

SUPPLEMENTAL



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Kim Walesh

SUBJECT: PARTICIPATION AGREEMENT
WITH NETFLIX

DATE: August 19, 2011

Approved  Date 8/19/11

COUNCIL DISTRICT: #3
SNI AREA: N/A

REASON FOR SUPPLEMENTAL

This supplemental memorandum provides clarifying information to the August 1 Council Memorandum "Participation Agreement with Netflix" and the July 22 Information Memo "Netflix DVD Division to Move to San Jose", including the square footage of the Netflix headquarters in Los Gatos and additional cost-benefit information.

ANALYSIS

Square Footage of Netflix Headquarters in Los Gatos

The original memorandum noted inaccurately that the Netflix headquarters occupies 86,200 square feet at 100 Winchester Circle, leased through 2018.

The Netflix headquarters in Los Gatos is a campus comprising 250,000 square feet-- consisting of 165,000 square feet at 100 and 150 Winchester Circle, 42,000 square feet on Knowles Avenue, and 43,000 square feet in Albright Circle, all leased through 2018. Los Gatos just approved a development project of 550,000 square feet, including the first phase of an additional 285,000 square feet to be occupied by 2013.

Evaluation of Costs and Benefits

The chief outcome and benefit to the City of San Jose is new sales tax revenue that the City would not otherwise have to support City services. In terms of accountability and net fiscal impact, the exact amount of sales tax revenue is unknown until received, but the sharing agreement is entirely dependent on verifiable new revenue coming to the City from the Netflix operation. In terms of net job impact, the 225 jobs are generally software engineers relocating from Los Gatos; the average wage for a software engineer in Silicon Valley is \$119,000.

HONORABLE MAYOR AND CITY COUNCIL

Date: August 19, 2011

Subject: Participation Agreement with Netflix, Inc.

Page 2

Regarding housing and neighborhood impacts, since Netflix is leasing vacant space in an existing office building, no new impact on housing units or neighborhoods is anticipated. The source of funds is net new sales tax revenue in the General Fund recognized by the City from Netflix.

/S/

KIM WALESH

Director of Economic Development

Chief Strategist

For questions please contact Nanci Klein, Division Manager, at 408-535-8184.