

**CALIFORNIA ALTERNATIVE ENERGY AND
ADVANCED TRANSPORTATION FINANCING AUTHORITY**

Board Meeting Date: Tuesday, June 17, 2025

Request to Approve Project for a Sales and Use Tax Exclusion¹

**Infinera Corporation
Application No. 25-SM031**

Prepared By: *Jeannie Yu, Program Analyst*

SUMMARY

Applicant: Infinera Corporation

Location: Sunnyvale, Santa Clara County; San Jose, Santa Clara County

Industry: Semiconductor Manufacturing

Project: Expansion and Upgrade of Existing Optical Semiconductor Manufacturing Facilities (Advanced Manufacturing)

Project Pool: General

Value of Qualified Property	Estimated Sales and Use Tax Exclusion (“STE”) Amount ²
\$46,000,000	\$3,900,800

Estimated Net Benefit ³	Dollar Value	Points Earned
Estimated Fiscal Benefits	\$6,005,615	1,540
Estimated Environmental Benefits	N/A	35
Additional Benefits	N/A	145
Total	\$6,005,615	1,720
Estimated Quantifiable Net Benefit	\$2,104,815	N/A

Previous Awards and Status: One previous award

- Award 1: App No. 24-SM026, Award Year 2024, 32% Expended; Active; Compliant on Required Reports

¹ All capitalized terms not defined in this document are defined in the STE Program’s statutes and regulations.

² This amount is calculated based on the average statewide sales tax rate of 8.48%.

³ Applications that earn a Total Score of at least 1,000 points and an Environmental Benefits Score of over 20 points may be recommended for approval. (California Code of Regulations Title 4, Division 13, Section 10033(c)(6).)

Staff Recommendation: Approval

THE APPLICANT

Infinera Corporation (the “Applicant”) is a Delaware corporation that formed in December 2000 and originally operated under the name “Zepton Networks.” The Applicant and Nokia Corporation (Nokia) entered into an [Agreement and Plan of Merger by and among Nokia Corporation, Neptune of American Corporation and the Infinera Corporation, on June 27, 2024. The transaction closed on February 28, 2025, at which point the Applicant became an indirect, wholly owned subsidiary of Nokia.](#) The Applicant is an optical compound semiconductor manufacturing and telecommunications company with more than 1,400 patents as of December 2024.

As of May 9, 2025, the corporate officers of the Applicant are:

- David W. Heard, Chief Executive Officer & Director
- Nancy L. Erba, Chief Financial Officer
- Brett Hooper, Chief Human Resources Officer
- Regan J. MacPherson, Chief Legal Officer & Corporate Secretary

THE PROJECT

Infinera Corporation requests a sales and use tax exclusion (“STE”) award to expand and upgrade its existing optical semiconductor manufacturing facilities located in Sunnyvale and San Jose (the “Project”).

The Applicant indicates that the proposed expansion will involve the construction of a new semiconductor fabrication facility equipped with advanced manufacturing technologies and processes aimed at enhancing the production capacity of photonic integrated circuits (“PICs”) by a factor of more than 10. This increase will be achieved through the utilization of larger 6-inch (150 mm) indium phosphide (“InP”) wafers, along with upgraded tools designed to boost wafer production. According to the Applicant, the Project will include the building of the fabrication facility, the acquisition and installation of processing equipment, recruitment and training of personnel, and scaling operations to achieve significantly higher output levels. The Project also supports research and development capabilities and expands the opportunity for the Applicant’s customers and partners to take advantage of these U.S. advanced manufacturing capabilities for their own solutions.

The Applicant states it will employ a technique called epitaxy during the initial phases of the manufacturing process. This method involves the growth of crystalline layers on each wafer, resulting in a crystalline film referred to as an epitaxial film or epitaxial layer. The epitaxial film is later partially removed through plasma and wet etching technology in preparation for the subsequent stages of the manufacturing process. Throughout the epitaxy process, the Applicant will utilize x-ray diffraction instruments, atomic and electron microscopes, along with other sophisticated scanning metrology tools to

meticulously analyze each layer, ensuring compliance within the specified criteria for thickness, purity, and uniformity.

The Applicant states that its production process requires a high degree of precise methods to ensure product functionality. For example, during the final assembly, the PICs are attached to sub-mounts that measure less than one square inch. This process involves the use of approximately three meters of gold wiring, which is finer than a human hair to link the various components on the PIC to the carrier and package through thermosonic bonding. Three-dimensional optical scanning technology assesses product quality by verifying that each sub-mount maintains the correct thickness and height, with an allowable error margin of only 550 microns (approximately 0.02 inches). Furthermore, the Applicant states it will use additive manufacturing in its production process and install state-of-the-art fabrication equipment that will not only enable it to produce 1.5 times more wafers per day but also reduce the overall energy usage by 50-60% per chip.

Anticipated Costs of Qualified Property

Anticipated Qualified Property Purchases	Cost
Manufacturing Equipment, Machinery & Related Property	\$7,000,000
Metrology, Testing and QC Equipment & Related Property	\$3,000,000
Lab Devices & Scientific Instruments	\$2,900,000
Research & Development, Design, Engineering Property	\$16,100,000
Buildout/Construction, Upgrades & Improvements to Real Property	\$12,250,000
Logistics, Storage Systems & Related Property	\$4,000,000
IT & Computer Property	\$750,000
Total	\$46,000,000

Note: The Qualified Property purchases reported in the Application and shown here in the staff report are estimated costs. In accordance with the Regulatory Agreement, a finalized Project equipment list will be prepared detailing the value of the Project equipment actually acquired, and the estimated tax benefit realized pursuant to Revenue and Tax Code Section 6010.8. Variance from the costs shown in the Application and in this report may occur prior to the closing due to increased costs of certain components of the Project over original estimates, and other reasons. In addition, those costs may vary after closing due to increased costs, common design and equipment modifications during construction, differences in equipment due to future changes in statute or regulation, or for other reasons.

Timeline

The Applicant plans on purchasing additional design and manufacturing equipment in support of its next generation optical semiconductors and related equipment. The Applicant plans to enhance and expand its manufacturing facilities in 2025 and beyond, which will involve further renovations to its expanding product manufacturing line and the development of additional research and development space for the company's engineers.

Status of Permits/Other Required Approvals

The Applicant has applied for all required building permits from the City of San Jose to undergo the construction expansion of its fabrication process. The Applicant has indicated that several permits for hazardous materials have successfully passed the review phase as of April 2025 and will proceed to the final inspection stage upon completion of the installation.

PROJECT EVALUATION

Project Benefits

The Project received a Total Score of 1,720 points, which exceeds the required 1,000-point threshold, and a total Environmental Benefits Score of 35 points, which exceeds the 20-point threshold.

1. **Fiscal Benefits (1,540 points)**. The net present value of the total fiscal benefits over the lifetime of the Qualified Property is derived from the Applicant's sales and use taxes, personal income taxes paid by the firm's employees, firm taxes on profits, property taxes, and other indirect fiscal benefits of the Applicant. The total fiscal benefits amount to \$6,005,615, resulting in a Fiscal Benefits score of 1,540.
2. **Environmental Benefits (35 points)**. The Project earned an Environmental Benefits Score of 35. The Applicant received points in the following categories:
 - A. **Environmental Sustainability Plan (5 of 5 points)**. The Applicant has an environmental sustainability plan that describes energy saving methods through installation of new energy efficient equipment.
 - B. **Energy Consumption (30 of 30 points)**. The Applicant anticipates the Project will result in a 55% reduction in energy consumption compared to the Applicant's previous manufacturing process through the installation of new advanced fabrication equipment.
3. **Additional Benefits (145 points)**. Applicants may earn "Additional Benefits" points in the categories listed below. The Applicant received 145 Additional Benefits points.
 - A. **Production Jobs (55 of 75 points)**. The Applicant anticipates the Project will support a total of 416 production-related jobs at its Facilities. CAEATFA estimates that approximately 26.81 of these jobs will be attributable to a marginal increase in jobs created due to the STE. Based on the amount of STE per estimated number of jobs created, the Applicant earned 55 points.
 - B. **Construction Jobs (0 of 75 points)**. The Applicant anticipates the Project will support a total of 15 construction jobs at its Facilities. CAEATFA estimates that approximately 0.97 of these jobs will be attributable to a marginal increase in jobs created due to the STE. Based on the amount of STE per estimated number of jobs created, the Applicant earned zero points.

- C. Unemployment (0 of 50 points).** The Applicant's Project is located in Santa Clara County, which has an average annual unemployment rate of 4.1%. When compared to the statewide average annual unemployment rate of 5.3%,⁴ the Project location earned the Applicant zero points.
- D. Research and Development Facilities (25 of 25 points).** The Applicant has verified that it has a facility located in California that performs research and development functions related to semiconductor chips.
- E. Benefits and Fringe Benefits (25 of 25 points).** The Applicant states it provides medical, health, dental & vision benefits, bonuses, retirement contributions, dependent care & assistance reimbursement, transportation subsidies, education reimbursement, gym subsidies and paid leave to its employees, earning the Applicant 25 points.
- F. Emerging Strategic Industry (40 of 40 points).** The Project's industry, semiconductors, is in an Emerging Strategic Industry, as defined by CAEATFA, 40 points are awarded.

LEGAL STATUS QUESTIONNAIRE

Staff has reviewed the Applicant's responses on the Legal Status Questionnaire. The Executive Director, in consultation with legal counsel, has determined that the legal issues disclosed do not affect the financial viability or legal integrity of the Applicant.

CAEATFA FEES

In accordance with STE Program regulations,⁵ the Applicant paid CAEATFA an Application Fee of \$10,000 and will pay CAEATFA an Administrative Fee of up to \$184,000 should the Applicant be approved for an award.

RECOMMENDATION

Staff recommends the approval of Resolution No. 25-SM031-01 for Infinera Corporation's purchase of qualifying tangible personal property in an amount not to exceed \$46,000,000, anticipated to result in an approximate STE value of \$3,900,800. The initial term of the Regulatory Agreement will be for a period of three years, until June 17, 2028, and the remainder shall be for a period of four years and six months, until December 17, 2029, for providing annual compliance reports.

⁴ Unemployment rates are based on data available in October 2024.

⁵ California Code of Regulations Title 4, Division 13, Section 10036

**RESOLUTION APPROVING AND AUTHORIZING EXECUTION OF A
REGULATORY AGREEMENT WITH INFINERA CORPORATION**

June 17, 2025

WHEREAS, the California Alternative Energy and Advanced Transportation Financing Authority (the “Authority”) has received the Application of **Infinera Corporation** (the “Applicant”) for financial assistance under the Sales and Use Tax Exclusion Program, as established in Public Resources Code Section 26011.8; and

WHEREAS, the Applicant qualifies as a Participating Party under Public Resources Code Section 26011.8 and Revenue and Taxation Code Section 6010.8; and

WHEREAS, the Applicant’s qualifying tangible personal property meets the requirements of a Project under Public Resources Code Section 26011.8 and Revenue and Taxation Code Section 6010.8 (the “Project”); and

WHEREAS, after the Authority approves an Application, the Authority enters into a Regulatory Agreement, as described in Authority Regulations Section 10035(a), with the Applicant for the Project; and

WHEREAS, the Applicant has stated the Project has an estimated cost not to exceed \$46,000,000 over a period of three (3) years; and

WHEREAS, the Applicant asserts that this form of financial assistance will enable it to avail itself of the benefits of an exclusion from sales and use taxes relative to the Project pursuant to Revenue and Taxation Code Section 6010.8; and

WHEREAS, the approval of the terms of the Regulatory Agreement and authority for the Executive Director or Chair of the Authority to execute the necessary documents to effectuate the Regulatory Agreement is now sought;

NOW, THEREFORE, BE IT RESOLVED by the California Alternative Energy and Advanced Transportation Financing Authority, as follows:

Section 1. The Regulatory Agreement includes a Project within the meaning of Public Resources Code Section 26003(a)(8)(B).

Section 2. The Regulatory Agreement constitutes financial assistance within the meaning of Public Resources Code Section 26003(a)(6).

Section 3. The Applicant is a participating party within the meaning of Public Resources Code Section 26003(a)(7).

Section 4. The Executive Director or Chair of the Authority (the “Authorized Signatories”) are hereby authorized for and on behalf of the Authority to approve any changes to the Project as the Authorized Signatories deem appropriate, provided that

the amount of the qualifying tangible personal property to be purchased for the Project may not be increased above the amount approved by the Authority.

Section 5. The proposed form of the Regulatory Agreement between the Applicant and the Authority, as filed with the Authority prior to this public meeting, is hereby approved. For, on behalf and in the name of the Authority, the Authorized Signatories are hereby authorized and directed to execute, acknowledge, and deliver to the Applicant the Regulatory Agreement in substantially the form filed with or approved by the Authority.

The Regulatory Agreement may contain insertions, deletions or changes as the Authorized Signatories executing the Regulatory Agreement may require or approve, including particular information inserted in substantial conformance with the staff summary and in the Application to the Authority. The approval of the Regulatory Agreement will be conclusively evidenced by the execution and delivery of the final Regulatory Agreement.

The Authority understands and agrees that, pursuant to the terms of the Regulatory Agreement, the obligations of the Applicant, under some circumstances, may be carried out or assumed by a successor or assignee entity, or by an affiliate of the Applicant.

Section 6. Each of the Authorized Signatories, acting alone, is hereby authorized and directed to do any and all ministerial acts, including, without limitation, the execution and delivery of any and all documents and certificates they may deem necessary or advisable to consummate the Regulatory Agreement and otherwise effectuate the purposes of this Resolution.

Section 7. The Applicant shall ensure that all of the qualifying tangible personal property acquired as part of the Project that is listed in the semi-annual reports provided to the Authority pursuant to the Regulatory Agreement will be installed, maintained and operated in compliance with all applicable local, state and federal laws.

Section 8. The Regulatory Agreement shall only apply to qualifying tangible personal property acquired as part of the Project that the Applicant certifies will be installed, maintained and operated at facilities physically located within the State of California.

Section 9. Neither the adoption by the Authority of this Resolution for the Applicant nor the Regulatory Agreement may be referred to in any application before any governmental agency as evidence of the feasibility, practicality or suitability of the Project and may not be referred to in any application for any required permission or authority to acquire, construct or operate the Project.

Section 10. This Resolution is effective immediately and will remain in full force and effect unless the Regulatory Agreement is not executed within thirty (30) days of

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the date of this Resolution. The Executive Director may extend the thirty (30) days if necessary.