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BAYBIONOTES



PUBLIC POLICY Senator Frist Supports Expansion of Stem Cell Research

"It's time for a modified policy – the right policy for this moment in time." These were the words Senator Bill Frist, MD, used to close his speech on the Senate floor July 29th . . . [> Read More](#)

GUEST COLUMN BizCosts.com: What it Costs to Operate a Biotechnology Facility

A new BizCosts® study compares the cost of operating a typical biotech facility in the top 60 current and emerging biotech hubs in North America. The study, prepared by the Princeton, NJ-based site selection firm, The Boyd Company, Inc., . . . [> Read More](#)

ENTREPRENEURSHIP COLUMN The Business and Financing of Stem Cell Research

To anyone who is following the progression of Prop 71, it is confounding to figure out what the grant program will ultimately be for the CiRM. With lawsuits surrounding the CiRM, it may be another six months to a year before grant money is in the hands of entrepreneurs. . . [> Read More](#)

Welcome to BayBioNOTES

BayBio's monthly newsletter featuring articles about bioscience in the Bay Area



PRESIDENT'S DESK A Very Public Thank You

There is little doubt that things have changed around BayBio. In fact, around the country there is a new generation of association directors emerging in our sister organizations. From British Columbia to Boston to Minnesota . . . [> Read More](#)

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BayBio welcomes this month's New Members!

2nd Story Media
Bay Area Biotechnology Education Consortium
BSV BioSciences, Inc.
Schinner Law Group

Partners



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Guest Column

BizCosts.com: What it Costs to Operate a Biotechnology Facility

By John Boyd, Jr., Principal Research and Marketing Director for BizCosts.com

60 Top Current and Emerging North American Biotech Hubs

A new BizCosts® study compares the cost of operating a typical biotech facility in the top 60 current and emerging biotech hubs in North America. The study, prepared by the Princeton, NJ-based site selection firm, The Boyd Company, Inc., focuses on all the major cost drivers of the corporate site selection process. These include salaries for employees with advanced degrees in the life sciences, wages for workers in other laboratory and administrative support positions, fringe benefits, utilities, lease rates, construction costs, property and sales tax costs, and other geographically-variable operating costs.

Locations featured in the study include long-standing centers of the biotechnology industry such as Boston, Montgomery County, MD, San Francisco and San Diego as well as emerging new hubs of the biotech and biopharmaceutical industries. The latter include smaller market areas such as the Lehigh Valley, PA, Oklahoma City, OK, and Madison, WI.

"Today, operating costs are the white hot issue in the boardrooms of our life science clients and they are tending to rule the site selection process." With a softened economy, worldwide free trade competition, cost containment pressures from the government, and a lean and mean message being sent by the post dot-com crash venture capital community, quantitative factors focusing on the cost of doing business are trumping qualitative lifestyle factors when it comes down to siting a new biotech facility.

Operating cost differentials between an acceptable city and an optimum biotech site can be very substantial, running into the millions of dollars per year. Total annual operating costs in the new BizCosts® Report are documented for both a new construction assumption and a lease assumption. Construction assumption costs in the study range from a high of \$22.4 million in San Francisco, CA, to a low of \$15.3 million in Oklahoma City, OK. For the lease assumption, costs range from a high of \$19.4 million in San Francisco, CA, to a low of \$14.2 in Montreal, Quebec.

BizCosts®: What it Costs to Operate a Biotech Facility

	San Francisco CA Metro Area	Chicago IL Metro Area	Philadelphia PA Metro Area	San Antonio TX Metro Area
Nonexempt Labor				
Weighted Average Annual Earnings	\$54,453	\$50,745	\$49,495	\$44,522
Annual Base Payroll Costs	\$10,890,600	\$10,149,000	\$9,899,000	\$8,904,400
Fringe Benefits	\$3,920,616	\$3,653,640	\$3,563,640	\$3,205,584
Total Annual Labor Costs	\$14,811,216	\$13,802,640	\$13,462,640	\$12,109,984
Electric Power and Natural Gas Costs	\$471,540	\$345,660	\$468,720	\$224,160
Amortization Costs	\$5,422,114	\$3,061,452	\$2,545,645	\$1,726,852
Property and Sales Tax Costs	\$1,436,921	\$1,414,134	\$1,306,846	\$1,169,062
Lease Costs	\$3,264,000	\$2,245,000	\$2,448,000	\$2,030,000
Heating and Air Conditioning Costs	\$123,470	\$280,000	\$348,272	\$125,162
Corporate Travel Costs	\$149,848	\$161,284	\$149,428	\$109,536
Total Annual Geographically-Variable Operating Costs	\$22,415,109	\$19,065,170	\$19,281,551	\$15,464,756
Total Annual Geographically-Variable Operating Costs	\$19,438,824	\$17,438,334	\$17,357,060	\$15,202,592

NOTES:

(1) Includes all major geographically-variable operating costs for a 200 worker 100,000 sq. ft. biotech facility. Start-up and relocation costs not considered.

Source: BizCosts.com

In today's competitive recruiting and operating cost climate, there is a growing shift of biotechnology investment from many of the larger and more costly centers of life science industry concentration in New England and California to smaller, more manageable, and less costly metropolitan areas in other regions of the country. A good example of this trend is San Diego-based Scripp's selection of Palm Beach County, FL for its newest biomedical research lab. Other small market trend examples include Yamanouchi Pharma's move from San Francisco to Norman, OK, and DuPont's relocation of its nutrition division from Wilmington to Des Moines, IA.

Also, states like Texas and Florida which have no state personal income tax provide additional relocation benefits to biotech transferees by enabling them to keep more of what they earn. A lower cost of living, especially the ability to buy more house for the money, are additional advantages of these smaller market cities. This is particularly the case when compared to the extremely high housing costs associated with traditional biotech industry hubs like San Francisco, Boston, northern New Jersey, and the Washington, DC, suburb Montgomery County, MD. It is increasingly difficult for our clients to attract young, entry-level talent to these locations, principally due to the prohibitively expensive housing markets there.

Canada continues to offer a low cost environment for the biotechnology industry, even with the double digit rise in the Canadian dollar versus the U.S greenback during the past year. Biotech companies can save additional labor costs in the area of fringe benefits due to Canada's nationalized healthcare system. Our biopharmaceutical clients in the States typically pay about 30 to 40 percent of their payroll for benefits (mostly healthcare-related). The same figure in Canada is 15 to 20 percent.

Additional Information and the Full BizCosts® Report

Additional information as well as the complete and downloadable BizCosts® Report are available for purchase at the [BizCosts® website](http://BizCosts.com).

About John Boyd, Jr.

John Boyd, Jr., is the Principal Research and Marketing Director for BizCosts.com. BizCosts® is the proprietary data bank of Princeton, NJ based the Boyd Company, Inc., and shapes the firm's domestic and international corporate site selection counsel. Founded in 1975, the Boyd Company, Inc. has counseled firms such as Time Inc.; PepsiCo; JP Morgan Chase; Mayne Pharma; Rhone Poulenc; and others where to locate plants and offices throughout the world. Website: www.theboydcompany.com. Phone: (609) 890-0726.