



City Of Milpitas
Economic Development Subcommittee
Milpitas City Hall Committee Meeting Room
APPROVED MINUTES
Friday, January 21, 2011

- I. Call to Order / Roll Call** Mayor Esteves called the meeting to order at 5:30 PM.
- Present: Mayor Esteves and Vice Mayor McHugh; City Manager Tom Williams, Economic Development Manager Diana Barnhart and Recording Secretary Veronica Bejines
- Absent: None
- II. Approval of Agenda** Motion: to approve the agenda, as submitted
- Motion/Second: Vice Mayor McHugh/Mayor Esteves
- Motion carried by a vote of: Ayes: 2
Noes: 0
- III. Approval of Unapproved Minutes** Motion: to approve the unapproved Minutes, as submitted
- Motion/Second: Vice Mayor McHugh/Mayor Esteves
- Motion carried by a vote of: Ayes: 2
Noes: 0
- IV. Public Forum** None.
- V. Report on Milpitas Silicon Valley Conference Center Financials** Diana Barnhart, Economic Development Manager, reviewed the estimated operating costs and revenue generation potential for the proposed Conference Center.
- Mayor Esteves asked what is the maximum occupancy and Ms. Barnhart said the banquet room can seat 1,500 with table and chairs at 20,000 sq. ft.
- Vice Mayor McHugh asked what is the size of the San Jose and Santa Clara Convention Center. Ms. Barnhart said the San Jose Center is about 100,000 sq. ft., however the ball room is about 20,000 sq. ft. and holds between 1,200 to 1,500 occupants. The Santa Clara Convention Center is about 80,000 sq. ft. She pointed out that the City would not be competing with those convention centers but would compete with facilities such as the India



Community Center, and their space is about 7200 sq. ft.

City Manager Williams added that the proposed conference center would fall between the demand at what the hotels cannot accommodate and the larger conventions and conference centers. The City's niche would be in the middle point and the market supports that in the region.

As a comparison, Mayor Esteves pointed out that the Milpitas Library is approximately 60,000 sq. ft.

Ms. Barnhart added that the study showed there is enough parking at the 540 and 570 Alder sites (800 parking stalls) to accommodate the parking demand as well as utilizing the VTA parking lot as potential spillover.

Ms. Barnhart said the estimated construction cost is about \$45 million dollars.

Vice Mayor McHugh recalled that part of the original plan called for the City to fund the capital portion. Ms. Barnhart said the City through the Redevelopment Agency could invest in the project but wanted to share the costs.

Vice Mayor McHugh asked what is the response from the hotels in covering the operating costs and Ms. Barnhart said the hotels are less than enthusiastic about covering the costs because of the high costs of operations ranging from which would likely run a deficit between \$700,000 to \$1,000,000 a year for the first five years.

Vice Mayor McHugh asked if staff talked to Ed Mendence, Commercial Broker, about alternative sites that were less costly for the proposed center. Mr. Williams said that he and staff met with Mr. Mendence and they talked about the Redevelopment Agency owned parcel on Barber Lane. If the City were to develop the conference center on that parcel, there would be no revenue coming off of that land. Staff did start looking at demolishing the Community Center and rebuilding it to have ground floor community center uses, two parking decks that would accommodate 400 spaces, 200 on each deck, and a 65,000 sq. foot floor plate on the 4th floor that would act as a conference center and meet the demand.



Vice Mayor McHugh asked what would the construction costs be and City Manager Williams said he would compare it to the costs of the Milpitas library and parking garage.

Mayor Esteves asked if the funding sources would come from the Redevelopment Agency and Ms. Barnhart said yes.

Mayor Esteves asked who owns the property on Alder lane and Ms. Barnhart said RREEF owns the private property and staff talked about possible purchase or long term lease.

Vice Mayor McHugh asked what is staff's recommendation.

City Manager Williams said staff would like direction from the Subcommittee to pursue the idea in more detail.

Motion: to stop work on the Alder sites, leave the Alder site as an option, explore and bring to the full City Council whether the City wants to evaluate other alternatives including the Community Center site.

Motion/Second: Vice Mayor McHugh/Mayor Esteves

Motion carried by a vote of: Ayes: 2
Noes: 0

Mayor Esteves asked staff when they would take this recommendation to the City Council and Ms. Barnhart said it would be the second City Council meeting in February (February 15th).

**VI. Flextronics
Financial
Assistance**

Ms. Barnhart, announced that the City Council, acting as the Redevelopment Agency, approved in April 2010 financial assistance to SunPower Corporation to create 80-90 new jobs as part of a solar panel manufacturing site at Flextronics. At the time, Flextronics also asked for financial assistance for building upgrades required as part of the SunPower equipment installation. She presented the request to the Subcommittee for review and action.

Vice Mayor McHugh asked if the cap is still \$1.5 million. Ms. Barnhart said the cap for SunPower is \$1.5 million and the request from Flextronics is an additional \$1 million.



Vice Mayor asked if there is a timeline for job hiring. Ms. Barnhart said they are hiring now and is working with them through NOVA trying to get as many Milpitas interviews as possible.

Ms. Barnhart added that as part of the loan, Flextronics agrees to keep in place what they are doing, if not, they have to repay the City. If over a multi-year period, they are still at the plant, and utilizing the improvements, they would be forgiven in terms of repayment.

Mayor Esteves said that basically the City is funding the job creation.

City Manager Williams said that the City is not only funding the job creation but the business retention as well. He emphasized that the City competes within the region to retain the company in the City of Milpitas, because they were getting offers for subsidies from other surrounding cities.

Mayor Esteves asked if the money is coming from the Redevelopment Agency and Ms. Barnhart said yes it is coming from the unencumbered balance.

Mayor Esteves asked if it is legal because the City is funding a private entity. Ms. Barnhart said yes because the City is helping offset the purchase of equipment and creation jobs.

Mayor Esteves asked if President Obama has a similar initiative. City Manager Williams said the Federal Government gave Solyndra in Fremont a billion dollar grant.

Ms. Barnhart added that several Milpitas companies received federal funding for their solar projects.

Mayor Esteves asked how many new jobs would be created and Ms. Barnhart said 80 to 90 jobs.

Anil Kumar representing Flextronics said they are retaining 56 employees who were laid off and will hire another 100 plus employees once they are in full production.

Mayor Esteves asked what happens in five years if the company does not make it. Ms. Barnhart said if the company closes in five years, they will have to pay the City back or the City has claim to



the equipment to recover costs.

Mayor Esteves asked what happens if other businesses want to request financial assistance from the City. City Manager Williams said that staff researches each request and only brings forth the ones that have the most value to the City.

Vice Mayor McHugh commended staff for expediting the process for new jobs.

Mayor Esteves asked if the City can advertise and Ms. Barnhart said yes and staff will put ads in the *Milpitas Post* and on the City's website.

Motion: to move forward with financial assistance to Flextronics with the same terms as the SunPower agreement, same five year loan that has similar milestones that they have to meet in terms of job retention and production before that loan can be forgiven.

Motion/Second: Vice Mayor McHugh/Mayor Esteves

Motion carried by a vote of: Ayes: 2
Noes: 0

VII. Future Agenda Items / Next Meeting

Ms. Barnhart noted that the Subcommittee usually meets on the third Monday of the month but it happens to be President's Day on February 21, 2011 and suggested a different day for the Subcommittee to meet.

After further discussion, the Subcommittee agreed to meet on Friday, February 18th at 5:30 p.m.

Mayor Esteves suggested that staff add another item titled "Other Business" to explore ideas.

VIII Adjournment

Mayor Esteves adjourned the meeting at 6:31PM.

Respectfully submitted,

Veronica Bejines, Recording Secretary