

Week of May 13, 2002

Blockbuster Deal of the Weekfrom *Site Selection's* exclusive New Plant databaseLOOKING FOR A PREVIOUS STORY? CHECK [THE ARCHIVE](#).**Firm's First U.S. Plant Outside Indiana**

Lilly Picks Northern Virginia for \$435M, 700-Job Insulin Plant

By **JACK LYNE**
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Lilly will join a growing biotech cluster inside Innovation@Prince William that includes George Mason University campus (pictured). Biotech and high tech are the primary focus areas at the university's 124-acre (52-hectare) campus.

PRINCE WILLIAM COUNTY, Va. —**"Virginia Is for Lovers."**

So goes the long-running promotional tag line for the Old Dominion State.

And pharmaceutical-grade love is what a lot of **Virginia** (www.yesvirginia.org) is giving up right now for **Eli Lilly and Company** (www.lilly.com). The Indianapolis-based giant has chosen **Prince William County** (www.pwcgov.org) for an insulin-manufacturing plant that's the stuff of business recruiters' fondest dreams.

How does Virginia love Eli Lilly? Let us count the large-number ways:

- US\$435 million in capital investment - a tally that Lilly officials said could eventually increase to \$1 billion;
- 700-plus new jobs, with annual salaries averaging \$44,400; and
- 600,000 sq. ft. (54,000 sq. m.) of new manufacturing space on a 120-acre (48-hectare) site.

Those heady numbers also signal a site-selection first for Lilly. The Virginia project marks the first time ever that the pharmaceutical power has located a U.S. manufacturing facility outside of its home turf in Indiana.



"As we reviewed possible locations, we concluded that Prince William County, Va., offered the best tradeoff between cost of operations, quality of life and the ability to attract and retain a skilled work force," said Lilly President and CEO Sidney Taurel (pictured).

"We felt that it was important to geographically diversify our insulin-manufacturing sites," said Eli Lilly President and CEO Sidney Taurel.

Unsurprisingly, Lilly's initiative to diversify its U.S. manufacturing drew heavy-breathing interest from recruiters of every stripe. The company, however, wisely kept a low profile in its site search.

Only after the deal was sealed did Lilly officials identify North Carolina and South Carolina as the other finalist states for the insulin-production plant. Lilly already had a major presence in the Tar Heel State. Sphinx Pharmaceuticals, a Lilly division, is located in Research Triangle Park.

"As we reviewed possible locations," Taurel explained, "we concluded that Prince William County, Va., offered the best tradeoff between cost of operations, quality of life and the ability to attract and retain a skilled work force."

Decision Bolsters Biotech Cluster

Virginia recruiters' reactions mirrored the Lilly project's huge, high-end scale.

"We cannot overemphasize the importance of this project," said Prince William County Board of Supervisors Chairman Sean Connaughton. "In addition to the significant financial investment represented by this project, Prince William County will gain an exceptional corporate citizen - one with a long-standing reputation for community involvement and philanthropy."

Lilly has rung up a gold-standard community-booster record in Indiana, where the company was founded in 1876. The firm's Lilly Endowment and the Lilly family have made substantial contributions to a wide range of Indiana organizations and institutions, including Butler University, the Children's Museum of Indianapolis, Earlham College, the Historic Landmarks Foundation of Indiana, the Indianapolis Museum of Art and Wabash College.

More immediately, the Lilly project adds huge credibility to the budding biotech cluster in Prince William County, an area once better known as a discount-shopping mecca. Lilly's plant adds a very large exclamation point to a county biotech aggregation that already includes American Type Culture Collection and a George Mason University campus that's primarily focused on biotech and high tech.

Prince William County also owns the Innovation@Prince William business park in which Lilly is locating its insulin-production facility. Recent zoning changes - which included the site that Lilly chose - had earlier spurred local speculation that a major drug-company expansion was in the works. Prince William officials last month changed some of county land zoning to allow pharmaceutical manufacturing.



"We cannot overemphasize the importance of this project," Prince William County Board of Supervisors Chairman Sean Connaughton (pictured) said of Lilly's \$435-million insulin plant.

Virginia Incentives Best, Lilly Says

Lilly's announcement helped Virginia Gov. Mark Warner make good on a promise made during his 2001 campaign. The onetime high-tech entrepreneur vowed during his gubernatorial run to bring more business to North Virginia. The Democrat personally lobbied Lilly executives during the company's site search.

"[Lilly's] investment of \$425 million places it in the top 10 largest economic development investments in the state's history," Warner said. "Virginia is quickly becoming a magnet for the biopharmaceutical industry and will serve as an ideal location for Lilly's insulin-manufacturing facility."

Incentives definitely helped make the Old Dominion Lilly's ideal new home. Company officials, said Lilly spokesman Robert Smith, considered Virginia's incentive package the best among the finalist contenders for the first non-Indiana manufacturing operation.

Warner readily agreed. "There is no question in my mind that . . . incentives were critical to this great deal," the governor said.

Virginia's incentives included:

- a \$2.25-million grant from the Governor's Opportunity Fund to assist Prince William County with site preparation;
- \$2 million from Prince William County's Economic Development Opportunity Fund;
- a \$3-million performance-based grant from the Virginia Investment Partnership;
- \$300,000 from the Virginia Dept. of Transportation will assist with road access funding;

The Virginia Department of Business Assistance will also provide work-force-training services. An estimate of the financial value of those services has not yet been released.

\$225M Indy Expansion Also Announced

Construction of the \$425-million plant in Northern Virginia will begin later this year, company officials said. While the facility won't be fully operational until 2007, some operations at the site will begin in 2004, they added.

Lilly announced another major expansion project on the same day that its choice of Prince William County went public. The company will later this year begin construction on a \$225-million research/office facility in Indianapolis, Lilly officials said.

The new research facility, which will employ some 600 workers when completed in 2005, is not, however, a new project. Instead, the research/office operation is part of the 10-year, \$1.1 billion, 7,500-employee expansion plan in Indianapolis that Lilly announced in 1999.

When completed, the \$225-million facility will signal that Lilly has reached the \$1 billion investment goal to which it committed three years ago. Lilly must still meet its goal of 7,500 new jobs to qualify for the \$214-million state and local incentive package.

Lilly has added 3,500 new jobs in Indianapolis since 1999. The company anticipates adding another 800 to 1,000 positions during 2002, Lilly officials said.

Editor's note: Watch for the Virginia spotlight section in the November Site Selection.

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