

**SUBJECT:** Creating a biotechnology park in Houston

**COMMITTEE:** Economic Development — committee substitute recommended

**VOTE:** 9 ayes — Solis, Keffer, Clark, Deshotel, Homer, Luna, McClendon, Seaman, Yarbrough  
0 nays

**WITNESSES:** For — John David Enloe, Jr., Introgen Therapeutics, Inc.; Timothy R. Graves; *Registered but did not testify:* Jill Aslakson, Texas Healthcare and Bioscience Institute; Richard Cron, Harris County Judges; Kent Fuller, U.P. Marketing, Greater Houston Partnership; Tom Kleinworth, Baylor College of Medicine; Tim Schauer, Memorial Hermann Healthcare System  
Against — None  
On — John Mendelson, University of Texas (UT) M.D. Anderson Cancer Center

**DIGEST:** HB 3309 would establish the Southeast Texas Biotechnology Park Coalition as a public-private partnership with the purpose of developing, funding, and operating a biotechnology research and development park in the Texas Medical Center area of Houston.  
  
The bill would allow the Southeast Texas Biotechnology Park to be developed on state-owned land made available for that purpose, as well as on land acquired by the state, a coalition member, or a nonprofit corporation created by the coalition to develop and operate the park. The bill would require any leases that produced revenue to state institutions participating in the development of the park to be at market rates.  
  
The park would be operated for the purposes of:  

- ! furthering the mission of the coalition members;
- ! economic development of the state from the commercialization of biotechnology research, including the production of net revenue to the

- state and coalition members;
- ! recruiting and retaining leading scientists and established biotechnology enterprises; and
- ! supporting the growth and development of new biotechnology enterprises.

The coalition would be composed of public and private health-related institutions, nonprofit organizations, and governmental institutions, including Baylor College of Medicine, Johnson Space Center, Memorial Hermann Health Care System, Rice University, St. Luke's Episcopal Health System/Texas Heart Institute, Texas Southern University, TIRR Systems, The University of Houston System, UT M.D. Anderson Cancer Center, UT Medical Branch at Galveston, and UT Health Science Center at Houston.

The bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2001.

**SUPPORTERS  
SAY:**

With the largest medical center in the world and the second largest medical research budget in the United States, the city of Houston ought to be one of the top producers of biotechnology firms and products in the nation. Instead, Texas lags behind several other states in biotechnology development. HB 3309 would establish a biotechnology coalition to create and operate a biotechnology park in Houston to commercialize the city's research and expertise and to create a vibrant new sector in the Texas economy.

In the next few decades, the biotechnology revolution will be as important to the economy as the information technology revolution has been. The industry's sales have been growing at 20 percent per year, with annual revenues of \$20 billion across the United States. Yet, despite an investment of about \$1.5 billion in biotechnology research, Houston only produces about five biotechnology companies a year, according to a McKinsey report. Boston, which has a nearly identical investment at \$1.6 billion per year, produces about 50 companies each year, while San Diego and San Francisco, which have budgets of about \$0.4 billion and \$0.7 billion, respectively, produced over 70 companies each. Houston and the state of Texas should be gaining more from their biotechnology investment, and a biotechnology park would help the city and state capitalize on this investment. When completed, the park would create an estimated 23,000 jobs and add \$1.5 billion annually

to the gross state product. The fiscal note estimates that leases from biotechnology park properties on state land would generate about \$2.9 million in revenue through the biennium ending August 31, 2003.

The biotechnology park also would help the state's universities attract the top faculty since today's researchers increasingly are interested in working with companies to apply what they have discovered. Conversely, companies enjoy partnerships with research facilities to better understand and capitalize on the latest advances. Private companies also may fund dedicated research, which would add to the state's investment in biotechnology.

HB 3309 would not appropriate any money for the development or operation of the biotechnology park. Ninety percent of the money to build the park would come from private industry and investors. The city and county also has agreed to contribute some of the funding. It is important, however, that the state express its commitment to this project and create a foundation for considering later funding that would strengthen the state economy and create new state revenues.

OPPONENTS  
SAY:

HB 3309 is unnecessary. The institutions and businesses interested in creating a biotechnology park have already formed a coalition and will break ground on the first building at the end of this year. This project can proceed without codification in statute. Moreover, by placing this project in statute, the state would create an assumption of later funding. While this project is worthwhile, the state should not appropriate money to a project that can be funded through private and city initiatives, particularly considering the state's other important funding priorities.

The purposes of the coalition that would be created by HB 3309 are too broad. The bill would allow the park to be operated to further the mission of the coalition members, which includes a diverse group of private and public institutions. The missions of these coalition members, particularly private industry members whose missions typically center on profit, could conflict with state goals or policy.

OTHER  
OPPONENTS  
SAY:

The state should contribute funding for infrastructure, such as roads and drainage improvements, to ensure the viability of this important project.

NOTES:

The committee substitute removed a provision in the original bill that would have authorized the state to appropriate funds to develop infrastructure for the park, including roads, drainage improvements, utilities, and landscaping.

The companion bill, SB 1579 by Ellis, was referred to the Senate State Affairs Committee.

Article 11 of the House version of SB 1 by Ellis, the general appropriations bill for fiscal 2002-03, now in conference committee, contains a rider for Truvested Programs under the General Land Office that would appropriate \$5 million for the purchase or lease of property, including infrastructure improvements to that property, for the development of a biotechnology park in Houston. The Senate version of the bill contains a similar Article 11 request for \$20 million.