



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Kim Walesh

SUBJECT: SEE BELOW

DATE: October 3, 2011

Approved

Date

10/12/11

COUNCIL DISTRICT: #4

**SUBJECT: CAPITAL EQUIPMENT AND ASSISTANCE AGREEMENT WITH
POLYCOM, INC.**

RECOMMENDATION

Adopt a resolution authorizing the City Manager to negotiate and execute a Capital Equipment and Assistance Agreement with Polycom, Inc., in which the City will provide an amount not to exceed \$200,000 for the acquisition of production and assembly equipment to be installed at Polycom's new headquarters facility in San José.

OUTCOME

Approval of this resolution will help Polycom relocate and consolidate its operations from Santa Clara, Pleasanton, and San José into a new headquarters in San José at 6001 America Center Drive and expand its production capacity. Polycom will invest in capital acquisition for their America Center facility and relocate an additional 130 jobs to San José. It is estimated that Polycom will grow to approximately 700 employees at the America Center.

BACKGROUND

The City has been actively engaging the broker and business community regarding attraction and retention opportunities in San José. Outreach by staff has been focused on driving industry firms that have high growth potential which can result in economic opportunities for San José residents. Through City efforts to facilitate business retention and expansion, the City creates an environment where companies can grow and create jobs that pay well for area residents.

Polycom was founded in 1990. Polycom was originally headquartered in San José and relocated to their current headquarters in 2000; Polycom has maintained its headquarters presence in the Bay Area for over 20 years. During that time, the company has grown through a combination of

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company acquisitions and market innovations. Polycom's core service is developing high definition video conferencing voice clarity solutions.

ANALYSIS

Polycom's current headquarters is located at 4750 Willow Road in Pleasanton, California. The company occupies 50,300 square feet for its executive and administrative operations. In addition, Polycom occupies 86,000 square feet at 3553 N. 1st Street in San José. The San José operations include research and development and manufacturing.

Polycom's continued growth resulted in a desire to scale their headquarters facility appropriately which resulted in a search of Bay Area real estate that would not only accommodate their current needs but provide them the ability for further growth. Polycom identified the America Center site for its ability to allow them to continue to grow but also increase their visibility within Silicon Valley.

Polycom currently has over 150 employees in their San José facility and another 130 employees in Pleasanton and Santa Clara. Polycom anticipates hiring approximately 400 additional employees in San José over the next five years, bringing total employment to nearly 700 employees.

Polycom's current direct annual economic impact on San José is \$59,000,000. The direct economic impact is an estimate of the dollar expenditures on employee payroll, cost of production, necessary machinery, and equipment by Polycom. After relocating their headquarters operation and consolidating its Santa Clara executive briefing center to America Center facility, the annual direct economic impact is anticipated to exceed \$108,600,000, an increase of \$49,000,000. When indirect and induced impacts, the success of rounds of spending that flow through the local economy (i.e. the multiplier effect) are included, the total economic impact will exceed \$186,000,000.

According to Brooking Institute, 95% of all job creation comes from expansion or new firm establishment. In this environment of increased competition providing a financial incentive is often necessary to attract and retain corporations with high growth potential. City assistance to Polycom is critical to maintaining the company's operations in San José as well relocating its headquarters to San José.

As a charter city under its municipal and police powers the City may provide financial assistance to Polycom to purchase capital equipment which will be of benefit to the citizens of City. Improvements to the facility will benefit San José by preserving and expanding the number of jobs and revenues to the City.

The City's proposed assistance to Polycom will be as follows:

The City will provide \$200,000 to help Polycom acquire manufacturing equipment for its facility with a reimbursement plan that will be contingent on the company's acquisition of certain manufacturing equipment, to be specified in the Agreement, and the company's

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continued occupancy of the America Center facility. The Agreement will also require the company to remain at its America Center location for a period of 60 months and the money to be used for specified uses and will require a payback of City assistance if the company vacates early.

The final executed City documents will be filed with the City Clerk.

EVALUATION AND FOLLOW-UP

City staff will monitor Polycom's expansion and employment contributions. City staff will provide progress updates to the Community and Economic Development Committee.

PUBLIC OUTREACH/INTEREST

- Criterion 1:** Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website Posting)**
- Criterion 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- Criterion 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

This memorandum does not meet any of the above criteria; however it will be posted on the City's website for the October 25, 2011, City Council Agenda.

COORDINATION

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

FISCAL/POLICY ALIGNMENT

The project aligns with the City's Economic Development Strategy #3 "Preserve and Strengthen Manufacturing-Related Activity and Jobs".

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BUDGET REFERENCE

Funding in the amount of \$200,000 is available in the Office of Economic Development's Economic Development Incentive Program.

Fund #	Appn #	Appn. Name	RC #	Total Appn	Amt. for Contract	Adopted Budget (Page)	Last Budget Action (Date, Ord. No.)
439	3906	Economic Development Incentive Program	TBD	\$850,394	\$200,000	XI 29	Resolution 28928 6/21/11

CEQA

Not a Project, File No. PP10-066(a), Equipment Acquisition.

/S/

KIM WALES

Director of Economic Development
Chief Strategist

For questions please contact Nanci Klein, Deputy Director at (408) 535-8184.