



SAN FRANCISCO PLANNING DEPARTMENT

March 16, 2011

Ms. Terezia Nemeth
Vice President Asset Services and Development, Mission Bay
Alexandria Real Estate Equities, Inc.
1700 Owens Street, Suite 590
San Francisco CA 94158

Re: Property Transfers within the Alexandria Life Sciences & Technology District

Dear Ms. Nemeth,

Thank you for your letters of November 5 and December 7, 2010, regarding certain property transfers within the Alexandria Mission Bay Life Sciences and Technology Development District ("the District"). *This letter supersedes my letter to you of March 9, 2011.*

Background. Established by Planning Commission Motion Number 17709 ("the Motion"), the District was created in October of 2008 with a total possible allocation of 1,350,000 square feet of office space to be used both by previously allocated office space and future allocations at designated buildings within the District. Of the total 1.35 million square feet, 227,020 square feet is to be allocated only upon request and in specific annual allotments on October 18 of 2009, 2010 and 2011. Under the specific terms of the Motion, and in deference to the nature and flexibility of modern life science and technology tenants, buildings in the District are assumed to have no more than one-half of their total floor area occupied as office space. This ratio of office to non-office usage applies throughout the District such that individual buildings may offer different individual ratios so long as the District-wide ratio remains at or below one-half office space.

Reporting. Condition 3 of Exhibit A of the Motion requires that the Project Sponsor submit a report to the Zoning Administrator ("Report") prior to February 17 and September 17 each year describing the area of built-out space for each building in the District along with the leasable square footage utilized as office space.

The most recent required Report that was submitted to the Planning Department is dated January 2010. Despite Departmental authorizations to allocate of a total of 1,122,980 square feet of office space to various buildings within the District, the report indicates that a total of only 87,567 square feet are being utilized as allocated office space.

Transfer. Condition 4 of Exhibit A of the Motion requires that any transfer of property ownership within the District be reported to the Zoning Administrator so that the maximum office allocation for the transferred site be finalized and the total remaining allocation available within the District be adjusted accordingly.

Your December 7th letter indicates that on November 1, 2010, three transfers took place: (1) Mission Bay South Development Blocks 29, 30, 31, and 32 [a.k.a. Assessor's Block 8722, Lots 001 and 008] to which 677,020 square feet of office space has been allocated, (2) 1455 Third Street [a.k.a. Assessor's Block 8721, Lot 033] and 1515 Third Street [a.k.a. Assessor's Block 8721, Lot 029] to which 422,980 square feet of office space has been allocated, and (3) Mission Bay South Development Blocks 33 and 34 [a.k.a. Assessor's Block 8725, Lots 001 and 004] to which zero square feet of office space has been allocated. These transfers account for a total of 1.1 million square feet of allocated office space. Your letter states that, in compliance with the Motion, Notices of Special Restrictions (NSR's) will be

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recorded against both the transferred properties and remaining properties in the District in order to reflect this activity.

Conclusions. Based on the foregoing, my findings are as follows:

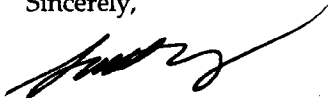
1. Your November 5th letter requested that a further 200,000 square feet of office space be authorized for the District as set forth in Condition 5 of Exhibit A of the Motion. Pursuant to the terms of the Motion, the requested space is hereby so authorized. When aggregated with the 1,122,980 square feet of office space authorized by the Planning Commission in previous years, this yields a total office square footage authorization of 1,322,980 square feet. Pursuant to the terms of the Motion, this authorized space is yours to be allocated within the District as you see fit.
2. Your December 7th letter indicated that you have chosen to allocate 1.1 million square feet of authorized office space to properties which are in the District but are no longer owned by the Project Sponsor or its subsidiaries. Deducting this allocation from the total 1,322,980 authorized square feet of office space yields 222,980 remaining authorized square feet to be allocated within the District as you see fit.
3. The most recent Report indicated that a total of 87,567 authorized square feet of office space has been allocated to properties which are in the District and that continue to be owned by the Project Sponsor. Deducting this allocation from the remaining 222,980 authorized square feet of office space yields 135,413 remaining authorized square feet for your allocation within the District.
4. Under the terms of the Motion, 27,020 additional authorized square feet will become available at your request and for your exclusive allocation on October 18, 2011. When aggregated with the current remaining 135,413 authorized office square feet, a total of 162,433 authorized office square feet will be available for allocation within the District as you see fit.
5. Aggregating the current remaining 135,413 square feet of authorized (but unallocated) office square feet along with the presumed future authorization of 27,020 office square feet and the 87,567 square feet of office space already allocated but still within the Sponsor's control yields a total of 250,000 square feet of future remaining cumulative authorization. The Motion explicitly allows for flexibility and future transfers of both authorized *and allocated* office space. For example, if you should wish to re-allocate some or all of the 87,567 square feet of office space that is currently allocated to properties that you own within the District, you are free to do so, so long as you report any such re-allocation to the Department pursuant to the terms of the Motion.

Requirements. As set forth in Condition 3 of the Motion, please submit a revised report at your earliest convenience. Additionally, we would ask that you please transmit to us copies of the NSR's recorded in connection with the recent property transfers.

We appreciate your continued compliance with the terms of the Motion and look forward to further discussions as the District matures. If you have questions about this letter or other issues relating to the District, please contact Daniel Sider of my staff at (415) 558-6697 or at dan.sider@sfgov.org.

APPEAL: If you believe this determination represents an error in interpretation of the Planning Code or abuse in discretion by the Zoning Administrator, an appeal may be filed with the Board of Appeals within 15 days of the date of this letter. For information regarding the appeals process, please contact the Board of Appeals located at 1650 Mission Street, Room 304, San Francisco, or call (415) 575-6880.

Sincerely,



Scott F. Sanchez
Zoning Administrator

cc: Daniel A. Sider, Planning Department

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