



<http://www.genomeweb.com/bioregionnews/2008-financial-woes-will-impact-regional-bioscience-economic-efforts-through-2009>

January 5, 2009

## **2008 Financial Woes Will Impact Regional Bioscience Economic Efforts Through 2009**

### **Bay Area, State Struggle with Slowdown; Stem Cell Agency Faces Scrutiny**

The San Francisco Bay Area finds itself this year in the unusual circumstance of scrambling to revive its life sciences real estate market, buffeted as elsewhere in the US by the effects of the economic slowdown.

“The market is flattening, to softening a bit on the life science side. Rents are not going up. There’s a relative interest in available, previously improved, re-let space,” said Robert Schwartz, a senior vice president and northern California representative in the national life science practice group of the commercial real estate firm Colliers International.

However, the Bay Area continues to enjoy advantages over other areas of the US for life-sci, said Matthew Gardner, president and CEO of BayBio, the life-sci industry group for the Bay Area and northern California. Among them: The region still attracts the most venture capital of any region in the US. And the stock prices of public life-sci companies have held their own at a time when they have plunged for companies in most other industries.

“The industry is not strictly speaking countercyclical, but it’s as close to anti-cyclical as you can possibly get. The industry’s timelines are much more dependent on product development cycles than economic cycles,” Gardner said. “At the back end of that product development cycle, there’s a healthcare community that’s always going to need to treat sick people. That is part of what continues to keep demand there for unmet medical needs.”

He said his group is weeks away from announcing its legislative priorities for the coming year. BayBio, its San Diego counterpart BIOCUM, and the Los Angeles-area Southern California Biomedical Council met with success in September when Gov. Arnold Schwarzenegger and legislative leaders agreed on a \$143 billion spending plan that extended from 10 to 20 years their carry-forwards on tax deductions on their net operating losses. But in a bow to the shaky

economy, the budget also suspended the incentive for this fiscal year and next [[BRN, Sept. 22, 2008](#)].

---

*“It’s going to be a tough year for economic development initiatives.”*

---

The industry’s ability to repeat that success in 2009 with other priorities is uncertain at best, since California’s economy has worsened in the three months since the budget deal. The state budget shortfall has ballooned into a combined \$41.8 billion chasm projected for this year and next that lawmakers and Schwarzenegger will spend much of the year scrambling to plug. The state’s three

regional industry groups joined last summer to form an alliance aimed at amplifying its voice on state as well as federal issues.

“It’s going to be a tough year for economic development initiatives,” Gardner said. “We’re going to continue to have to be creative in all of our partnerships with government, in looking for ways that they can support industry’s growth. More and more, we see that our leadership position is threatened every day by the tremendous investment being made, not only around the US but increasingly globally.”

In 2009 the money scramble may, for the first time, affect the operations of California’s stem cell research funding agency. The California Institute for Regenerative Medicine has operated until now from proceeds of state bonds issued well before the economy soured.

Later this month, however, CIRM’s governing board will consider a contingency financing plan that could include a private placement with philanthropic investors, as well as bond anticipation notes. The plan is in response to the state’s suspension of bond sales due to the budget shortfall and inability to date of lawmakers to address it. A CIRM spokesman told the *San Francisco Business Times* last month that the agency can fund existing grant programs and new grants through July 2009, after which the agency would use reserve funds to monitor existing grants, manage its standards review processes, and carry out office operations for another 12 months.

Money woes aren’t the only challenge faced by CIRM this year. The agency will continue defending its structure and performance from reform efforts expected to arise from an inquiry into CIRM by California’s Milton Marks, or “Little Hoover,” Commission on California State Government Organization and Economy.

On Jan. 22, Little Hoover is set to resume its hearing into CIRM and its governing board, the Independent Citizens' Oversight Committee, with an eye to possible changes aimed to eliminating conflicts of interest among researchers seeking funding from the agency. The inquiry was sought by lawmakers as the original purpose of [Senate Bill 1565](#), ultimately rewritten to address drug access and governance issues affecting CIRM.

That bill passed both houses of California's state legislature in 2008 before being vetoed last September by Schwarzenegger, who sided with patient advocates in objecting to a provision that would lower, from two-thirds to a simple majority, the margin needed for an advisory panel to recommend funding for applications that present what lawmakers consider a "vital research opportunity." [[BRN, Sept. 29, 2008](#)].

For its part, CIRM will spend 2009 reaching out to researchers and the public in crafting a revised strategy that seeks over the next eight years to increase funding opportunities for biotech companies performing stem-cell research, perform more public and legislative outreach, and hire additional grant reviewers. [[BRN, Dec. 15, 2008](#)].