

SAMCEDA County Economic Profile (data current as of March 1, 2010)

County Overview:

- In 2009, SMC unemployment rose from 7.2% in January, to a peak of 9.2% in August and has since declined to 8.6% as of December 31, 2009.
- From January to December 2009, the labor pool shrunk by 10K (from 385K in January to 375K in December – i.e. there are fewer people looking for work).
- Legal, Medical (general care), Product Marketing and Real Estate Brokerage are SMC's leading high-wage occupations.
- Median home prices have recovered from \$280K in '08 to \$305K in '09, an increase of approximately 9%.
- Average single family home sale price in SMC fell 16% in '09 (compared to '08).
- Home sales have managed a sustained level due in large part to the Federal Reserve's purchase of Residential Mortgage Backed Securities (RMBS) which has kept mortgage rates low. As the Fed has declared its intent to discontinue its purchase of RMBS beginning March 31, 2010, the question is what will happen to mortgage rates (they are likely to go up). What impact will higher rates have on housing inventory, current owners' ability to refinance, sell, and so forth?

Additionally, an impending reset of option ARMs (Adjustable Rate Mortgages) in 2010 and 2011 could significantly impact foreclosure activity in SMC. This issue was mentioned at the ABAG Economic Outlook in January '10 as the primary threat to a sustained economic recovery.

ARRA (American Recovery and Reinvestment Act) Awards:

- Peninsula Corridor JPB awarded \$10.4 million for track, grade and infrastructure improvement.
- SamTrans awarded \$7.9 million for bus, maintenance and other transit.
- Coastal Conservancy awarded \$7.6 million for South San Francisco Bay Salt Pond Restoration project.
- County of San Mateo awarded \$7.3 million for various projects and services.
- SRI International (Menlo Park) awarded \$3.5 million for scientific research.
- City of San Mateo awarded \$1.75 million for community, energy retrofit projects.
- City of Daly City awarded \$1.7 million from ARRA for three different projects.
- City of South San Francisco awarded \$970K for site, community development and energy retrofit projects.
- Redwood City Commons awarded \$950K for rental assistance payments.
- City of Redwood City awarded \$940K for energy efficiency projects.
- Peninsula Volunteer Properties awarded \$590K for rental assistance payments.
- Redwood Bioscience awarded \$500K for protein research.
- SMC Housing Authority awarded \$366K for public housing capital fund.
- City of Pacifica awarded \$140K for Climate Action Plan.
- SMCCD awarded \$45K for federal work study.
- Hillcrest Senior Housing awarded \$41K for rent assistance.

Total of \$44.7 million awarded in San Mateo County.

VC investment and activity:

Last two-year period saw lowest number of IPOs in 30 years.

- Capital-light technologies in the energy efficiency field are more likely to get money than solar or biofuels companies that require much more money to reach commercial scale.
- Majority of the capital going to clean tech companies will come from the federal government.
- Stimulus money has been *committed*, but not spent. Will be spent in 2010 and 2011.
- Three Bay Area biofuels companies each got \$25 million in federal stimulus money, [Amyris Biotechnologies](#) (Emeryville) [Solazyme Inc.](#) (South San Francisco) and [ZeaChem](#) (Menlo Park).
- [Tesla Motors](#) has raised \$227.5 million in venture capital and received \$465 million in government loans and has since filed for an IPO.
- [Silver Spring Networks](#) in Redwood City raised \$267.5 million in venture capital, much of which came from institutional investors which historically signifies a progression toward an IPO.
- [Codexis](#), a company developing custom biocatalysts – AKA “super enzymes” – that improve and accelerate industrial processes, has filed for a \$100 million IPO.

County of San Mateo has \$115 million structural deficit through FY 2014-2015 based on:

- Local revenue reduced by \$20 million
- Public Safety sales tax revenue reduced by \$12.5 million
- Retirement costs increased by \$50 million
- Backfill state budget cuts cost \$20 million

In order to address the deficit, the Board of Supervisors voted on February 9th to eliminate 64 vacant positions and remove the assumption to reduce the General Fund contribution to the Medical Center. The County was planning to reduce the General Fund subsidy to the Medical Center from \$72 million to \$50 million – it will instead adopt a modified approach reducing the base subsidy by 10% starting in FY 2010-11, and bringing it back up to \$72 million by FY 2014-15.

Primary issues impacting the County of San Mateo’s budget are:

- Unemployment rate (elevated, but down since its peak of 9.2%)
- Median home price and home sales (up 9.2% YOY)
- Foreclosure activity (up 38% YOY)
- Property reassessments (up 23% YOY)
- Public Assistance caseloads (up 13% YOY)

San Mateo County Investment Portfolio (County Investment Pool):

- Rated AAA by S&P as of 9/30/09.
- Has a value of \$2.36 billion.
- Portfolio has outperformed CITI US GOVT BOND index on “yield” from July '09 – Dec '09, although portfolio does not calculate a “return” because it does not mark its assets monthly.

Sources:

- Association of Bay Area Governments (ABAG)
- Bay Area Council Economic Institute (BACEI)
- California Employment Development Department (EDD)
- County of San Mateo
- Standard & Poor's (S&P)
- San Francisco Business Times