

**CALIFORNIA ALTERNATIVE ENERGY AND  
ADVANCED TRANSPORTATION FINANCING AUTHORITY**

*Request to Approve Project for Sales and Use Tax Exclusion (STE)<sup>1</sup>*

**Allogene Therapeutics, Inc.  
Application No. 19-SM033**

**Tuesday, July 16, 2019**

Prepared By: *Xee Moua, Program Analyst*

**SUMMARY**

**Applicant** – Allogene Therapeutics, Inc.

**Location** – Newark, Alameda County

**Industry** – Biopharmaceutical Manufacturing

**Project** – New Allogeneic T Cell Manufacturing Facility (Advanced Manufacturing)

**Value of Qualified Property** – \$36,351,130

**Estimated Sales and Use Tax Exclusion Amount<sup>2</sup>** – \$3,038,954

**Competitive Criteria Score** – 7

**Application Score** –

Fiscal Benefits Points:	2,268
<u>Environmental Benefits Points:</u>	<u>133</u>
<b>Net Benefits Score:</b>	<b>2,401</b>
<u>Additional Benefits Points:</u>	<u>110</u>
<b>Total Score:</b>	<b>2,511</b>

**Staff Recommendation** – Approval

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<sup>1</sup> All capitalized terms not defined in this document are defined in the Program’s statute and regulations.  
<sup>2</sup> This amount is calculated based on the average statewide sales tax rate of 8.36%.

**THE APPLICANT**

Allogene Therapeutics, Inc. (“Allogene” or the “Applicant”) is a Delaware corporation formed in 2017 and publicly traded under the symbol ALLO. Allogene is a clinical stage biotechnology company that is developing a pipeline of “off-the-shelf” allogeneic CAR T (AlloCAR T™) cell therapies with the goal of delivering readily available cell therapy on-demand, more reliably, and at greater scale to more patients.

Allogene received an income tax credit under the California Competes Tax Credit Program administered by the Governor’s Office of Business and Economic Development on November 5, 2018 for \$9,000,000.

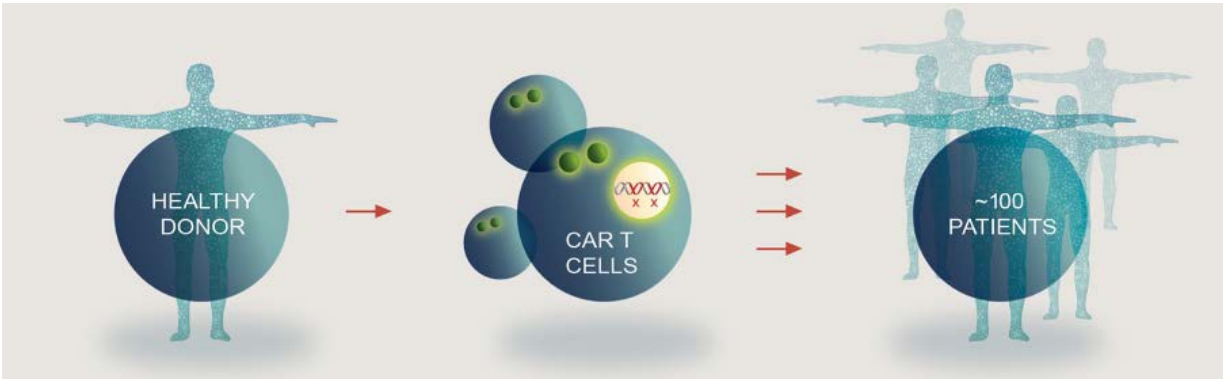
The major shareholders (10.0% or greater) of Allogene are:  
Pfizer, Inc. (18.1%)  
Entities affiliated with TPG Group Holdings Advisors, Inc. (19%)

The corporate officers of Allogene are:  
  
Arie S. Beldegrun, M.D., Executive Chairman  
David D. Chang, M.D., Ph.D., President & Chief Executive Officer  
Alison Moore, Ph.D., Chief Technical Officer  
Eric Schmidt, Ph.D., Chief Financial Officer

**THE PROJECT**

Allogene is requesting a sales and use tax exclusion to build a new allogeneic chimeric antigen receptors (“CAR”) T cell manufacturing facility located in Newark (the “Project”). According to Allogene, its “off-the-shelf” investigational therapies, which include ALLO-501 and ALLO-715, are being studied for the treatment of patients with hematologic and refractory cancers.

According to Allogene, current industry manufacturers produce autologous CAR T-cell therapy in which a patient’s own T cells are harvested and modified outside the body to express CARs before re-administering the cells back into the patient’s body to help kill cancerous cells. Allogene represents that its process involves harvesting T cells from healthy donors that can be used for any eligible patient, providing more uniform starting materials and the potential for more predictable safety and efficacy. According to the Applicant, the “off the shelf” product enables creation of inventory. The Applicant represents this is an advancement as it may provide speed to patients by delivering therapy on demand from inventory and with faster treatment times to improve patient outcomes. Moreover, Allogene represents it may potentially treat approximately 100 patients from a single manufacturing run, allowing it to scale production to reduce cost.



*Figure 1: Allogeneic CAR T Therapy Process*

Allogene uses a gene-editing technology that the Applicant represents significantly reduces the risk of graft versus host disease, which leads to rejection of the introduced T cells. After gene editing, the engineered T cells will undergo purification before being cryopreserved in vials for delivery to patients. Allogene states that its process does not create any air pollutants or hazardous waste when compared to the production of other cancer treatments such as chemotherapy and radiation that emits cytotoxic chemicals. Additionally, Allogene represents that its new facility will conserve water usage by 97%, consuming only approximately 250,000 gallons of water a year compared to a base design that consumes approximately 9,500,000 gallons of water a year.

**ANTICIPATED COSTS OF QUALIFIED PROPERTY**

The anticipated Qualified Property purchases are listed below:

Cryogenic Storage Equipment	\$ 397,195
Cold Storage Equipment	2,111,370
Incubators	657,377
Construction/Building Equipment	7,441,159
Measuring Balances	185,063
Laboratory Machines	18,890,217
Microscopes	\$57,218
Laboratory	1,229,386
Storage Tanks	98,795
Washing/Sanitizing/Sterilizing Equipment	4,823,979
Lab Safety Equipment	416,391
Lab Water Purification	42,980
<b>Total</b>	<b><u>\$36,351,130</u></b>

*Note: The Qualified Property purchases reported in the Application and shown here in staff's report are estimated costs. At the termination of the master regulatory agreement a finalized project equipment list will be prepared detailing the value of the Project equipment acquired and detailing the actual tax benefit realized pursuant to Revenue and Tax Code Section 6010.8. Variance from the costs shown in the Application and in this report may occur prior to the closing due to increased costs of certain components (of the Project) over original estimates, and other reasons. In addition, such costs may vary after closing due also to increased costs, as well as common design and equipment modifications during construction, differences in equipment due to future changes in law or regulation, or for other reasons.*

## **TIMELINE**

According to the Applicant, it is currently in the design phase, with the anticipation of construction commencing in late 2019 and completing in 2020. Once complete, Allogene expects to be in production in 2020-2021.

## **COMPETITIVE CRITERIA SCORE**

In the event that requested STE of all Applications to be heard in a month exceeds the remaining available STE cap amount, projects will be brought before the Authority based on ranking of competitive criteria. The Applicant received seven competitive criteria points. The Applicant received points in the following categories:

1. **Corporate Headquarters (1 point)**. The Applicant has verified that it has a corporate headquarters located in California and that any parent company with an ownership interest larger than 50% also has a corporate headquarters in California.
2. **Small Business (1 point)**. The Applicant has verified that it is classified as a small business under U.S. Small Business Administration guidelines (Title 13 of the Code of Federal Regulations) and has fewer than 500 employees, and that any parent company with an ownership interest greater than 50% is also classified as a small business under U.S. Small Business Administration guidelines and has fewer than 500 employees.
3. **New Applicant (5 points)**. The Applicant has not previously been approved for an STE award, and no parent company with an ownership interest greater than 50%, or affiliate or subsidiary of a parent company with an ownership interest greater than 50%, has been previously approved for an STE award.

## **PROJECT EVALUATION**

### **NET BENEFITS**

The Project received a Total Score of 2,511 points, which exceeds the required 1,000-point threshold, and a total Environmental Benefits Score of 133 points, which exceeds the 20-point threshold.

- A. **Fiscal Benefits (2,268 points)**. The net present value of the total fiscal benefits over the lifetime of the Qualified Property is derived from the Applicant's sales taxes, personal income taxes paid by the firm's employees, firm taxes on profits, property taxes, and other indirect fiscal benefits of the Applicant, which amounts to \$6,892,248, resulting in a Fiscal Benefits score of 2,268 points for the Project.

**B. Environmental Benefits (133 points).** The Project will result in an Environmental Benefits Score of 133. The Applicant received points in the following categories:

1. **Energy Consumption (13 of 30 points)**. The Applicant represents that the Project will result in a 13 percent reduction in energy consumption compared to the industry standard manufacturing process.
2. **Water Use (30 of 30 points)**. The Applicant represents that the Project will result in a 97 percent reduction in water use relative to the industry standard manufacturing process.
3. **Solid Waste (30 of 30 points)**. The Applicant represents that the Project will result in a 50 percent reduction in solid waste produced relative to the industry standard manufacturing process.
4. **Hazardous Waste (30 of 30 points)**. The Applicant represents that the Project will result in a 100 percent reduction in hazardous waste produced relative to the industry standard manufacturing process.
5. **Air Pollutants (30 of 30 points)**. The Applicant represents that the Project will result in a 100 percent reduction in air pollutants produced relative to the industry standard manufacturing process.

**C. Additional Benefits (110 points).** Applicants may earn additional points for their Total Score. The Applicant submitted information and received 110 additional points.

1. **Production Jobs (35 of 75 points)**. The Applicant represents that the Project will support a total of 176 production-related jobs at its Facility. CAEATFA estimates that approximately 10 of these jobs will be attributable to a marginal increase in jobs created due to the approved STE, resulting in a Permanent Jobs Score of 35 points for the Project.
2. **Construction Jobs (0 of 75 points)**. The Applicant represents that the Project will support a total of 30 construction jobs at its Facility. CAEATFA estimates that approximately two of these jobs will be attributable to a marginal increase in jobs created due to the approved STE. Zero points were awarded because the marginal increase in jobs does not meet the required threshold.
3. **Research and Development Facilities (25 points)**. The Applicant has verified that it has a facility located in California that performs research and development functions related to the production of allogeneic CAR T cells that is the subject of this Application.

4. **Workforce Partnerships (25 points)**. The Applicant is initiating a partnership with California State Universities San Francisco, San Jose, East Bay and Sonoma; UC San Francisco, Berkeley, David and Merced; Stanford; USF; St. Mary's; Mills College; and Santa Clara University for the purpose of training the workers at the Facility and/or for the purposes of assisting in the training of potential future workers.
5. **Industry Cluster (25 points)**. The industry associated with this Application has been identified by the Alameda County Workforce Investment Board as an industry cluster of the region of the Project's location.

#### **STATUS OF PERMITS/OTHER REQUIRED APPROVALS**

According to Allogene, it is currently working with the City of Newark to obtain structural and underground permits by July 2019 and plans on obtaining a building permit by September 2019.

#### **LEGAL QUESTIONNAIRE**

Staff reviewed the Applicant's responses to the questions contained in the Legal Status portion of the Application. The responses did not disclose any information that raises questions concerning the financial viability or legal integrity of this Applicant.

#### **CAEATFA FEES**

In accordance with CAEATFA Regulations,<sup>3</sup> the Applicant has paid CAEATFA an Application Fee of \$10,000 and will pay CAEATFA an Administrative Fee of up to \$145,404.52.

#### **RECOMMENDATION**

Staff recommends approval of Resolution No. 19-SM033 for Allogene Therapeutics Inc.'s purchase of Qualified Property in an amount not to exceed \$36,351,130, anticipated to result in an approximate sales and use tax exclusion value of \$3,038,954.

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<sup>3</sup> California Code of Regulations Title 4, Division 13, Section 10036

**RESOLUTION APPROVING AND AUTHORIZING EXECUTION OF A MASTER  
REGULATORY AGREEMENT WITH ALLOGENE THERAPEUTICS, INC.**

July 16, 2019

WHEREAS, the California Alternative Energy and Advanced Transportation Financing Authority (the “Authority” or “CAEATFA”) has received the Application of **Allogene Therapeutics, Inc.** (the “Applicant”), for financial assistance in the form of a master regulatory agreement (the “Agreement”) regarding tangible personal property utilized in an Advanced Manufacturing process or for the design, manufacture, production or assembly of Advanced Transportation Technologies or Alternative Source products, components, or systems (“Qualified Property”) as more particularly described in the staff summary and in the Applicant’s Application to the Authority (collectively, the “Project”); and

WHEREAS, the Applicant has requested the Authority to enter into the Agreement to acquire Project equipment with an estimated cost not to exceed \$36,351,130 over a period of three years; and

WHEREAS, the Applicant believes that this form of financial assistance will enable it to avail itself of the benefits of an exclusion from sales and use taxes relative to the Qualified Property pursuant to California Revenue and Taxation Code Section 6010.8; and

WHEREAS, approval of the terms of the Agreement and authority for the Executive Director, Deputy Executive Director, or Chair of the Authority to execute the necessary documents to effectuate the Agreement is now sought;

NOW, THEREFORE, BE IT RESOLVED by the California Alternative Energy and Advanced Transportation Financing Authority, as follows:

Section 1. The Project constitutes a “project” within the meaning of Public Resources Code Section 26003(a)(8)(B).

Section 2. The requested master regulatory agreement constitutes “financial assistance” within the meaning of Public Resources Code Section 26003(a)(6).

Section 3. The Applicant is a “participating party” within the meaning of Public Resources Code Section 26003(a)(7).

Section 4. The Executive Director, Deputy Executive Director, or Chair of the Authority (the “Authorized Signatories”) are hereby authorized for and on behalf of the Authority to approve any changes to the Project as the Executive Director shall deem appropriate, provided that the amount of the Qualified Property to be purchased may not be increased above the amount approved by the Authority.

**Agenda Item - 4.A.2**  
**Resolution No. 19-SM033**  
**Application No. 19-SM033**

Section 5. The proposed form of the Agreement between the Applicant and the Authority, as filed with the Authority prior to this meeting, is hereby approved. The Authorized Signatories are hereby authorized and directed, for and on behalf and in the name of the Authority, to execute, acknowledge and deliver to the Applicant the Agreement in substantially the form filed with or approved by the Authority, with such insertions, deletions or changes therein as the Authorized Signatory executing the same may require or approve, and with particular information inserted therein in substantial conformance with the staff summary and in the Applicant's Application to the Authority, such approval to be conclusively evidenced by the execution and delivery thereof. The Authority understands and agrees that pursuant to the terms of the Agreement, the obligations of the Applicant may, under some circumstances, be carried out or assumed by a successor or assignee entity, or by an affiliate of the Applicant.

Section 6. Each of the Authorized Signatories, acting alone, is hereby authorized and directed to do any and all ministerial acts, including (without limitation) the execution and delivery of any and all documents and certificates they may deem necessary or advisable in order to consummate the Agreement and otherwise effectuate the purposes of this Resolution.

Section 7. The Applicant shall assure CAEATFA that all Qualified Property listed in the semi-annual reports pursuant to the Agreement shall be installed, maintained and operated in compliance with all applicable local, state and federal laws.

Section 8. The Agreement shall only apply to Qualified Property that the Applicant certifies will be installed, maintained and operated at facilities within the State of California.

Section 9. The adoption by the Authority of this Resolution for the Applicant shall not be referred to in any application before any governmental agency as evidence of the feasibility, practicality or suitability of the Project or in any application for any required permission or authority to acquire, construct or operate the Project.

Section 10. This Resolution is effective immediately and will remain in full force and effect unless the Regulatory Agreement, as defined in CAEATFA Regulations Section 10035(a), is not executed within thirty (30) days of the date of this Resolution. The Executive Director may extend the thirty days if necessary.