

THE REDEVELOPMENT AGENCY OF THE CITY OF SAN JOSE

MEMORANDUM

TO: REDEVELOPMENT AGENCY BOARD	FROM: HARRY S. MAVROGENES EXECUTIVE DIRECTOR
SUBJECT: STATUS OF CITY INCUBATORS	DATE: APRIL 28, 2009

INFORMATION

At the March 17, 2009, City Council meeting, there was a brief discussion about San Jose's business incubators, which were referenced in the Mayor's March Budget Message. In response to a Council request for additional information, this memorandum provides data about the incubators that is current as of January 2009.

General information about the incubators:

- ⌘ There are four business incubators currently funded by the Redevelopment Agency: the Software Business Cluster (SBC), the Environmental Business Cluster (EBC), the U.S. Market Access Center (US MAC) and the BioCenter. All except the BioCenter are located in the Downtown. The SBC and the EBC were started in 1994, the US MAC in 1995 and the BioCenter in 2004. Attached are aerial photos of the four locations.
- ⌘ The Agency pays approximately \$1.3 million in annual rent for all four incubators.
- ⌘ The Agency also funds office space leases for the Entrepreneur Center, a coalition of small business service providers, and SDForum, a technology business support program, for approximately \$450,000 annually. The Entrepreneur Center and SD Forum are both located in the Downtown.
- ⌘ There are currently 72 companies residing in the four incubators with a total of 327 full time employees. In addition to resident companies, there are currently 48 "affiliate" companies that are not tenants, but which pay fees for technical assistance provided by the incubator staffs.
- ⌘ Since their inception, 326 companies have graduated from the incubators; 88 percent of the companies are still in business which is consistent with the national average reported by the National Business Incubation Association. (Many of the remaining companies are no longer in business or have been acquired by, or merged with, other companies.)
- ⌘ Thirty-one of the 326 companies are currently located in San Jose. While the retention rate seems low, it is important to consider the estimated \$1.68 billion of capital and equity funding raised by existing and graduate tenants and the impact of that investment in the local economy.

Specific questions that were raised at the March 17th Council meeting and responses:

- How to strengthen the program through growth targets?

Growth targets would be typically set in the company's business plan. At the appropriate stage in their development, funding and technical assistance is provided from venture capitalists and industry experts. The companies also receive ongoing mentoring from incubator staff.

- What assistance can be provided to these companies as they graduate and develop into full-fledged companies that contribute to the local economy?

The City and the Agency currently have a number of business assistance programs targeted toward emerging technology and other fast growth companies. These programs include:

- Enterprise Zone – provides state tax credits to businesses
- Special Tenant Improvement Program – provides industrial users with fast track permitting assistance for tenant improvements
- Emerging Technology Fund – funds available for equipment reimbursement used in industrial or manufacturing facilities
- Clean Technology Fund – funds available for equipment reimbursement used in industrial or manufacturing facilities
- Employment Training Panel Program – state funds available for employee training
- Federal Economic Stimulus Training Funds – federal funds for customized, on-the-job training

- How does the City/Agency help these companies graduate and expand?

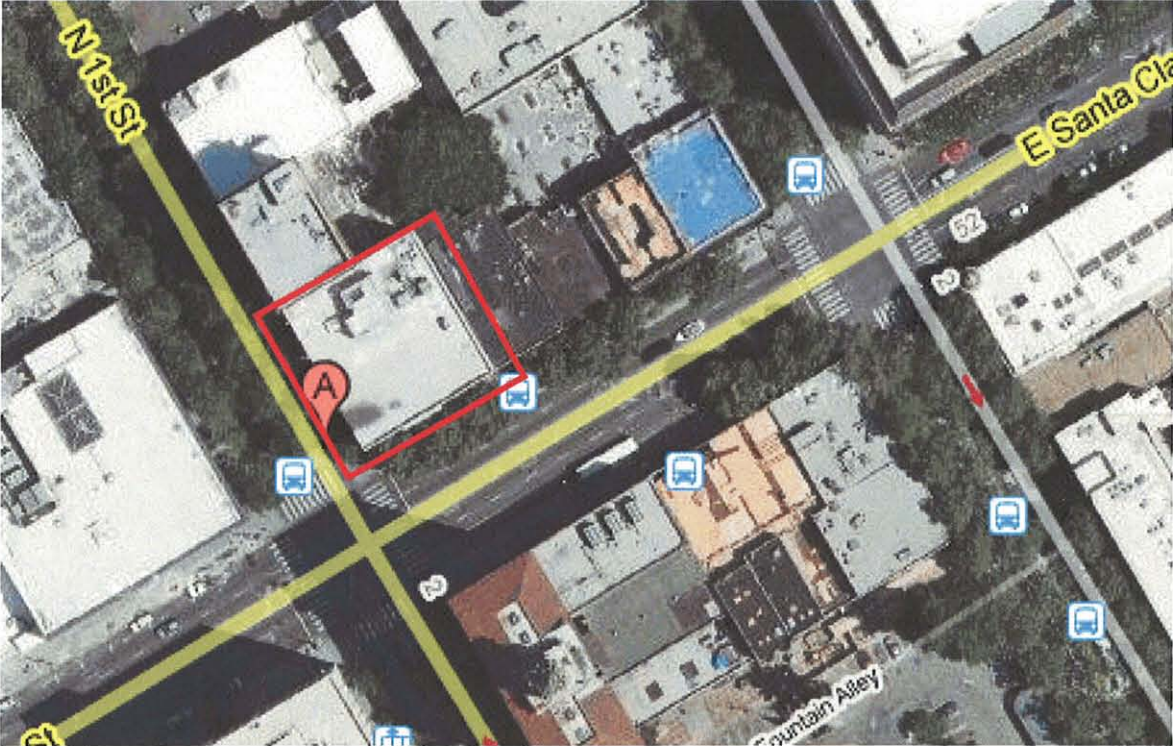
Incubator companies ready to graduate and expand are provided assistance with site location and access to the assistance programs described above.



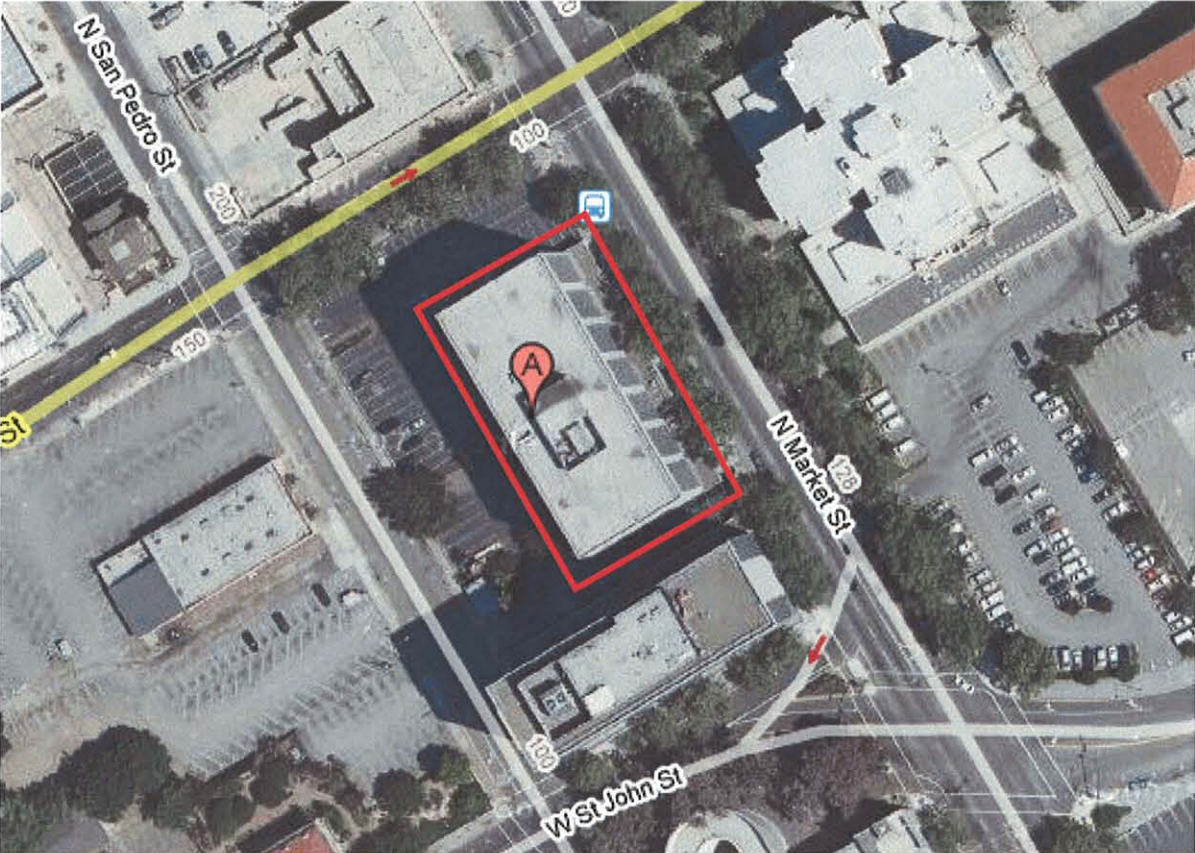
HARRY S. MAVROGENES
Executive Director

Attachment

Software Business Cluster/Environmental Business Cluster
2 North 1st Street



U.S. Market Access Center
111 North Market Street



San Jose BioCenter
5941 Optical Court

