

FOR CONSIDERATION

August 18, 2011

TO: The Directors

FROM: Kenneth Adams

SUBJECT: Tarrytown (Mid-Hudson Region – Westchester County) – Regeneron Pharmaceuticals Capital – Empire State Economic Development Fund – General Development Financing (Capital Grant)

REQUEST FOR: Findings and Determinations Pursuant to Sections 16-m and 10 (g) of the Act; Authorization to Adopt the Proposed General Project Plan; Authorization to Make a Grant and to Take Related Actions

General Project Plan

I. Project Summary

Grantee: Regeneron Pharmaceuticals, Inc. (“Regeneron” or the “Company”)

ESD* Investment: A grant of up to \$4,000,000 to be used for a portion of the cost of construction, building improvements and purchase of new machinery and equipment.

* The New York State Urban Development Corporation doing business as the Empire State Development Corporation (“ESD” or the “Corporation”)

Project Locations: 777 Old Saw Mill River Road, Tarrytown, Westchester County*
81 Columbia Turnpike, Rensselaer, Rensselaer County

*Project activity site; other is job-retention site

Proposed Project: Construction of a new 229,000-square-foot headquarters including laboratory and office space and purchase of new machinery and equipment.

ESD Incentive Offer Accepted: June 20, 2006

Project Completion: September 2009

Number of Employees at Project Location:

Initial employment at time of ESD Incentive Offer:	565
Current employment level:	565
Minimum employment through January 1, 2012:	565

Grantee Contact: Joanne R. Deyo, Vice President, Facilities
777 Old Saw Mill River Road
Tarrytown, NY 10591-6707
Phone: (914) 345-7407
Fax: (914) 345-7991

Anticipated
Appropriation

Source: Empire State Economic Development Fund

ESD Project No.: T903

Project Team:	Origination	Jeff Janiszewski,
	Project Management	Javier Roman-Morales
	Affirmative Action	Denise Ross
	Finance	Freeman Ross
	Environmental	Soo Kang

Regional Council: The Mid-Hudson Regional Council has been made aware of this item.

II. Project Cost and Financing Sources

<u>Financing Uses</u>	<u>Amount</u>
Construction/Leasehold	
Improvements: Shell and Fit-out	\$91,800,000
Machinery, Furniture & Fixtures	13,600,000
Consulting, Design and Permits	5,100,000
Relocation	<u>600,000</u>
Total Project Costs	<u>\$111,100,000</u>

<u>Financing Sources</u>	<u>Amount</u>	<u>Percent</u>
ESD-Grant	\$4,000,000	3.6%
Landlord/Tenant Improvement Allowance*	106,500,000	95.9%
NYSERDA	<u>600,000</u>	<u>0.5%</u>
Total Project Financing	<u>\$111,100,000</u>	<u>100.0%</u>

*As per tenant/landlord agreement, landlord contributed the Grantee’s minimum 10% equity of the project.

III. Project Description

A. Background

Regeneron is a publicly traded, fully integrated biopharmaceutical company that discovers, develops, and commercializes medicines for the treatment of serious medical conditions. Founded in 1988, the Company established its corporate headquarters and research laboratories in Tarrytown, Westchester County, and its manufacturing facility in Rensselaer to produce commercial and investigational products for its clinical trials. Regeneron also maintains a satellite office in Bridgewater, New Jersey.

In February 2008, the U.S. Food and Drug Administration (FDA) approved ARCALYST® Injection for Subcutaneous Use for the treatment of Cryopyrin-Associated Periodic Syndromes (CAPS). In addition to ARCALYST® (rilonacept), its first commercialized product, Regeneron has therapeutic candidates in Phase III (final stage) clinical trials for the potential treatment of gout, diseases of the eye and certain cancers. Additional therapeutic candidates developed from proprietary Regeneron technologies for creating fully human monoclonal antibodies are in earlier stage development programs in rheumatoid arthritis and other inflammatory conditions, pain, cholesterol reduction, allergic and immune conditions, and cancer.

In order to address growth in its scientific and corporate operations as well as its increased employment, Regeneron needed to expand its facilities. The Company considered ready-to-move spaces in several locations in New Jersey. In an effort to keep the Company in Westchester, ESD offered a \$4,000,000 incentive offer that was accepted on July 20, 2006. As a result of the project, Regeneron will retain 565 Full-time permanent jobs in the Westchester and Rensselaer locations. Without ESD funding, Regeneron would no longer be able to stay competitive within the industry and would be forced to move operations out of state.

Regeneron Pharmaceuticals has been the prior recipient of several ESDC grants and a loan. On February 19, 2004, the Directors approved a \$250,000 Biomedical and Biotechnology Initiatives Fund grant for the purchase of new machinery and equipment for the Rensselaer location. All funds were disbursed in September 2004. On August 2, 2002, the Directors approved a \$250,000 Strategic Training Alliance Program (“STRAP”) grant for the Rensselaer location for the purpose of employees training. All funds were disbursed in April 2004. On September 20, 1993, the Directors

approved a \$2,000,000 loan to expand the Company's Rensselaer facilities. In October 2001, the principal balance on the note was paid in full.

B. The Project

The project included the construction of a new research and development and corporate headquarters of approximately 229,000 square feet adjacent to the current facility. As part of a landlord/tenant agreement, the landlord/property owner, BioMed Realty Trust has constructed two building shells while the Company completed the entire building fit-out, including infrastructure, utilities, building system, laboratories and offices.

In addition, the Company purchased machinery and equipment including major specialty gas systems, backup generators, fume hoods, and other laboratory equipment needed for research. As result of the construction, renovation and equipment investment, Regeneron has retained 565 Full-time Permanent employees at the project locations.

C. Financial Terms and Conditions

1. Upon execution of the grant disbursement agreement, the Company shall pay a commitment fee of 1% of the \$4,000,000 (\$40,000) and reimburse ESD for all out-of-pocket expenses incurred in connection with the project.
2. The Company will demonstrate no material or adverse changes in its financial condition prior to disbursement.
3. The Company will be required to contribute a minimum of 10% of the total project cost in the form of equity contributed. Equity is defined as cash injected into the project by the Company or by investors, and should be auditable through Company financial statements or Company accounts, if so requested by ESD. Equity cannot be borrowed money secured by the assets in the project.
4. Prior to disbursement, the Company must employ at least the number of Full-time Permanent Employees set forth as the Baseline Employment in the table below. A Full-time Permanent Employee shall mean (a) a full-time, permanent, private-sector employee on the Grantee's payroll, who has worked at the Project Location for a minimum of thirty-five hours per week for not less than four consecutive weeks and who is entitled to receive the usual and customary fringe benefits extended by Grantee to other employees with comparable rank and duties; or (b) two part-time, permanent, private-sector employees on Grantee's payroll, who have worked at the Project Location for a combined minimum of thirty-five hours per week for not less than four consecutive weeks and who are entitled to receive the usual and customary fringe benefits extended by Grantee to other employees with comparable rank and duties.
5. Up to \$4,000,000 will be disbursed to the Grantee in three installments as follows:
 - a) an Initial Disbursement of an amount equal to 50% of the grant (\$2,000,000) will be

disbursed upon completion of the project substantially as described in these materials, including upgrades and construction of new corporate headquarters and laboratory space, purchase and installation of machinery, fixtures, furniture and equipment and start of operations as evidenced by a certificate of occupancy, and documentation of the employment of at least 565 Full-time Permanent Employees at the Project Locations and submission of documentation verifying project expenditures of \$75 million, assuming that all project approvals have been completed and funds are available;

- b) a Second Disbursement of 25% of an amount equal to the grant (\$1,000,000) will be disbursed no sooner than 12 months after the date the Initial Disbursement was made, upon documentation of the employment of at least 565 Full-time Permanent Employees at the Project Locations, provided Grantee is otherwise in compliance with program requirements;
- c) a Third Disbursement of an amount equal to 25% of the grant (\$1,000,000) will be disbursed no sooner than 24 months after the date the Initial Disbursement was made, upon documentation of the employment of at least 565 Full-time Permanent Employees at the Project Locations, provided Grantee is otherwise in compliance with program requirements.

Payment will be made upon presentation to ESD of an invoice and such other documentation as ESD may reasonably require. Expenses must be incurred on or after July 20, 2006, to be considered eligible project costs. All disbursements must be requested by April 1, 2014.

- 6. ESD may reallocate the project funds to another form of assistance, at an amount no greater than \$4,000,000, for this project if ESD determines that the reallocation of the assistance would better serve the needs of the Company and the State of New York. In no event shall the total amount of any assistance to be so reallocated exceed the total amount of assistance approved by the Directors.
- 7. In consideration for the making of the Grant, Grantee will achieve the Employment Goals set forth in Column B of the table below. If the Full-time Permanent Employee Count for the year prior to the reporting date set forth in Column A of the table below is less than eighty-five percent (85%) of the Employment Goal set forth in Column B (an "Employment Shortfall"), then upon demand by ESD, Grantee shall be obligated to repay to ESD a portion of each disbursement of the Grant, as follows:

The Recapture Amount is based on the time that has lapsed between when the Grant funds were disbursed and when the Employment Shortfall occurred. The Recapture Amount shall be calculated by aggregating the Recapture Amount for each disbursement of the Grant, which in each instance shall be equal to:

- (i) 100% of the disbursed amount if the Employment Shortfall occurred in the calendar year that the disbursement was made, or in the first full calendar year

- after the disbursement was made;
- (ii) 80% of the disbursed amount if the Employment Shortfall occurred in the second full calendar year after the disbursement was made;
- (iii) 60% of the disbursed amount if the Employment Shortfall occurred in the third full calendar year after the disbursement was made;
- (iv) 40% of the disbursed amount if the Employment Shortfall occurred in the fourth full calendar year after the disbursement was made;
- (v) 20% of the disbursed amount if the Employment Shortfall occurred in the fifth full calendar year after the disbursement was made.

The Grantee’s number of Full-time Permanent Employees shall be deemed to be the greater of the number as of the last payroll date in the month of December for such year or the average employment for the 12 month period computed by quarter.

Baseline Employment	565
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A	B
Date	Employment Goals
February 1, 2012	565
February 1, 2013	565
February 1, 2014	565

IV. Statutory Basis

1. The proposed project would promote the economic health of New York State by facilitating the creation or retention of jobs or would increase activity within a municipality or region of the state or would enhance or help to maintain the economic viability of family farms. As a result of this project, the Company will maintain its employment level including retention of 565 jobs which were at risk of relocation to ready to move location in New Jersey.
2. The proposed project would be unlikely to take place in New York State without the requested assistance. Without ESD assistance, this project would likely have been relocated to an existing facility in New Jersey.
3. The project is reasonably likely to accomplish its stated objectives and the likely benefits of the project exceed costs.

Evaluated over a seven-year period, the following are anticipated project impacts (dollar values are present value):

- Fiscal benefits to NYS government from the project are estimated at \$28,914,218;
- Fiscal cost to NYS government is estimated at \$4,000,000;

- Project cost to NYS government per direct job is \$12,420;
 - Project cost to NYS government per job (direct plus indirect) is estimated at \$8,390;
 - Ratio of project fiscal benefits to costs to NYS government is 7.23:1;
 - Fiscal benefits to all governments (state and local) are estimated at \$50,123,202;
 - Fiscal cost to all governments is \$4,000,000;
 - All government cost per direct job is \$12,420;
 - All government cost per total job is \$8,390;
 - The fiscal benefit to cost ratio for all governments is 12.53:1;
 - Economic benefits (fiscal plus total net resident disposable income from project employment) are estimated at \$316,594,397, or \$664,087 per job (direct and indirect);
 - The economic benefit to cost ratio is 79.15:1;
 - Project construction cost is \$97,500,000, which is expected to generate 732 direct job years and 367 indirect job years of employment;
 - For every permanent direct job generated by this project, an additional 0.49 indirect jobs are anticipated in the state's economy;
 - The payback period for NYS costs is one year.
- (See Project Summary Benefit-Cost Evaluation attached for detail and definitions.)

4. The requirements of Section 10(g) of the Act are satisfied.

No residential relocation is required because there are no families or individuals residing on the site.

V. Environmental Review

ESD staff has determined that the funding of tenant building fit-out and purchase of machinery and equipment constitutes a Type II action as defined by the New York State Environmental Quality Review Act ("SEQRA") and the implementing regulations of the New York State Department of Environmental Conservation.

As the project involves a newly constructed building, ESD staff has confirmed that the Town of Greenburgh Town Board, as lead agency, has completed an environmental review of the new building project, pursuant to the requirements of SEQRA and the implementing regulations of the New York State Department of Environmental Conservation (6 NYCRR Part 617). A Final Environmental Impact Statement ("FEIS") and Findings Statement has been issued by the lead agency for the project as part of the review for the Landmark at Eastview: Proposed Professional Athletic Training Facility and Research and Development Buildings. The lead agency determined that the action avoids or minimizes adverse environmental impacts to the maximum extent practicable. ESD however, was not an involved agency and therefore did not participate in the environmental review process for the project. The present request for ESD funding constitutes a Type II action, as stated above, and does not constitute an action beyond those actions already considered by the lead agency in the FEIS. Therefore, no further environmental review is required in connection with this authorization.

VI. Affirmative Action

ESD's Non-discrimination and Affirmative Action policy will apply. The Company is encouraged to include minorities and women in any job opportunities created by the project, and to solicit and utilize Minority and Women-owned Business Enterprises for any contractual opportunities generated in connection with the project.

VII. ESD Financial Assistance Subject to Availability of Funds and Additional Approval

The provision of ESD financial assistance is contingent upon the availability of funds and the approval of the State Division of the Budget.

X. Additional Submissions to Directors

Resolutions
New York State Map
Project Finance Memorandum
Cost-Benefit Analysis

August 18, 2011

Tarrytown (Mid-Hudson Region – Westchester County) – Regeneron Pharmaceuticals Capital – Empire State Economic Development Fund – General Development Financing (Capital Grant) – Findings and Determinations Pursuant to Sections 16-m and 10 (g) of the Act; Authorization to Adopt the Proposed General Project Plan; Authorization to Make a Grant and to Take Related Actions

RESOLVED, that on the basis of the materials presented to this meeting, a copy of which is hereby ordered filed with the records of the Corporation, relating to the Regeneron Pharmaceuticals Capital – Empire State Economic Development Fund – General Development Financing (Capital Grant) Project (the “Project”), the Corporation hereby determines pursuant to Sections 16-m and 10 (g) of the New York State Urban Development Corporation Act of 1968, as amended (the “Act”), that

1. The proposed project would promote the economic health of New York State by facilitating the creation or retention of jobs or would increase activity within a municipality or region of the state or would enhance or help to maintain the economic viability of family farms;
2. The project would be unlikely to take place in New York State without the requested assistance;
3. The project is reasonably likely to accomplish its stated objectives and that the likely benefits of the project exceed costs;
4. There are no families or individuals to be displaced from the project area; and be it further

RESOLVED, that the Corporation does hereby adopt, subject to the requirements of Section 16(2) of the Act, the proposed General Project Plan (the “Plan”) for the Project submitted to this meeting, together with such changes therein as the President and Chief Executive Officer of the Corporation or his designee(s) may deem appropriate, a copy of which Plan, together with such changes, is hereby ordered filed with the records of the Corporation; and be it further

RESOLVED, that upon written finding of the President and Chief Executive Officer of the Corporation or his designee(s) that no substantive negative testimony or comment has been received at the public hearing held on the Plan, such Plan shall be effective at the conclusion of such hearing, and that upon such written finding being made, the President and Chief Executive Officer of the Corporation or his designee(s) be, and each of them hereby is, authorized to make to Regeneron Pharmaceuticals, Inc. a grant for a total amount not to exceed Four Million Dollars (\$4,000,000) from the Empire State Economic Development Fund, for the purposes, and substantially on the terms and conditions, set forth in the materials presented to this meeting, with such changes as the President and Chief Executive Officer of the Corporation or his designee(s) may deem appropriate, subject to the availability of funds and the approval of the State Division of the Budget; and be it further

RESOLVED, that the President and Chief Executive Officer of the Corporation or his designee(s) be, subsequent to the making of the grant, and each of them hereby is, authorized to take such actions and make such modifications to the terms of the grant as he or she may deem necessary or appropriate in the administration of the grant; and be it further

RESOLVED, that the provision of ESD financial assistance is expressly contingent upon: (1) the approval of the Public Authorities Control Board, if applicable, and (2) receipt of all other necessary approvals; and be it further

RESOLVED, that the President and Chief Executive Officer or his designee(s) be, and each of them hereby is, authorized in the name and on behalf of the Corporation to execute and deliver any and all documents and to take all actions as he or she may in his or her sole discretion consider to be necessary or proper to effectuate the foregoing resolutions.

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