



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Jen Baker

SUBJECT: Grant Agreement with
Infinera Corporation for the
Expansion of
Manufacturing Facility

DATE: March 23, 2026

Approved

Date:

4/1/26

COUNCIL DISTRICT: 10

RECOMMENDATION

Approve a Grant Agreement with Infinera Corporation in the amount of \$100,000 to support the modernization and expansion of Infinera Corporation's semiconductor manufacturing facility in San José.

SUMMARY AND OUTCOME

This Grant Agreement with Infinera Corporation (Infinera) will advance the City's economic development and job creation goals through the expansion of semiconductor manufacturing in San José, providing leverage for broader federal CHIPS and Science Act of 2022 funding. Funding for the grant was approved by the City Council in Fiscal Year 2023-2024 to support the construction of a modern semiconductor fabrication foundry in San José. The new facility will host a total of 775 jobs, including 350 existing jobs, 125 to 175 new full-time jobs, and 300 jobs relocated to San José by 2027. Construction of the new semiconductor foundry will also result in 600 temporary jobs in San José.

BACKGROUND

The CHIPS and Science Act was passed by Congress in July 2022 and signed into law the following month by President Biden. The legislation provides federal grants, loan guarantees, and tax credits to qualified companies to increase semiconductor manufacturing, research, and development in the United States and enhance national security by manufacturing this vital product onshore. The highly competitive federal application process requires companies to demonstrate the supply chain significance of

producing their specialized semiconductors in the United States, and calls for state and local government financial support for the proposed project. In Fiscal Year 2023-2024, the City Council approved \$200,000 in funding to support companies growing their semiconductor manufacturing presence in San José through the CHIPS and Science Act program. The City's grant process prioritized applicants intending to yield at least \$5 million in federal CHIPS and Science grant and/or tax credit benefits to realize their expansion. Four applicants to the U.S. Department of Commerce CHIPS Act program applied for the City of San José's grant, and two applicants advanced successfully. Separate from the City's local grant, the federal CHIPS and Science Act grants and loan guarantees are administered by the United States Department of Commerce, and the federal tax credit is administered by the United States Department of the Treasury.

Infinera, a wholly owned subsidiary of Nokia Corporation of Espoo, Finland, is a vertically integrated photonic semiconductor and telecommunications equipment manufacturer founded in California in 2000. The company's integrated circuits are critical in optical communications that enable fast and reliable transfer of large amounts of data, connecting nations and cities worldwide. In 2020, Infinera relocated its headquarters from Sunnyvale to San José, leasing a two-story 82,000 square foot building. Nokia purchased the building in February 2026. The company's semiconductor production remains in Sunnyvale while development and construction of a new 45,000 square foot semiconductor fabrication facility is underway in San José and scheduled to be completed in 2027.

In July 2024, with the support of the City, Infinera submitted a CHIPS application to the United States Department of Commerce for a federal grant to support the company's intention to build a San José semiconductor fabrication facility.

ANALYSIS

Advanced manufacturing jobs are critical to San José, contributing to both hardware and software innovation ecosystems, spurring product designs, sophisticated engineering, and production efficiencies, simultaneously bolstering the City's economy and tax base. Advanced manufacturing jobs underline San José's industry competitiveness by engaging our world-leading talent base and attracting supply chain partner investments in semiconductors, robotics, and advanced electronics sectors. According to the California Employment Development Department data from December 2024, San José has 47,199 jobs in manufacturing, accounting for 12% of all jobs. San José's importance in the manufacturing sector was highlighted in a January 2025 study by ABM Equipment that ranked San José atop the nation's geographical centers for United States manufacturing.

In 2023, Infinera was approved for a State of California Competes Grant of \$14 million administered by the California Governor's Office of Business and Economic Development. In October 2024, the United States Department of Commerce announced

a preliminary federal CHIPS grant award of \$93 million to Infinera that will advance the development of the company's semiconductor fabrication in San José and a new facility in Pennsylvania. The federal grant includes \$40 million for the San José facility that will manufacture indium phosphide-based photonic integrated circuits and \$53 million for an advanced testing and packaging facility in Pennsylvania. In January 2025, the United States Department of Commerce reached a final direct funding agreement with Infinera that will disburse funds to the company based on the completion of projected milestones. Infinera also qualifies for the United States Department of the Treasury CHIPS investment tax credit that provides a 25% tax credit for investments in advanced manufacturing facilities.

Infinera currently employs 350 workers in San José and 300 in Sunnyvale. The Sunnyvale site will be vacated when the San José semiconductor fabrication site is completed, and production commences. Infinera will hire an additional 125 to 175 full-time workers in San José by 2027, bringing the company's San José full-time employment to 775. The construction of the San José semiconductor fabrication facility has also resulted in 300 temporary construction-related jobs in San José to date, with 300 additional construction jobs anticipated through project completion. During the five-year period to 2027, Infinera's investments in San José are estimated to be over \$240 million, including a significant increase in its San José workforce.

The City Manager's Office of Economic Development and Cultural Affairs has assisted Infinera's relocation to San José and engaged with the company on the CHIPS initiative as soon as the federal legislation was signed into law. work2Future has engaged with Infinera since 2023 on workforce development initiatives and has supported the creation of a manufacturing technician program that has aided the company's employment training and provided enhanced career opportunities for young workers in San José and the region. Infinera has hired seven apprentices to date. work2Future assisted in the recruiting and the cost of training by subsidizing a small amount of the apprentices' wages, primarily with federal workforce development funds.

EVALUATION AND FOLLOW-UP

The City Manager's Office of Economic Development and Cultural Affairs will remain engaged with Infinera to implement the City's CHIPS Building/Expanding Semiconductor Production in San José Grant Agreement and the completion of the semiconductor manufacturing facility. work2Future will continue to work with Infinera/Nokia on the manufacturing technician apprenticeship program, hiring four to six new apprentices for this program in 2026.

FISCAL IMPACTS

In Fiscal Year 2023-2024, the City Council approved \$200,000 to support the federal CHIPS program with the goal of expanding semiconductor production in San José. In this action, a \$100,000 City CHIPS grant for Building/Expanding Semiconductor Production in San José will be approved for Infinera.

This City grant will be supplemented by a State of California grant of \$14 million and the federal grant award of \$93 million, of which \$40 million is directed to the company's San José semiconductor fabrication facility. Infinera will also be eligible to access the federal CHIPS Investment Tax Credit.

BUDGET REFERENCE

The table below identifies the fund and appropriations to fund the grant recommended as part of this memorandum and remaining project costs, including project delivery, construction, and contingency costs.

Fund #	Appn. #	Appropriation Name	Total Appropriation	Amount for Contract	2025-2026 Adopted Operating Budget Page	Last Budget Action (Date, Ord. No.)
001	227E	CHIPS Act Facilitation	\$200,000	\$100,000	880	6/17/2025 31230

COORDINATION

This memorandum has been coordinated with the City Attorney's Office and the City Manager's Budget Office.

PUBLIC OUTREACH

This memorandum will be posted on the City Council Agenda website for the April 14, 2026 City Council meeting.

BOARD, COMMISSION, COMMITTEE RECOMMENDATION AND INPUT

No board, commission, or committee recommendation or input is associated with this action.

CEQA

Not a Project, File No. PP17-004, Government Funding Mechanism or Fiscal Activity with no commitment to a specific project which may result in a potentially significant physical impact on the environment.

PUBLIC SUBSIDY REPORTING

This item includes a public subsidy of \$100,000 or more as defined in California Government Code section 53083. The Director of the City Manager’s Office of Economic Development and Cultural Affairs will ensure that it is tracked appropriately. Required information is provided below.

Section 53083 Required Information	Staff Response
1. The name and address of all corporations or any other business entities, except for sole proprietorships, that are the beneficiary of the economic development subsidy, if applicable	Infinera Corporation 6373 San Ignacio Avenue San José, California 95119
2. The start and end dates and schedule, if applicable, for the economic development subsidy.	Economic development subsidy to be implemented following anticipated City Council approval on April 14, 2026.
3. A description of the economic development subsidy, including the estimated total amount of the expenditure of public funds by, or of revenue lost to, the local agency as a result of the economic development subsidy.	The subsidy of \$100,000 will facilitate the construction of the semiconductor production facility that has been approved for a federal grant and tax credit, resulting in economic development and job creation in San José.
4. Statement of the public purposes for the economic development subsidy.	Economic development facilitation and job growth. Support federal CHIPS legislation to increase semiconductor production in the United States.
5. Projected tax revenue to the local agency as a result of the economic development subsidy.	Excluding property taxes which will be determined after the construction is completed in 2027, and using the current business tax rate, it is estimated that the economic development subsidy will generate more than \$164,522 to the City in business tax and utility user tax in FY 2026-2027, with future annual property, business tax and utility users tax based on business activity and tax rates.

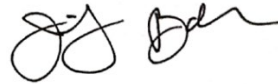
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Section 53083 Required Information	Staff Response
6. Estimated number of jobs created by the economic development subsidy, broken down by full-time, part-time, and temporary positions.	The construction of the new fabrication facility in San José will create 235 new full-time jobs in San José. Also, 178 jobs currently located at another Infinera facility will be added to San José. An estimated 600 temporary construction-related jobs in San José will be created due to the economic development subsidy.



Jen Baker
Director of the City Manager's Office of
Economic Development and Cultural
Affairs

For questions, please contact Joseph Hedges, Senior Executive Analyst, City Manager's Office of Economic Development and Cultural Affairs, at joe.hedges@sanjoseca.gov or (408) 535-8186.