the supply of permanently affordable housing in the City of Berkeley, by 21 units with at least 50% of the funds invested in projects in West Berkeley, emphasizing the area from University Avenue south. Per the terms of Development Agreement, no further payments were required after 2002.

### **Childcare Program**

The 1992 DA called for Bayer to establish a capital facilities fund to convert preschool slots to infant care slots; establish an operations fund to support a vendor-voucher program for affordable childcare slots; subsidize existing sick childcare providers; and to subsidize training for providers in CPR, First Aid and hygiene.

The 1999 Amendment to the DA stipulated that Bayer planned to construct an on-site or near-site childcare center for its employees and make affordable childcare slots available to low-income employees. The center was completed in 2012, and from 1999 to 2012, Bayer paid a calculated in-lieu fee to the State Funded Resource and Referral Agency (RRA). Since 2012, Bayer has continued to pay support the RRA with funds to enable CPR, First Aid and specialized hygiene training in multiple languages to serve the diverse childcare workforce.

### **Public Art and Historic Preservation**

The 1992 DA called for Bayer to assemble and display a historical exhibit about the campus. In 2007, Bayer released a DVD that was distributed along with the DA Annual Report. The piece was called "A Century of Innovation and Caring: The History of Bayer and Cutter Laboratories in Berkeley."

In connection with the completion of the Administration Building, Bayer commissioned a sculpture and fountain to be built on the campus adjacent to the Administration Building (B64). In 2000 the sculpture was installed and is enjoyed by Bayer employees and visitors to this day.

While not a requirement of the Development Agreement, Bayer was proud to fund the creation of the "Helios, Chariot of the Sun" sculpture in 2002 at the corner of Seventh and Grayson Streets. In 2016, Bayer funded the restoration of the piece which included a redesign of the pedestal and the application of vibrant and weather resistant paint.

### **Community Programs Investments**

Bayer committed to providing \$100,000 per year for the first ten years of the Development Agreement to support a West Berkeley Community Programs Board. The West Berkeley Neighborhood Development Corporation fulfilled the role of the Board and they disbursed funds to programs serving at-risk youth, elderly and disadvantaged residents of the neighborhood. The group disbursed a total of \$1,082,000 (*or \$1,976,000 in 2020 dollars*).

Item 11 - Attachment 4  
 Planning Commission  
 July 14, 2021

DA Extension Proposal

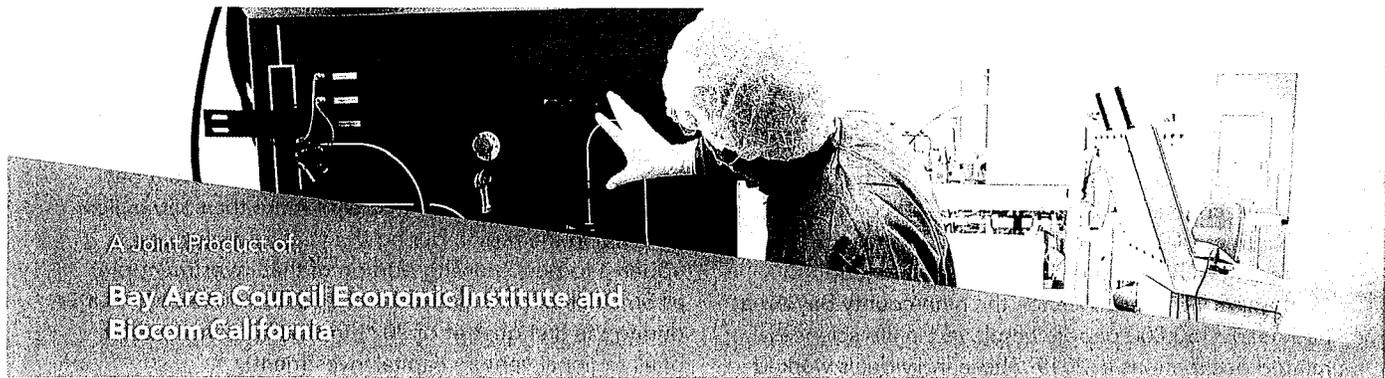
Attachment B - DA Value Table

Development Agreement Extension Value

Year	NPV	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051		
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30		
<b>Conceptual Facility</b>																																	
Area (000s)	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S														
	150	100	100	80	10	22.5	19	8	310	50	20	50	45	100	80	45	80	450	80														
<b>CapEx (m\$)</b>																																	
Permitted Construction Cost (in 2021 mUSD)	80	80	80	40	10	30	80	10	40	80	50	80	40	60	40	40	40	40	40	40	40	40	40	40	40	40	40	40	40	40	40	40	
Inflation Adjusted	82	84	85	44	11	34	92	12	49	101	65	106	54	82	56	57	59	59	93														
<b>Entitlement and Process Efficiency Value</b>																																	
<b>Entitlement Costs</b>																																	
Without DA - Full Use Permit	0.81	0.8	0.6	0.7	0.2	0.2	0.2	0.2	0.2	0.7	0.8	0.2	0.8	0.8	0.8	0.8	0.8	0.8	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	1.0
With Extended DA - Administrative Use Permit	0.20	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.7	0.2	0.2	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
<b>DA Value Assessment</b>																																	
Entitlement Delta	0.41	0.4	0.4	0.4	0.0	0.0	0.0	0.0	0.0	0.5	0.0	0.6	0.5	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.7
Time Reduction	1.8	1.3	1.3	0.8	0.0	0.0	0.0	0.0	0.0	2.0	0.0	2.1	1.1	1.6	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.3
Time Surety / lower complexity	0.8	0.8	0.6	0.4	0.0	0.0	0.0	0.0	0.0	1.0	0.0	1.1	0.5	0.8	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.7
Value per Conceptual Facility	14.9	2.9	2.3	2.4	1.8	0.0	0.0	0.0	0.0	3.6	0.0	3.7	2.2	3.0	2.2	2.3	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.7
<b>Development Fees</b>																																	
Affordable Housing	0.3	0.2	0.2	0.2	0.0	0.1	0.0	0.0	0.0	0.1	0.0	0.1	0.1	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2
Childcare	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Art	1.9	0.4	0.3	0.3	0.2	0.0	0.1	0.1	0.0	0.2	0.1	0.2	0.1	0.3	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2
Art	4.6	0.7	0.5	0.5	0.4	0.1	0.3	0.7	0.1	0.8	0.5	0.8	0.4	0.7	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
<b>Payment Schedule</b>																																	
Total Net Present Value	21.5																																
Annual Funding <sup>2</sup>		0.72	0.75	0.76	0.78	0.79	0.81	0.82	0.84	0.86	0.87	0.89	0.91	0.93	0.95	0.97	0.99	1.00	1.02	1.05	1.07	1.09	1.11	1.13	1.15	1.18	1.20	1.22	1.25	1.27	1.30		
<b>Base + Constants</b>																																	
Buyer Estimates/Variables		<b>Buyer Impact Fees</b>										<b>Assumptions + Notes</b>																					
1.01	2%	Affordable Housing 2.25 per sf										1 EIR mitigations are separate																					
1.02	(1.0)	Childcare 0.75 per sf										2 Using the net present value of the total benefit and impact fees for the theoretical development plan to set the Year 1 payment and exclude from there.																					
1.03	0.0%	Sonets 0.08 per sf										3 Cost in million USD																					
1.04	0.5	Art 0.8% of construction										4 Construction/development timeline front loaded																					
1.05	2%											5 Construction timeline and sequence conceptual and for mitigation																					
1.06	1%											6 Structured parking and renovation included in benefits analysis and are not included in new construction floor area calculation to align with City/Development Agreement floor area calculation methodologies																					
1.07												7 Assume to allow less than 40,000sf quality for administrative review (in no DA scenario)																					

6/17/2021

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A Joint Product of:

Bay Area Council Economic Institute and  
Biocom California

## The Competitive Landscape for Life Sciences and Biotechnology Corporate Investments

The San Francisco Bay Area is well known as a national leader in life sciences and biotechnology.<sup>1</sup> In fact, *Genetic Engineering and Biotechnology News* ranks the Bay Area as the number two biopharmaceutical cluster in the United States, behind only Boston/Cambridge. Today, numerous Fortune 500 companies, such as Amgen, Bayer, Gilead, Johnson & Johnson, Merck, and Thermo Fisher Scientific have a significant presence in the region, while hundreds of other biotech and life sciences firms call the Bay Area home.

The biotech sector has been one of the few economic bright spots for the nine-county Bay Area region in 2020 and 2021. While many parts of the economy suffered job losses, the biotech sector saw its employment remain stable between December 2019 and December 2020.<sup>2</sup> This stability can be attributed to more research and development opportunities taking place around the COVID-19 pandemic and a growing need for health solutions for unmet medical needs.

While 2020 also saw numerous large companies downsizing office spaces or moving out of the Bay Area altogether, biotech and life sciences companies have been doubling down on their investments in the Bay Area. Notably, both Bayer and Genentech have announced significant infrastructure investment plans in Berkeley and South San Francisco, respectively.

As a follow-on to the Bay Area Council Economic Institute's April 2021 economic impact analysis of Bayer in Berkeley, this short paper seeks to outline the competitive environment around biotech and biopharmaceutical corporate investments in the United

States. We will complete two short analyses: first highlighting the Bay Area's biotech and life sciences strengths and the reasons that companies want to invest here, and second analyzing the incentives that other states and locales are providing to entice investments. We hypothesize that the combination of rising costs of new life sciences development in the Bay Area and large incentives offered in other regions may begin to erode the Bay Area's biotech advantage over time.

It is well known that the Bay Area is an expensive place to build, with one report showing it has the highest costs for commercial development on the entire globe.<sup>3</sup> High housing costs push up construction labor costs, and long development processes lead to higher expenses and uncertain timelines. Even with these headwinds, the Bay Area's continued biotech prowess comes down to a key characteristic that all large sector clusters have: agglomeration.

Agglomeration—a mass or collection—is the momentum that keeps the region competitive. A large base of biotech and life sciences companies comes with a large base of talent that is needed to innovate and a large base of potential investment capital to spur new innovations. Life sciences companies often require a specialized set of capital and human inputs, meaning they would have difficulty surviving in isolation. Instead, there are benefits in locating in regions with a thriving ecosystem, such as access to talent, capital, and physical space that would be difficult to organically grow in a place with no biotech presence.

*The Competitive Landscape for Life Sciences and Biotechnology Corporate Investments*

## Life Sciences by the Numbers

Only Boston can match the Bay Area in terms of its life sciences scope and scale, and successful companies have attracted even more investment to the region. According to Biocom California, an advocate for California's life science sector, the nine-county Bay Area had nearly 150,000 people employed in life sciences-related occupations in 2019. These individuals worked across nearly 1,500 companies (1,189 companies in research and lab services, 151 in biopharmaceutical manufacturing, 138 in medical device and diagnostic equipment, and eight in biorenewables). Life sciences companies are located throughout the Bay Area but specific concentrations of life science establishments can be found in San Francisco's Mission Bay, South San Francisco, the lower Peninsula, Berkeley/Emeryville, and the Tri-Valley region.

## Access to Talent

These companies would not locate in the region if they could not find the talent necessary to provide their products and services. With nearly 50% of residents in the nine counties holding a bachelor's degree, the Bay Area is the second-most-highly-educated region in the United States behind Boston. In addition to generating new workers, the region's world-class universities and other public research institutions play a critical role in research and development, as they received nearly \$2 billion in National Institutes of Health grants in 2019. This work helps to drive new biotech innovation in the region that can be commercialized by existing companies or spun out into new ones. It is important to note that an advanced degree is not required to obtain employment in the life sciences industry. In California, the industry offers employment spread across educational attainment levels from no high school diploma to PhD.<sup>4</sup>

## Access to Capital

While some of the Bay Area's largest life sciences companies were once the beneficiaries of venture capital, they now rely on traditional debt and equity markets for their finances. But where the venture capital industry does play a major role in biotech is the development of new companies and new ideas, thus

leading to further cluster development and attraction of talent to the region. In 2020, 38.6% of all venture capital investments in the United States were made into a Bay Area-based company, for a total of more than \$50 billion invested in the region during the year. Life science appears to be a growing portion of that investment pie, as \$6.6 billion was invested in the sector in the Bay Area during the first quarter of 2021 (more than one-quarter of all regional venture capital investment).

## Access to Physical Space

Research and development and the manufacture of any new biotech product requires specialized lab space, which may involve unique air filtration systems, clean rooms, and other technical requirements that are not found in traditional industrial buildings. According to Cushman and Wakefield, the Bay Area has over 33 million square feet of laboratory space, second to only the Boston/Cambridge area. More space is also rapidly coming online, with approximately 3.71 million square feet of life science space under construction in the Bay Area, according to Kidder Matthews. The largest of which is Kilroy Realty's Oyster Point campus in South San Francisco, currently in its first phase of development. It will add 636,000 square feet by the end of 2021 in three buildings and is pre-leased to biotech tenant Cytokinetics.<sup>5</sup> Further down the Peninsula, Alexandria's District for Science & Technology in San Carlos, a two-building campus, is scheduled to deliver 556,000 square feet by mid-2021 and is fully leased to several tenants including Atreca, Allakos, ChemoCentryx, and Nautilus. The market for biotech space is so strong right now that investors have made purchases of buildings in Mountain View, Emeryville, and Pleasanton with plans to convert them into life science uses.

These characteristics combine to make the Bay Area a top destination globally for biotech investments from companies big and small. New expenditures in biotech facilities clearly have a strong return on investment in the Bay Area, but that return begins to be eroded as more costs are piled onto the development process. The region may eventually hit a tipping point where all of its advantages can no longer outweigh its own rising costs and the benefits put forth by other locations. The next section will explore these incentives further.

*The Competitive Landscape for Life Sciences and Biotechnology Corporate Investments*

## California

When a company decides to make investments in physical space, monetary or tax incentives are almost always part of the equation. While California does have the California Competes Tax Credit that incentivizes certain new types of job creation as well as a partial sales tax exemption for equipment used in research and development, the state largely shies away from competing for jobs on the basis of incentives.

Other jurisdictions, however, open their coffers to lure new jobs and investment and the potential future fiscal benefits they can provide. Below we highlight various incentive programs and packages in locations that are also competing for life sciences investments—Boston, Raleigh-Durham, Washington, D.C., Southern California, and the New York/New Jersey area. While these *regions* are vying for jobs, the discussion largely focuses on state programs as the main form of incentive. According to the Biotechnology Innovation Organization, 36 states offer sales tax exemptions on equipment for both research and development (R&D) and manufacturing with several exemptions specifically for biomanufacturing.<sup>6</sup>

### **Boston**

Massachusetts, which has long been a hub for biotech, offers a host of tax benefits through its Life Sciences Tax Incentive Program. The program, established in 2008 as part of the state's 10-year, \$1 billion Life Sciences Initiative, authorizes up to \$25 million in tax incentives each year for companies engaged in life sciences research and development, commercialization, and manufacturing. The primary goal of the program is to incentivize life sciences companies to create new long-term jobs in Massachusetts. Under the tax incentive program, several refundable credits are offered, including a research and development credit, an investment tax credit for the acquisition or construction of qualifying property, and a credit for user fees paid to the Food and Drug Administration. The state is also building up the life sciences ecosystem by approving \$462 million in bonds for the Massachusetts Life Sciences Investment Fund, which doles out grants to increase diversity and opportunity in Massachusetts' life

sciences and biotech industries. The funding has three objectives: job creation, workforce development, and promoting biomanufacturing and scientific research.

### **Raleigh-Durham**

The Research Triangle Park—a research and innovation center equidistant from Raleigh, Durham, and Chapel Hill—has made a number of recent biotech-related announcements of company expansions and investments:

- Eli Lilly announced plans to invest \$474 million over five years in a new manufacturing facility that will generate 462 jobs. Eli Lilly secured a Job Development Investment Grant from North Carolina for the development of the facility. The 12-year grant will see the company receive a reimbursement of up to \$8.7 million. The company is also expecting to receive local incentives of up to \$2.55 million from Durham County. North Carolina Community Colleges will also contribute \$1.15 million to provide personalized training support.
- GRAIL, a venture-backed biotech startup that makes blood tests for cancer, will bring 390 jobs to Durham over five years. The company will invest \$103 million into facilities in exchange for a tax incentive package, which is valued at \$5.7 million. Durham County is also pledging \$678,000 in incentives.
- BioAgilytix, a Durham-based firm that does clinical research on experimental drugs, will receive an \$18.9 million incentive package from the state and \$500,000 from Durham County as part of its plan to add 878 jobs between 2023 and 2027.

### **Maryland / Virginia / Washington, D.C.**

The self-branded BioHealth Capital Region (BHCR) consists of Maryland, Virginia, and Washington, DC. The BHCR encompasses more than 1,800 life sciences companies, over 70 federal labs, and numerous academic and research institutions. Maryland has led the charge in the formation of this cluster, focusing on venture capital and seed stage investments to grow the biotech sector. In 2005, Maryland approved a tax credit to lure investment and angel funds. Angel or private investors putting \$50,000 into a small biotech company

*The Competitive Landscape for Life Sciences and Biotechnology Corporate Investments*

with fewer than 50 employees get a 50% tax credit on their investment, as do venture capitalists or institutions investing up to \$250,000 in small biotechnology companies.

### **New York / New Jersey**

The New Jersey R&D tax credit has been in effect since 1992, and it has propelled the growth of Johnson & Johnson, Merck, and Celgene within the state. The tax credit provides a refund of 10% on qualified research expenses over a base amount. Eligible expenditures generally include salaries and wages of engineers working on a project, the cost of supplies, materials, and scrap consumed in the R&D work, and in many cases even third party contractor fees incurred for the research. In New York, the state has created a \$620 million life science initiative that funds research and development and commercial infrastructure, incubators, medical school and entrepreneur grants, and a life science tax credit program. At the city level, a recently-announced program in New York City will invest \$1 billion in life science over 10 years, including \$450 million in research and development facilities at research institutions, \$430 million for lab and incubator space construction, and \$20 million in workforce development. The initiative is expected to generate 40,000 jobs.

### **Southern California**

San Diego offers a wide array of benefits to the life science industry through incentives managed by the air pollution, hazardous materials, and water departments. As one example, the Hazardous Materials Division at the San Diego County Department of Environmental Health, along with Biocom California, developed a program to benefit the life science industry called EPIC+. This program allows life science companies to experience less frequent inspections and lower fees when they demonstrate a record of clean inspections and participate in regular training. San Diego has also provided targeted tax rebates to companies on a case-by-case basis. In 2014, the San Diego City Council unanimously approved a deal to keep the manufacturing facilities of Illumina, a medical device company, in the city for 10 years in exchange for a \$1.5 million tax rebate.

The City of Thousand Oaks has made extensive efforts to support life science companies. Thousand Oaks City Council developed a biotech-first economic development strategic plan, and the city has increased its commitment to the industry over the last five years. Industry describes city officials as a facilitator or partner that understands what life science companies need and the benefits they bring to a city. Economic development staff and the city manager provide wide-ranging assistance to companies looking to locate or expand in Thousand Oaks, from site selection, to connecting growing companies with developers, to fast-tracking permitting.

### **Bay Area City Examples**

Local governments in the Bay Area region are recognizing life sciences and biotech as important employment generators. To facilitate growth, multiple cities have implemented incentives for job creation and industrial development:

- In **Fremont**, city staff provides direct assistance with site identification, relocation and expansion, city permits, and coordination with utility providers and other regional agencies.
- One of the **Pleasanton** City Council's two-year work priorities is expanding the life sciences industry. The city has supported a life sciences summit and has partnerships with business organizations targeting technology and life sciences.
- **South San Francisco** is known as a friendly environment for life science, and its economic development department employs a Biotech Advocate to facilitate site selection, tenant improvements, and new construction for life science companies. The city partners with real estate investment trusts to promote available and future properties on 15 campuses located on approximately 500 acres in the industrial area of the city.
- **Vacaville** is aggressively re-designing zoning and permitting processes specifically to attract biotech manufacturing investment through greater predictability and surety of the permitting process.

*The Competitive Landscape for Life Sciences and Biotechnology Corporate Investments*

*Introduction*

Even as the Bay Area life sciences ecosystem continues to thrive, the region and its cities must take stock of their competitive positioning. Business decisions in biotech and life science companies are made on a national scale. With multinational corporations, global location decisions also consider incentives provided by other countries. While not detailed in this report, many countries including Germany, Canada, China, Ireland, Japan, and the UK offer incentives for the biotech sector.<sup>7,8,9,10</sup> Geographies are pitted against each other, and the investments with the highest return will win out.

This analysis does not seek to find the tipping point where the Bay Area loses its dominant position in

the biotech space, but it does seek to highlight the ingredients that make the region a viable investment opportunity for so many companies. By highlighting the incentive packages that other states and regions are offering, we hope to put better context around how business location decisions are being incentivized around the globe.

**Historically, the Bay Area has succeeded on its fundamentals alone. While those fundamentals will not deteriorate overnight, other locales are catching up and they are offering significant packages that will allow them to begin to build the agglomeration of companies, investment, and physical space that have made the Bay Area a top destination for life science and biotech investment.**

1. This analysis will use the term life sciences to broadly refer to all health and life science related fields, while biotech and biopharmaceutical are more narrow terms that relate to industries where research and development and product development are the primary functions.
2. For the purposes of this statement, biotech is narrowly defined as NAICS sector 3254, pharmaceutical and medicine manufacturing.
3. <https://www.turnerandtownsend.com/en/perspectives/international-construction-market-survey-2019/>
4. <https://www2.biocom.org/get-the-2020-EIR-databook>
5. Online payment company Stripe is also leasing office space, as the entire development is not committed to lab space.
6. [https://www.bio.org/sites/default/files/legacy/bioorg/docs/Bioscience-Economic-Development-Report\\_Final\\_6-5-15.pdf](https://www.bio.org/sites/default/files/legacy/bioorg/docs/Bioscience-Economic-Development-Report_Final_6-5-15.pdf)
7. <https://assets.kpmg/content/dam/kpmg/ch/pdf/site-selection-for-life-sciences-companies-europe-en.pdf>
8. [https://www.ic.gc.ca/eic/site/lsg-pdsv.nsf/eng/h\\_hn01725.html](https://www.ic.gc.ca/eic/site/lsg-pdsv.nsf/eng/h_hn01725.html)
9. <https://www.internationaltaxreview.com/article/b1fbzrmh83rdsp/china-to-offer-biotech-incentives>
10. <https://hbr.org/sponsored/2018/02/how-japan-is-creating-new-opportunities-for-life-sciences-companies>

Since 1990, the Bay Area Council Economic Institute has been the leading think tank focused on the economic and policy issues facing the San Francisco Bay Area. A forum for stakeholder engagement and a source of fact-based analysis, the Institute is a trusted partner of business leaders and government officials. It is guided by a Board of Advisors drawn from leaders in the corporate, academic, non-profit, and government sectors.

Biocom California is the leader and advocate for California's life science sector. We work on behalf of more than 1,400 members to drive public policy, build an enviable network of industry leaders, create access to capital, introduce cutting-edge STEM education programs and create robust value-driven purchasing programs. Founded in 1995 in San Diego, Biocom California provides the strongest public voice to research institutions and companies that fuel the local and statewide economy. Our goal is simple: to help our members produce novel solutions that improve the human condition. In addition to our San Diego headquarters, Biocom California operates core offices in Los Angeles and the San Francisco Bay Area, satellite offices in Washington, D.C. and Tokyo, and has a continuous staff presence in Sacramento.

DA Extension Proposal

Attachment B - DA Value Table

**Development Agreement Extension Value**

Year	NPV	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051		
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30		
<b>Conceptual Facility</b>																																	
Area (000sf)		130	100	100	80	10	22.5	19	6	370	50	20	50	45	100	80	45	80	45	80	45	80	45	80	45	80	45	80	45	80	45		
<b>CapEx (m\$)</b>																																	
Permitted Construction Cost (in 2021 mUSD)		80	60	60	40	10	30	80	10	40	80	50	80	40	60	40	40	40	40	40	40	40	60	40	40	40	40	40	40	40	40		
Inflation Adjusted		82	64	65	44	11	34	92	12	49	101	65	106	54	82	56	57	59	59	59	59	59	93	60	60	60	60	60	60	60	60		
<b>Entitlement and Process Efficiency Value</b>																																	
Entitlement Costs																																	
Without DA - Full Use Permit		0.61	0.6	0.6	0.7	0.2	0.2	0.2	0.2	0.7	0.8	0.2	0.8	0.8	0.8	0.8	0.8	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	1.0	
With Extended DA - Administrative Use Permit		0.20	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.7	0.2	0.2	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	
DA Value Assessment																																	
Entitlement Delta		0.41	0.4	0.4	0.4	0.0	0.0	0.0	0.0	0.0	0.5	0.0	0.6	0.5	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.7	
Time Reduction		1.6	1.3	1.3	0.9	0.0	0.0	0.0	0.0	0.0	2.0	0.0	2.1	1.1	1.6	1.1	1.1	1.1	1.2	1.2	1.2	1.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.3	
Time Surety / lower complexity		0.8	0.6	0.6	0.4	0.0	0.0	0.0	0.0	0.0	1.0	0.0	1.1	0.5	0.8	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.7	
Value per Conceptual Facility	14.9	2.9	2.3	2.4	1.8	0.0	0.0	0.0	0.0	0.0	3.5	0.0	3.7	2.2	3.0	2.2	2.3	2.4	2.4	2.4	2.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.7	
<b>Development Fees</b>																																	
Affordable Housing		0.3	0.2	0.2	0.2	0.0	0.1	0.0	0.0	0.0	0.1	0.0	0.1	0.1	0.2	0.2	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	
Childcare		0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2
	1.9	0.4	0.3	0.3	0.2	0.0	0.1	0.1	0.0	0.0	0.2	0.1	0.2	0.1	0.3	0.2	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	
Art		4.8	0.7	0.5	0.5	0.4	0.1	0.3	0.7	0.1	0.8	0.5	0.8	0.4	0.7	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	
<b>Payment Schedule</b>																																	
Total Net Present Value	21.5																																
Annual Funding <sup>2</sup>		0.72	0.75	0.76	0.78	0.79	0.81	0.82	0.84	0.86	0.87	0.89	0.91	0.93	0.95	0.97	0.99	1.00	1.02	1.05	1.07	1.09	1.11	1.13	1.15	1.18	1.20	1.22	1.25	1.27	1.30		
<b>Basis + Constants</b>																																	
Bayer Estimates/Variables																	<b>Berkeley Impact Fees</b>																
Inflation	2%																Affordable Housing																
Establish DA (m\$)	(1.0)																Childcare																
WACC (disc. rate)	6.8%																Schools																
Entitlements w/ DA (m\$)	0.6	2021 value															Art																
Entitlements w/o DA (m\$)	0.2	2021 value															0.8% of construction																
Time Reduction w/ DA	2%	CapEx preplanning ↑																															
Time Surety w/ DA	1%	CapEx complexity ↓																															
<b>Assumptions + Notes</b>																																	
1	EIR mitigations are separate																																
2	Using the net present value of the total benefit and impact fees for the theoretical development plan to set the Year 1 payment and escalate from there.																																
3	Cost in million USD																																
4	Construction/development timeline front loaded																																
5	Construction timeline and sequence conceptual and for illustration																																
6	Structured parking and renovation included in benefits analysis and are not included in new construction floor area calculation to align with City/Development Agreement floor area calculation methodologies																																
7	Assumes facilities less than 40,000sf qualify for administrative review (in no DA scenario)																																

*What follows is a summary accounting and description of the community benefits contributed by Bayer during the life of the current Development Agreement executed in 1992 and amended in 1999. This section summarizes those payments and outcomes.*

**Community Benefits**

Development Agreement code allows a property owner and the host municipality to negotiate additional benefits beyond mitigation to meet local needs. In 1992 and 1999, there appears to have been no affordable housing, childcare, public schools impact fees and no percent for the art ordinance. City leadership negotiated community benefit payments and programs in these areas. A summary of these categories of benefits follows.

Community Benefit Category	1992-2020 Nominal	Inflation adjusted
Biotechnology Education Training ( <i>excluding in-kind</i> )	6,480,000	10,350,000
Childcare program ( <i>excluding in-kind</i> )	1,318,000	2,020,000
Community Programs	1,082,000	1,976,000
Affordable Housing	884,000	1,513,000
Animal Care and Usage	230,000	407,505
Public Art and Historic Preservation	220,000	333,000
Employment - Hiring Program	20,500	40,660
<b>Total</b>	<b>\$10,170,500</b>	<b>\$16,640,165</b>
<i>In-kind support</i>	7,823,642	
<i>Mitigation payments</i>	9,587,758	
<b>Grand total in nominal dollars</b>	<b>\$27,581,900</b>	
<b>Grand Total Inflation adjusted dollars</b>		<b>\$39,173,810</b>

**STEM and Biotech Career Technical Education**

Since its inception in 1993, Biotech Partners has prepared Berkeley High school students for meaningful rewarding careers in biotech. Over the course of the program, a large majority of these students have come from low income families, or groups underrepresented in STEM fields. Currently, approximately 75 Berkeley High students participate per year and more than 85% of these students identify as youth of color.

The cornerstones of the high school program are technical and workforce preparation classes, with an emphasis on biotechnology industries, as part of their high school coursework combined with paid internship experiences. The wraparound services for these students prepare them to enter the rigorous work environment of biopharmaceutical manufacturing. To date nearly 3,000 students have participated in the program and hundreds have used the experience to launch their careers in the sciences or other STEM related arenas. The program aims to engage students who

In total, the net present value of entitlements and process efficiency and the impact fees provides \$21.5 million for community programs, which is significant and summarized below. Bayer recognizes that specific allocation of this total funding may be further detailed and adapted, in order to support the most relevant City budget needs.

<b>Funding Category</b>	<b>Net Present Value (\$m)</b>
DA Entitlement Value	14.9
City Impact Fees ( <i>housing, childcare</i> )	1.9
City Art Fee	4.7
<b>Total NPV</b>	<b>21.5</b>

**Payment Structure and Method**

The entitlements and process efficiency funding and the impact fees each provide significant funding for the community. Given that the extended DA includes a conceptual development plan that is contingent on product success in an unpredictable business, the risk that the development might not occur is reasonable. Also, fees paid only when development occurs will mean that funding is sporadic and not conducive to long-term community/City programs.

Clearly, Bayer is planning for success, and therefore we propose calculating process efficiencies and Development Impact Fees on the full 30-year buildout potential using the full present value to set the first-year community benefit investment level (i.e.  $\frac{1}{30}$  of the total theoretical community benefits and impact fees) with annual escalations. We believe that this provides a consistent funding structure that will better support long-term community programs with foreseeable stability and assurance.

The following table offers a simple proposal summary of the community investments that include the calculated Development Impact Fees as well as the community benefit investments.

<b>Item</b>	
Year 1 Impact Fees & Community Investments (2022)	\$720,000
Year 30 Impact Fees & Community Investments (2051)	\$1,300,000

*Annual escalation rate: 2%*



## Development impact fees and community benefits together

Categories	Impact Fees	Community Benefits	Annual Total
Biotechnology + STEM CTE		300,000	300,000
Community Resiliency		100,000	100,000
Affordable Housing	50,000	100,000	150,000
Childcare	15,000		15,000
Percent for art	155,000		155,000
	<b>\$220,000</b>	<b>\$500,000</b>	<b>\$720,000</b>

**Notes:**

1. Updated offer still includes an annual escalation of 2%  
In year 2051 impact fees & community benefits would total \$1,300,000, accounting for the escalations
2. Previous offer was \$500,000 and reflected community benefits inclusive of payments to support housing, childcare and the arts with no additional impact fees.

**Benado, Tony**

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**From:** Maryann OSullivan <maryannosullivan1@gmail.com>  
**Sent:** Sunday, July 18, 2021 10:27 AM  
**To:** All Council  
**Cc:** City Clerk; Taplin, Terry  
**Subject:** Bayer - Community Benefit contribution

**WARNING:** This is not a City of Berkeley email. Do not click links or attachments unless you trust the sender and know the content is safe.

Dear City Council members

I live in West Berkeley and I urge you to maximize Bayer HealthCare's Community Benefit contribution to West Berkeley as part of its recent Development Agreement. I'm grateful to Terry Taplin for the work he's done to maximize this contribution to help support those most in need in our community.

Thank you.

Sincerely, Maryann O'Sullivan

--

Maryann O'Sullivan

510 757 7942 cell

[maryannosullivan1@gmail.com](mailto:maryannosullivan1@gmail.com)

<http://www.linkedin.com/in/maryannosullivan>