



SAMCEDA

San Mateo County Economic Development Association

Annual Update 2009/2010

SAMCEDA 2009-2010

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MESSAGE FROM OUR CHAIRMAN ELAINE BREEZE

San Mateo County must have a prosperous and successful business community to provide our residents opportunities to achieve the highest quality of life, enable our government institutions to have the means to provide core services that directly benefit all of us, and ensure that our community has a vibrant and dynamic economy -- a place where people want to live and work.

SAMCEDA provides value to its members by working hard on its own and with our partners to advocate for policies at all levels of government that are aimed to protect and improve an environment in which businesses can succeed. SAMCEDA also provides direct benefit by connecting our members with new business opportunities and government and civic leaders.

As you see from this annual update, this has been an exciting year.

We hosted our first Legislator Roundtable for members in which we had a frank discussion with our representatives on government reform issues.

We expanded our relationship with the Bay Area Council, joining with them again as a member of the Transportation, Infrastructure and Jobs Policy Delegation legislative action trip to Washington D.C. In addition, we are partnering with them in the opening of a new office in Shanghai, China that will provide significant benefits to our members.

For the first time at our annual Awards of Excellence event, we recognized and paid tribute to the leading innovators among San Mateo County businesses. INNOVATORS 2010 highlighted cutting edge companies based here in San Mateo County in the fields of cleantech, digital marketing, finance & media, technology and life sciences.

We have led the efforts to support Caltrain electrification, and a balanced approach to achieving High Speed Rail through spearheading the formation of the Alliance for Sustainable Transit and Jobs (ASTJ).

We commissioned an in-depth economic report of San Mateo County that will be very useful for our members and in the creation of public policy. This report will serve as a foundation for SAMCEDA's efforts to work closely and collaboratively with business, workforce development partners, the county, cities, non-profits, labor and educational institutions on a countywide effort to attract and retain key industries for our continued economic success.

These are but a few examples of what we as an organization and through our members have done. But there is much more to do. SAMCEDA will continue to have a seat at the table and we are poised to do even more.

We also welcomed Rosanne Foust as our new CEO and President. Foust brings to SAMCEDA 20 years of extraordinary experience in economic development, civic leadership, and a great passion for success.

Please join us as we move forward together to make San Mateo County an even better place to work, live and prosper.

INNOVATORS – 2010 SAMCEDA AWARDS OF EXCELLENCE

Companies the likes of Genentech, Oracle, Tesla, Salesforce and YouTube all trace their roots to San Mateo County. Today, a new crop of companies continue to lead at the cutting-edge of several of the world's most dynamically evolving industries.

The 2010 SAMCEDA Awards of Excellence recognized San Mateo County companies developing/providing innovative products and services in the areas of cleantech; digital marketing, finance & media; technology; life sciences; and public and non-profit administration.



2010 AWARDS OF EXCELLENCE WINNERS

Cleantech

- Codexis
- Solazyme
- Silver Spring Networks

Technology

- Appirio
- Hara Software
- NetSuite

Public & Non-Profit Administration

- Skyline College

Digital Marketing, Finance & Media

- Adchemy
- Equinix
- Franklin Templeton

Life Sciences

- Gilead Sciences
- Rigel Pharmaceuticals

David D. Bohannon Memorial Award

- John A. Conover



SHANGHAI-BAY AREA LANDING PAD

SAMCEDA, BAY AREA COUNCIL PARTNER TO OPEN SHANGHAI BUSINESS OFFICE



With both the Bay Area and Chinese economies adding extraordinary new capital capacities, products, services and technologies, there has never been a better time for the two regions to forge strong, mutual and lasting business ties that will grow commerce and spur new opportunities between them.

SAMCEDA is proud to be partnering with the Bay Area Council to launch a "Landing Pad" business office in Shanghai, China. The office will serve as a valuable resource for assisting Bay Area companies and SAMCEDA members with successful entry, establishment and business expansion into the burgeoning Chinese market. It will also promote and facilitate increased Chinese expansion and investment in the Bay Area market and region - from companies looking to open satellite offices, R&D facilities, or take part in the high-growth San Mateo County/Silicon Valley tech industries.

SAMCEDA will offer the suite of advantages and services provided by the new landing pad office to all members as an inclusive new offering/service. The office will assist with educating and apprising members of business opportunities; securing and managing relationships; initiating new local market strategies; and will also serve as short-term floating office space for SAMCEDA members in Shanghai.



EXECUTIVE SUMMARY

THE WAY FORWARD

The nation and the state of California have recently come out of a recession that is undoubtedly the worst in the post-WWII era. Currently, signs of recovery abound; however, uncertainty continues to linger. In the past several months, jobs have returned to the economy, overall economic output in manufacturing, as well as in the service-providing industries, has surged, and homes sales and prices have been on the rise. At the same time, we are replacing a private economic bubble that developed over many years in real estate, finance, and consumption, with a public one, in the form of extraordinarily loose monetary policy, combined with significant government stimulus expenditures and tax cuts. Although the worst is certainly behind us, and although 2010 will likely be a solid year economically, the years beyond present the potential pitfalls of a double-dip recession, inflation, and higher taxes, as the recessionary policies crucial to stabilizing the economy are unwound.

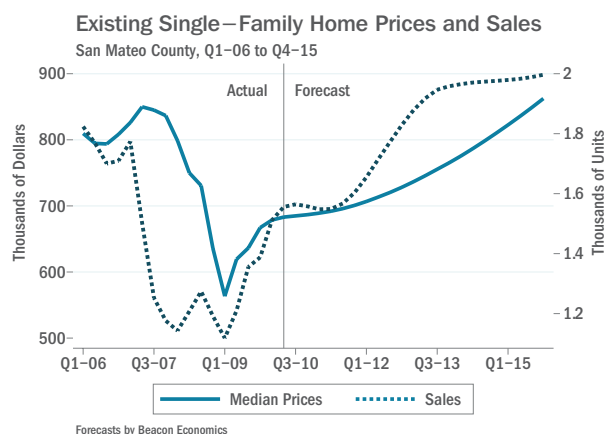
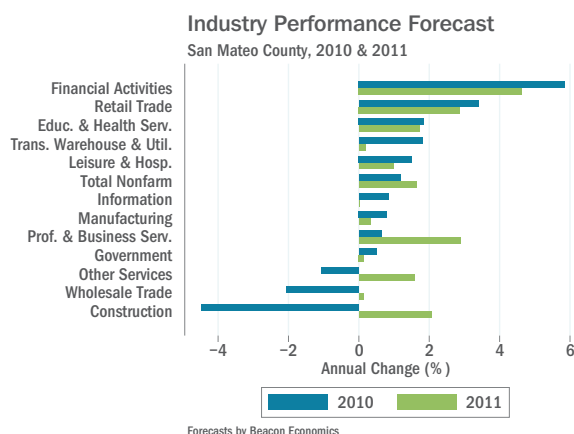
Over the course of this just past recession, San Mateo County suffered significant job losses, revenue losses, and home price depreciation. In relative terms, however, the county fared quite well. In particular, and telling of the relatively light impact of the recession locally, home prices only declined by 27% from peak to trough, whereas home prices in much of the rest of the state have fallen by more than 50%. Further reinforcing the late onset of recession in San Mateo County, employment peaked quite late relative to the state and the nation, in the second quarter of 2008. As is true in most other regions, where the housing bubble was less severe, so too was the recession.

So what is in the cards for the County of San Mateo going forward? The recession is clearly over, and positive indicators are either already appearing in available data or are on the near horizon. In essence, these include:

- A strong consumer response to federal stimulus programs: Spending rebounded sharply in the third quarter of 2009 and is projected to continue growing, albeit at a slower rate, through the foreseeable future. Quarterly taxable sales are expected to surpass their 2007 peak in late 2014, and will surpass the tech-bubble peak attained in 2001 in the following year.
- An end to job losses, and returning expansion in several key sectors: As a result of the aforementioned consumer revival, employment in sectors reliant upon consumer confidence will return to growth – most notably in the retail and financial arenas. Rippling outward from there, growth will resume in professional services and ultimately in the construction industry.
- Revival in residential real estate markets: Also in response to federal stimuli, home sales picked up late last year, spurring homeowners to raise the listing prices of homes on the market. The end of these federal programs will dampen the positive trajectory in this area, although sales may rise sharply as program deadlines approach. Nonetheless, the county's inherent attractiveness as a place to live will continue to drive demand in the future.
- Some continued pain for commercial real estate markets: As one of the most lagging indicators following a recession, building permits for commercial structures will continue to decline on a quarterly basis through the remainder of this year. As businesses slowly fill the backlog of vacant spaces, demand for new structures will rise.

Worst 4-Quarter Contractions in GDP

4 Quarters Ending	Cumulative Decline (%)
Q2-2009	-3.8
Q1-1958	-3.0
Q3-1982	-2.7
Q2-1954	-2.5
Q1-1975	-2.3



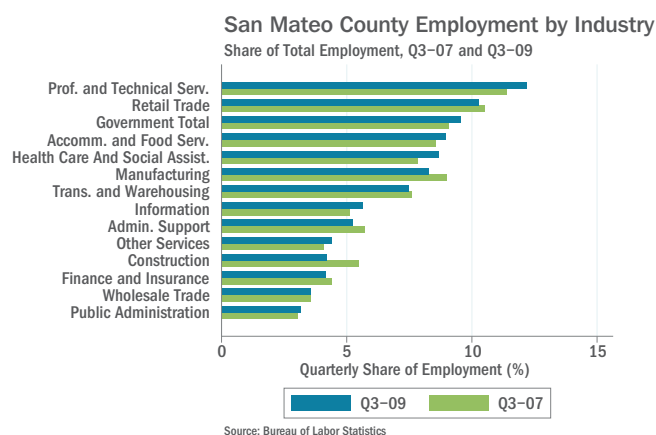
THE UNDERLYING DYNAMICS

The County of San Mateo is highly dynamic, in terms of its employment and business patterns. Similarly to neighboring San Francisco and Santa Clara counties, it has experienced significant ups and downs over the last 15 years with respect to employment levels and concentrations, and business activity. At the end of 2007, San Mateo was the 13th-largest county in terms of employment with nearly 360,000 people employed in the county. By the third quarter of 2009 (the end of the 2008-09 recession), the county had moved up to become the 12th-largest employment center in the state.

Employment in the county is concentrated in a diverse set of industries. The skill-intensive professional and technical services and information sectors are highly concentrated in the county, as is the relatively lower-skilled transportation and warehousing. The latter is largely explained by the presence of San Francisco International Airport; however, as San Mateo County imports much of its low-skill labor, this ultimately has only a minor effect on local workforce characteristics.

San Mateo County's employment base also differs significantly from its employed residents when comparing skill-level, age, and industry. In particular, only 41% of those employed in the county also resided in the county. Of those living in the county, only 42% of those with a job also work within San Mateo County, making the area somewhat of a bedroom community. Highly-skilled laborers in San Mateo County frequently commute to nearby counties to work, while lower-skilled workers are brought into the county to fill lower-wage positions. Other important characteristics include:

- A gap of nearly 3,000 between the number of jobs in the county and the number of employed residents – even if all employed residents worked within the county, they would not be able to fill all the available jobs.
- A significant age discrepancy – employed residents are typically older than those employed in the county, as is the populace in general.
- Residents are more likely to be employed in non-transportation service sectors, that is to say in higher-skill, better-paid service sector jobs, than are non-resident employees.

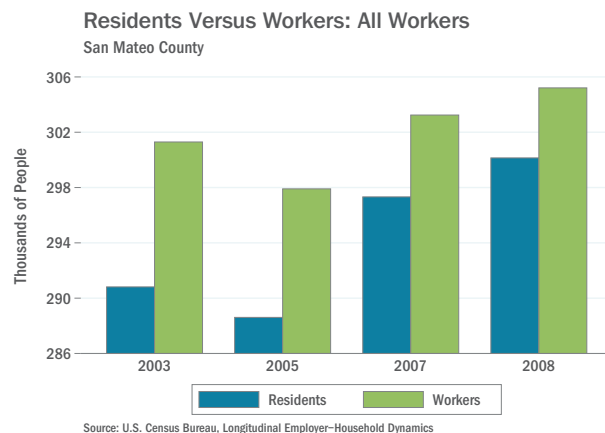




SAN MATEO COUNTY ECONOMIC ANALYSIS BEACON ECONOMICS SPECIAL REPORT

Over time, employed residents in San Mateo County have been shifting into higher earnings brackets, and jobs in the county are becoming increasingly well-paid. This trend is a clear consequence of the increasing proportion of high-skilled service sector jobs in the county. Going forward, this long-term trend is expected to continue. As a result, the outlook for job growth in the county is solid, with a greater than 11% increase in local employment between the end of 2009 and the end of 2015. At the same time, however, these job gains do little more than erase the losses accumulated over the past two years: at the end of 2015, employment in the county will be a mere 1.5% higher than its peak pre-recession levels. Even then, employment will remain well below the record peak attained in late 2000 -- by almost 34,000 payroll positions.

The composition of employment growth, on the other hand, bodes well for the county. Solid increases in highly skilled occupations are anticipated. In particular, increases in legal, computer and mathematical, skilled health care, and life, physical, and social science occupations will significantly outpace general employment growth. With average wages in each of these categories in excess of \$80,000, living standards in the county will rise more quickly in San Mateo than in much of the rest of the state.



REPORT FUNDED BY:

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ANALYZING | EDUCATING | ADVOCATING

BUDGETARY AND FISCAL REFORM

- SAMCEDA convened a Legislator Roundtable for its Board of Directors and member companies with State representatives (Senator Joe Simitian and Assembly Members Ira Ruskin and Jerry Hill) for a frank discussion on the state fiscal crisis and reform efforts.
- SAMCEDA supported fiscal reform efforts of California Forward and directly advocated to state legislators.
- SAMCEDA has analyzed, on behalf of its member companies, a variety of state initiatives affecting the ability of business to remain and be successful in California.



TRANSPORTATION

- Spearheaded the formation of the Alliance of Sustainable Transit and Jobs (ASTJ)

This unprecedented alliance of small and large companies, labor unions and professional associations from San Francisco, San Mateo and Santa Clara Counties have come together to support the economic and sustainability benefits associated with cutting-edge and critically necessary transportation solutions.

ASTJ provides factual information on the project process, and has gained both recognition and respect for its role as a balanced advocate in support of High-Speed Rail and Caltrain electrification.



LAND USE



- Grand Boulevard Initiative (GBI)

SAMCEDA is a key member of both the Working Committee and Task Force of interested public and private parties that challenges communities to rethink the corridor's potential for housing and urban development. Stretching from Daly City in the north to the Diridon Caltrain station in central San Jose the Grand Boulevard is a collaboration of 19 cities, counties, local and regional agencies united to improve the economic potential of El Camino Real.

REGIONAL PARTNERSHIPS AND STATE AND NATIONAL ADVOCACY EFFORTS

- SAMCEDA joined with the Bay Area Council for Washington D.C. Legislative Advocacy Trip on Transportation, Infrastructure and Jobs Policy. This delegation was comprised of business and public sector leaders from the Bay Area and provided SAMCEDA an opportunity to not only meet with key Administration officials and Congressional representatives in Washington, D.C. but to engage in unique and fruitful dialogue with partners and key contacts in a variety of industry sectors.
- Collaborated with Joint Venture Silicon Valley Network (JVSVN) on State of the Valley Road Show highlighting key information from annual report and how it impacts the business community in San Mateo County.
- Connected SAMCEDA members to resources including the Silicon Valley U.S. Export Assistance Center of the U.S. Commercial Service (United States Department of Commerce).
- Joined with Silicon Valley Leadership Group (SVLG) on regional transportation issues including Caltrain electrification and High-Speed Rail.

WHO WE ARE

The San Mateo County Economic Development Association (SAMCEDA) was founded over 55 years ago to promote business issues that enhance and sustain the economic prosperity of our region and its local communities. 55 years later, the core message that "Business is Good and Business Brings Opportunity," remains timeless. Beyond that, the rapid pace of change and innovation locally, regionally, nationally, and globally demands that SAMCEDA meet this ever-changing environment with ideas and tools our members need to be one step ahead.

WHAT WE OFFER

- An Influential Voice and a Seat at the Table - on issues that affect your business.
- Direct Communication - with top federal, state, regional and local political leaders, groups, and stakeholders.
- Established Relationships - with influential business and civic leaders in the region and the world.
- Public Policy Expertise - through "on the ground" involvement and presence, leveraging relationships with partner and reciprocal organizations, and maintaining an extensive, mature information network.

INTERESTED IN KNOWING MORE ABOUT SAMCEDA?

Visit www.samceda.org for a full range of membership opportunities



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San Mateo County Economic Development Association

1301 Shoreway Rd., Ste 150 | Belmont, CA 94002

Ph: 650-413-5600 Fax: 650-413-5909

info@samceda.org | www.samceda.org