

FOR CONSIDERATION

December 21, 2017

TO: The Directors

FROM: Howard A. Zemsky

SUBJECT: East Syracuse (Central New York Region – Onondaga County) – Central New York Hub for Emerging Nano Industries Capital – SUNY Polytechnic Strategic Projects Program (Capital Grant)

REQUEST FOR: Findings and Determinations Pursuant to Section 10(g) of the Act; Authorization to Adopt the Proposed General Project Plan; Authorization to Make Grants and to Take Related Actions

General Project Plan

I. Project Summary

Grantee: NexGen Power Systems, Inc. (“NexGen” or the “Company”)

ESD* Investment: A grant of up to \$15,000,000 to be used for the purchase, delivery and qualification of machinery, equipment, and tooling

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

Project Location: 50 Collamer Crossings Parkway, Dewitt, NY 13057, Onandaga County

Proposed Project: Purchase, delivery, installation and qualification of specialized manufacturing equipment at SUNY Poly’s Central New York Hub for Emerging Nano Industries

Project Type: High-tech manufacturing based on gallium nitride (“GaN”) technology to support the production of power electronic semiconductor devices

Regional Council: The Central New York Regional Economic Development Council has been made aware of this item.

Employment:	Initial employment at time of ESD Incentive Proposal:	0
	Current employment level:	0
	Minimum employment by June 2025	290

II. Project Cost and Financing Sources

<u>Financing Uses*</u>	<u>Amount</u>
Facility Construction (AA717/AA718)	\$67,500,000
Land acquisition (AA717)	2,000,000
Tools & Equipment (AA717/AA718)	20,500,000
NexGen Tools and Equipment (AC441)	15,000,000
Total Project Costs	<u>\$105,000,000</u>

<u>Financing Sources*</u>	<u>Amount</u>	<u>Percent</u>
ESD-Grant (AA717)	\$20,000,000	19.0%
ESD-Grant (AA718)	\$70,000,000	66.7%
ESD-Grant (AC441)	\$15,000,000	14.3%

*Grants AA717 & AA718 were previously approved by the ESD Board in February of 2016. No changes to those grants are anticipated except for NexGen replacing Soraa as the beneficiary company for the project.

III. Project Description

A. Company

Industry:	Electronics manufacturing
Company History:	NexGen, headquartered in Santa Clara, California, is a privately-held company that produces power electronic semiconductor devices that are manufactured based on GaN technology. NexGen's products increase the efficiency of power conversion systems while reducing their cost, size, and weight. NexGen's business is to build and supply the most cost-effective GaN power transistors and designs to its customers and others for the data center, automotive, and clean energy sectors.
Ownership:	The Company is privately held.
ESD Involvement:	While ESD has not provided any assistance to the Company, ESD has provided grants totaling \$90 million to Fort Schuyler Management Corporation ("FSMC") for costs associated with construction of the facility that will house the project.
Past ESD Support:	None

B. The Project

Completion: est. September 2018

Activity: On February 16, 2016, the ESD Directors approved two capital grants (AA717 & AA718) totaling \$90M to FSMC for the acquisition of real property, facility and infrastructure build-out, purchase and installation of specialized manufacturing equipment at SUNY Poly's Central New York Hub for Emerging Industries. The project consists of the construction and fit-out of an 82,200-square-foot, state-of-the-art facility located 50 Collamer Crossings Parkway, Dewitt, NY 13057, Onondaga County. At the time the grants were approved by ESD, it was expected that upon completion of the facility, Soraa, Inc. would lease the facility from FSMC to establish its next generation LED manufacturing business and other related operations at the new facility.

At the present time, completion of construction of the facility is expected in February of 2018. However, due to project delays that effected Soraa's ability to get its product to market in a timely manner, FSMC and Soraa have agreed to mutually terminate their relationship. As a result, ESD and FSMC have secured a new tenant for the facility, NexGen Power Systems, Inc. ("NexGen"). NexGen is a producer of power electronic semiconductor devices that are manufactured based on gallium nitride ("GaN") technology, the same underlying material that was to be used by Soraa. NexGen's business is to build and supply the most cost effective GaN power transistors and designs for Data Center, Automotive and Clean Energy sectors.

As the material base behind Soraa and NexGen's product is the same, namely processes associated with GaN, the majority of the tooling purchased by FSMC will be purchased by FSMC and leased by FSMC to NexGen. In addition, there will be slight modifications needed to be made to the facility to house NexGen's manufacturing operation including installation of machinery, equipment & tooling which will result in additional costs to the project. These costs will be absorbed in the current \$90M grants to FSMC that were previously approved by the ESD Board. Additional tooling costs needed by NexGen will be partially funded by this grant made directly to NexGen.

Results: NexGen will replace Soraa as the beneficiary company for the project and will employ 290 new full-time permanent employees within seven years of project completion.

Business Investment

Project:

Benefit-Costs Evaluations are used in evaluating projects that are categorized as Business Investment, Infrastructure Investment, and Economic Growth Investment and that involve 1) job retention and/or creation and/or 2) construction-related activity. For Business Investment projects, benefits typically reflect the impact of both jobs and construction-related activity. For Infrastructure Investment and Economic Growth Investment projects, which generate long-term benefits not captured in the period of analysis and may involve no permanent job commitments, the estimated benefits typically reflect only construction-related activity.

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 \$12,709,459;
- Fiscal cost to NYS government is estimated at \$105,000,000;
- Project cost to NYS government per direct job is \$1,134,259;
- Project cost to NYS government per job (direct plus indirect) is estimated at \$443,710;
- Ratio of project fiscal benefits to costs to NYS government is 0.12:1;
- Fiscal benefits to all governments (state and local) are estimated at \$22,128,405;
- Fiscal cost to all governments is \$105,000,000;
- All government cost per direct job is \$1,134,259;
- All government cost per total job is \$443,710;
- The fiscal benefit to cost ratio for all governments is 0.21:1;
- Economic benefits (fiscal plus total net resident disposable income from project employment) are estimated at \$154,865,614, or \$654,433 per job (direct and indirect);
- The economic benefit to cost ratio is 1.47:1;
- Project construction cost is \$67,500,000, which is expected to generate 531 direct job years and 310 indirect job years of employment;
- For every permanent direct job generated by this project, an additional 1.57 indirect jobs are anticipated in the state's economy;
- The payback period for NYS costs is not calculated.

See Project Summary Benefit-Cost Evaluation (attached) for detail and definitions.

Grantee Contact: Dinesh Ramanathan
President and CEO
NexGen Power Systems, Inc.
2010 El Camino Road
Santa Clara Town Center, Suite 1048
Santa Clara, CA 95050

ESD Project No.: AC441

Project Team:	Project Management	Wilfredo Florentino
	Contractor & Supplier Diversity	Edwina Telemaque
	Legal	Craig Alfred
	Environmental	Soo Kang
	Finance	Jonevan Hornsby

C. Financial Terms and Conditions

1. Upon execution of the grant disbursement agreement, the Grantee shall reimburse ESD for all out-of-pocket expenses incurred in connection with the project.
2. The Grantee will be obligated to advise ESD of a material adverse change in its financial condition prior to disbursement.
3. Up to \$15,000,000 will be disbursed to the Grantee, upon receipt of the executed Grant Disbursement Agreement, into an account (the “Imprest Account”) held by ESD. These funds will be invested as per approved investment guidelines. The Grantee may, no more frequently than monthly, seek authorization to release funds from the Imprest Account to pay for all eligible project costs due and payable to vendors and/or contractors, assuming that all project approvals have been completed and funds are available. Each subsequent payment requisition, beyond the first, will include the current month’s invoices and proof of payment of invoices submitted for the previous month.

The Grantee will be required to document project expenditures of up to \$15,000,000 upon completion of the project. Any and all requests to draw down funds will be made upon presentation to ESD of an invoice and compliance with the Design & Construction requirements. Expenses must be incurred on or after April 1, 2017 to be considered reimbursable project costs.

4. ESD may reallocate the project funds to another form of assistance, at an amount no greater than \$15,000,000 for this project if ESD determines that the reallocation of the assistance would better serve the needs of the Grantee 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.

IV. Statutory Basis – Strategic Projects Program

A \$207,500,000 appropriation was included in the FY 2017-2018 New York State budget, of which \$15,000,000 is allocated to this item. No residential relocation is required in connection with the project.

V. Environmental Review

Pursuant to the State Environmental Quality Review Act (“SEQRA”), Article 8 of the Environmental Conservation Law, and its implementing regulations (6 NYCRR Part 617), ESD Directors adopted SEQRA Findings on February 18, 2016 based on the Final Environmental Impact Statement (“FEIS”) for the Collamer Business Park project. By adoption of SEQRA Findings, the Directors certified that the requirements of 6 NYCRR Part 617 have been met. The present request for ESD funding does not constitute an action beyond those actions already considered in the FEIS and does not require additional environmental review under SEQRA.

VI. Non-Discrimination and Contractor & Supplier Diversity

Pursuant to New York State Executive Law Article 15-A, ESD recognizes its obligation under the law to promote opportunities for maximum feasible participation of certified minority and women-owned businesses (MWBEs) in the performance of ESD contracts. Accordingly, ESD’s Non-Discrimination and Contractor & Supplier Diversity policy will apply to the project. No specific MWBE participation goals shall be required of this project, however, the grantee shall adhere to ESD’s Non-discrimination and Equal Employment Opportunity (“EEO”) policy.

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.

VIII. Additional Submissions to Directors

Resolutions

New York State Map

Benefit-Cost Analysis

Project Finance Memorandum

December 21, 2017

East Syracuse (Central New York Region – Onondaga County) – Central New York Hub for Emerging Nano Industries Capital – SUNY Polytechnic Strategic Projects Program (Capital Grant) – Findings and Determinations Pursuant to Section 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 Central New York Hub for Emerging Nano Industries Capital – SUNY Polytechnic Strategic Projects Program (Capital Grant) (the “Project”), the Corporation hereby determines pursuant to Section 10(g) of the New York State Urban Development Corporation Act of 1968, as amended (the “Act”), that 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, President and Chief Executive Officer of the Corporation or his designee(s) be, and each of them hereby is, authorized to make a grant for a total amount not to exceed Fifteen Million Dollars (\$15,000,000) from the SUNY Polytechnic Strategic Projects Program, 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 Corporation does hereby approve NexGen Power Systems, Inc. as the beneficiary company for the Project; and be it further

RESOLVED, that the President and Chief Executive Officer 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

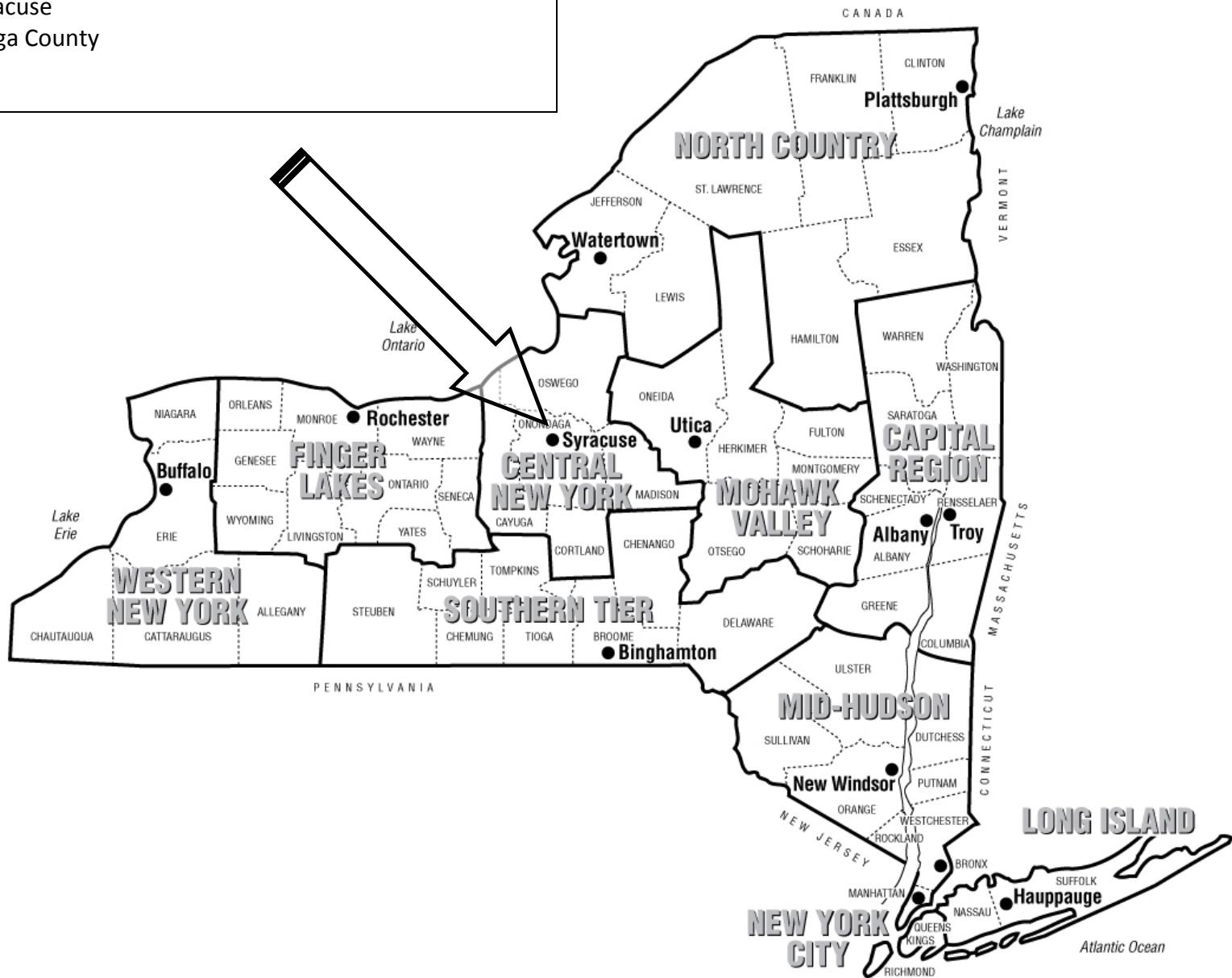
RESOLVED, that the provision of ESD financial assistance is expressly contingent upon: (1) the approval of the Public Authorities Control Board, if applicable, and (2) receipt of all other

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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Central New York Hub for Emerging Nano Industries Capital
East Syracuse
Onondaga County



Project Summary
Benefit-Cost Evaluation¹
NexGen Power Systems, Inc. – Business Investment

Benefit-Cost Evaluations are used in evaluating projects that are categorized as Business Investment, Infrastructure Investment, and Economic Growth Investment and that involve 1) job retention and/or creation and/or 2) construction-related activity. For Business Investment projects, benefits reported in the table below typically reflect the impact of both jobs and construction-related activity. For Infrastructure Investment and Economic Growth Investment projects, which generate long-term benefits not captured in the period of analysis and may involve no permanent job commitments, the table typically reflects only construction-related activity. Benchmarks for each type of project are noted in the footnotes.

Initial Jobs: 0		Construction Job Years (Direct): 531
New Jobs: 290 over 7 years		Construction Job Years (Indirect): 310

Evaluation Statistics	Project Results NYS Gov't.	NYS Gov't. Benchmarks ²	Project Results State & Local Government	State & Local Government Benchmarks
Fiscal Costs³	\$105,000,000	\$794,250	\$105,000,000	\$1,020,500
Fiscal Benefits⁴	\$12,709,459	\$2,085,600	\$22,128,405	\$4,271,980
Fiscal Cost /Direct Job	\$1,134,259	\$3,000	\$1,134,259	\$4,110
Fiscal Cost/Total Jobs	\$443,710	\$1,424	\$443,710	\$1,964
Fiscal B/C Ratio	0.12	7.00	0.21	10.60
	Project Results	Benchmarks		
Economic Benefits⁵	\$154,865,614	\$119,468,000		
Econ. Benefits/Total Jobs	\$654,433	\$147,600		
Economic B/C Ratio	1.47	75.00		

¹ Dollar values are present value calculated over a 7-year period. Separate evaluations are made and reported for New York State government assistance alone and for State and Local government.

² The current project evaluation results (both fiscal and economic) are compared to performance measure benchmarks based on results of a sample of ESD non-retail projects. Business Investment project benchmarks are 7.00 (Fiscal) and 75.00 (Economic). Infrastructure Investment (or Economic Growth Investment) project benchmarks are 3.00 (Fiscal) and 30.00 (Economic).

³ Fiscal cost includes the value of grants, and discretionary subsidies (such as tax exemptions or abatements on sales, property, and interest income).

⁴ Fiscal benefits are the tax revenues to New York State and Local governments generated by project activity. This includes estimated taxes on personal incomes from project direct and indirect employment, corporate and business incomes, excise and user taxes, property taxes, and other taxes.

⁵ Economic benefits are estimated project benefits measuring fiscal flows to government plus net resident disposable income from project direct and indirect employment net of transfers, without adjusting for individual income earners' opportunity cost of employment.