

Illumina expanding, with San Diego's help

By [Bradley J. Fikes \(/staff/bradley-fikes/\)](#) 1 a.m. July 15, 2014



The new manufacturing building to be constructed on the campus of Illumina, San Diego's biggest biotech company. — *John Gastaldo*

Genome sequencing giant Illumina, San Diego's biggest biotech company, is about to get bigger. And the fruits of that growth will stay in San Diego, company and economic development officials say.

Illumina will enlarge its manufacturing operations, to make supplies for its array of DNA sequencing devices. The expansion will enable Illumina to eventually add about 300 manufacturing employees to its local payroll of about 1,500, said Marc Stapley, the company's chief financial officer.

In return, Illumina will get a rebate of up to a total of \$1.5 million in sales taxes it would otherwise pay as it grows.

Mayor [Kevin Faulconer](http://www.sandiego.gov/mayor/) (<http://www.sandiego.gov/mayor/>) and Illumina Chief Executive [Jay Flatley](http://www.utsandiego.com/news/2013/oct/21/illumina-jay-flatley/) (<http://www.utsandiego.com/news/2013/oct/21/illumina-jay-flatley/>) are scheduled to make an official announcement of the plan today.

Illumina is going to relocate an existing manufacturing operation in San Diego to its headquarters off of I-805, Stapley said. About 100 employees work at a 60,000 square-foot building in Carroll Park.

"The site we're adding at our headquarters is 150,000 square feet," Stapley said. "And that's going to house a lot more than those 100 employees."

With a market value exceeding \$20 billion, Illumina is by far the highest-valued biotech company in San Diego County. It provides an anchor identity for biotechnology in much the same way that Qualcomm does for telecommunications. (Qualcomm, with a market value exceeding \$130 billion, is one of the very few local companies bigger than Illumina.)

Companies like Illumina are important to providing jobs in this technologically sophisticated but expensive part of the country. Keeping them here and adding to their employment base is a major economic priority for the city.

Illumina had considered expanding in other locations such as Memphis, Tenn., Stapley said. But a sales tax reduction deal developed by Mayor Kevin Faulconer's office and the San Diego Regional Economic Development Corp. tipped the balance toward building here, Stapley said.

"The city helped to make the business case more compelling to (expand) here in San Diego than other options that we had," Stapley said.

The agreement is scheduled to go before the San Diego City Council next week for approval, which Faulconer's office said is very likely.

The sales tax rebate of up to \$1.5 million total over the deal's 10-year life span is the main component of what is called the Economic Development Incentive Agreement, said Almis Udrys, who led discussions on behalf of the mayor.

"It's not immediate," Udrys said. "We offered them this rebate that they can claim, but only at the time after which they've generated additional sales taxes to the city of San Diego, compared to a benchmark year, the most recent year."

Once the city verifies the additional sales tax revenue, Illumina can get a rebate of 70 percent of that additional revenue, up to the \$1.5 million total rebate limit. On any revenue above that limit, Illumina will pay the entire amount normally due.

Last year, Illumina paid about \$1.3 million in sales and use tax revenue to the city, which provides the baseline figure.

"This makes them our 12th-largest sales tax generator in the city," Udrys said.

San Diego story

The sales tax rebate is a "pittance" to what other regions were offering, especially Memphis, said Mark Cafferty, president and CEO of the San Diego Regional EDC.

"But Jay Flatley sees them as a San Diego story," Cafferty said. "He sees this as a California story. It was very clear, in my opinion, working with Illumina, that they were working very hard to keep an investment in San Diego, because they believe the quality of the people who've done this work here is that important to the future of their work."

Biopharmaceutical employees earn an average wage of nearly \$139,000 per year, while those focused on medical devices and diagnostics bring in an average of nearly \$99,000 annually, according to a 2013 report from Biocom, the San Diego-based life-sciences trade group.

Illumina's importance to life sciences and to San Diego has grown tremendously since its founding in 1998. In the last several years, Illumina has become the undisputed top maker of DNA sequencers, which serve customers of various sizes.

By vastly reducing the cost of sequencing, Illumina has greatly expanded the size of its market, as applications once uneconomical suddenly become feasible. This is important to developing health care applications, as tens of thousands of human genomes must be sequenced and compared to find the variants and mutations that affect health and disease.

In January, Illumina introduced its top of the line HiSeq X Ten systems. Selling for \$10 million, the systems can sequence human genomes for less than \$1,000 apiece, when heavily used.

Last week, Illumina said the British government had selected Illumina's British subsidiary as its preferred partner for its 100,000 Genomes Project. As the name implies, that project's goal is to sift through 100,000 genomes to help research new treatments and better deliver existing treatments.

Such a program would have been unthinkable until very recently: in 2006, the cost per genome was \$10 million. So the raw cost of sequencing 100,000 genomes then would have totaled about \$1 trillion, compared to about \$100 million now.

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