

BUDGET REVIEW COMMITTEE

AUGUST 14, 2023

7:00

Aldermanic Chamber

ROLL CALL

PUBLIC COMMENT

COMMUNICATIONS

From: Tim Cummings, Administrative Services Director
Re: Discussion on CHIPS Act & Developing a Partnership with BAE Systems

UNFINISHED BUSINESS

NEW BUSINESS – RESOLUTIONS

NEW BUSINESS – ORDINANCES

TABLED IN COMMITTEE

R-23-118

Endorsers: Alderman-at-Large Melbourne Moran, Jr.
Alderman Thomas Lopez
Alderwoman-at-Large Gloria Timmons
Alderman-at-Large Michael B. O'Brien, Sr.

INCREASING THE MAXIMUM ALLOWABLE AMOUNT IN THE SNOW REMOVAL EXPENDABLE TRUST FUND AND EXPANDING ITS USE

- amended and tabled at 5/24/23 meeting

GENERAL DISCUSSION

PUBLIC COMMENT

REMARKS BY THE ALDERMEN

ADJOURNMENT



THE CITY OF NASHUA

Office of Administrative Services

"The Gate City"

TO: Board of Aldermen

FROM: Tim Cummings, Administrative Services Director

Date: June 26, 2023

RE: Discussion on CHIPS Act & Developing a Partnership with BAE Systems

Background

The CHIPS and Science Act "CHIPS Act" is a U.S. federal statute enacted by the 117th U.S. Congress and signed into law by President Joe Biden on August 9, 2022. The act provides roughly \$280 billion in new funding to boost domestic research and manufacturing of semiconductors in the U.S.

Specifically, there is a program called "The CHIPS Incentives Program," which aims to catalyze long-term economically sustainable growth in the domestic semiconductor industry in support of U.S. economic and national security. The CHIPS Incentives Program can provide incentives in the form of direct funding (via grants, cooperative agreements, or other transactions), loans, and loan guarantees for eligible projects. The CHIPS Incentives program will support investments in the construction, expansion, and modernization of commercial facilities in the U.S. for the front- and back-end fabrication of leading-edge, current-generation, and mature-node semiconductors.

This specific program run through the Department of Commerce requires local and state participation – in the form of incentives – to qualify. The Department is most interested in financial inducements that create "spillover benefits" aimed at improving the overall ecosystem for semiconductor manufacturing. This means, for purposes of the grant program, incentives that support workforce and education are weighted more favorably than outright tax abatement.

With this in mind, the City's Economic Development Office in conjunction with BAE Systems is seeking approximately \$200,000 to develop a new workforce-training program at Nashua Community College. This new program would support the greater Nashua semiconductor and microelectronics manufacturing industry. The funds would go directly to the college to design and launch this new training program.

Semiconductor Facility in Nashua

BAE Systems currently manufactures semiconductor chips at its Microelectronics Center (MEC) at 65 Spit Brook Road in Nashua. The MEC is a 110,000-square-foot, Department of Defense accredited chip laboratory and fabrication center. The company has been incrementally modernizing the MEC via a number of small capital expenditure projects started in 2020. The company's Foundry Modernization Project (FMP), with CHIPS Act funding, will front-load the replacement of aging tools that can no longer be repaired. Some of these tools represent single points of failure that could disrupt manufacturing operations. The FMP also builds in some redundancy to mitigate risk.

The MEC is foundational to the work done at BAE Systems and to national security more broadly. The chips produced in Nashua support a wide array of 5th generation electronic warfare systems like those found in the F-35 Joint Strike Fighter. Other applications include communication satellites and commercial uses.

If awarded this CHIPS grant BAE is prepared to make a capital investment of approximately \$50MM over a five year period on top of the grant award being requested of \$36MM from the Department of Commerce.

BAE Systems anticipates the MEC FMP will attract associated supplier, workforce, and other related investments that correspond with the MEC's production and workforce growth. The new equipment will increase the level of automation, adding efficiency to the MEC's operations. The FMP's effect on BAE Systems' local workforce is the creation of 24 new jobs, a roughly 12% increase from the current facility workforce. The company anticipates an increased need for related investment and capacity in the job-training programs related to those positions, such as the bootcamps conducted in partnership with Nashua Community College. More than 20% of the MEC's suppliers are historically underutilized small businesses. These small-business partners collectively expect to hire ~10 new employees after award of a CHIPS Act grant. The investments outlined above will help create a more productive, efficient, and self-sustaining ecosystem.

Partnership

Over the past few months, we began a dialog to assess whether a program could be developed for our mutual benefit. To that end, the following conceptual proposal has been sketched out, on which your feedback would be welcomed. The concept for a Workforce Development Training Program is as follows:

- A "Clean Room Bootcamp" would be an approximately 8-10 week workforce-training program run out of Nashua Community College as a non-credit class modeled on the successful Microelectronics Bootcamp that is currently running. Students are guaranteed an interview with BAE Systems at the end of the program.
 - The idea is to give basic "clean room" skills to potential employees so they can have a certain level of education, exposure and understanding of a clean room environment, making them more attractive candidates for employment.
 - The "start-up" cost for equipment, materials, and other consumable items is approximately \$200,000 (using estimates from the first bootcamp start-up).
 - Student tuition is \$5,500 per session.
 - The course is self-sustaining with student tuition.
 - A similar program is currently on Cohort #28, with approximately 12 students in a class (over 300 individuals trained to date). It has been a huge success. Graduates have a 98% job placement rate at multiple regional companies.

Request

The City of Nashua would commit to providing up to \$200,000 seed costs of implementing this new training program. The city will use ARPA funds with some leftover money or Escrow, but only if BAE Systems is successful in obtaining a grant. The City of Nashua would enter into a Memorandum of Agreement with BAE and the Community College to effectuate this proposal.

BAE Systems' grant "pre-application" is currently before the Department of Commerce for review. The company expects feedback in late summer, after August 1. To that end, I am asking that this communication be referred to committee for a discussion in July.