

San Jose



CAPITAL
OF
SILICON VALLEY

Economic Development Strategy

NOVEMBER 2003

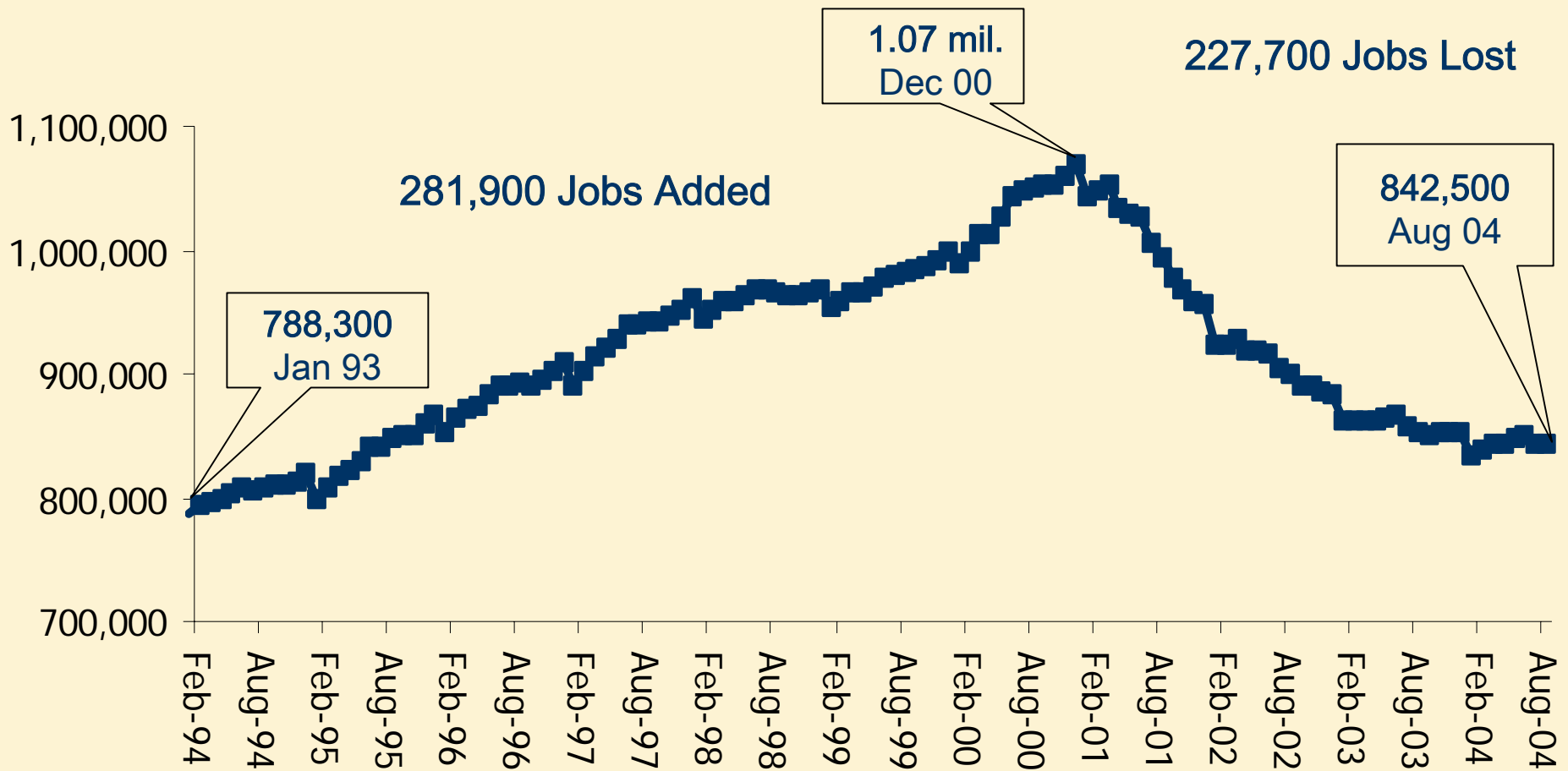
Economic Update
October 6, 2004

OVERVIEW

- I. Economic Performance
- II. “One Voice” Business Appreciation Findings

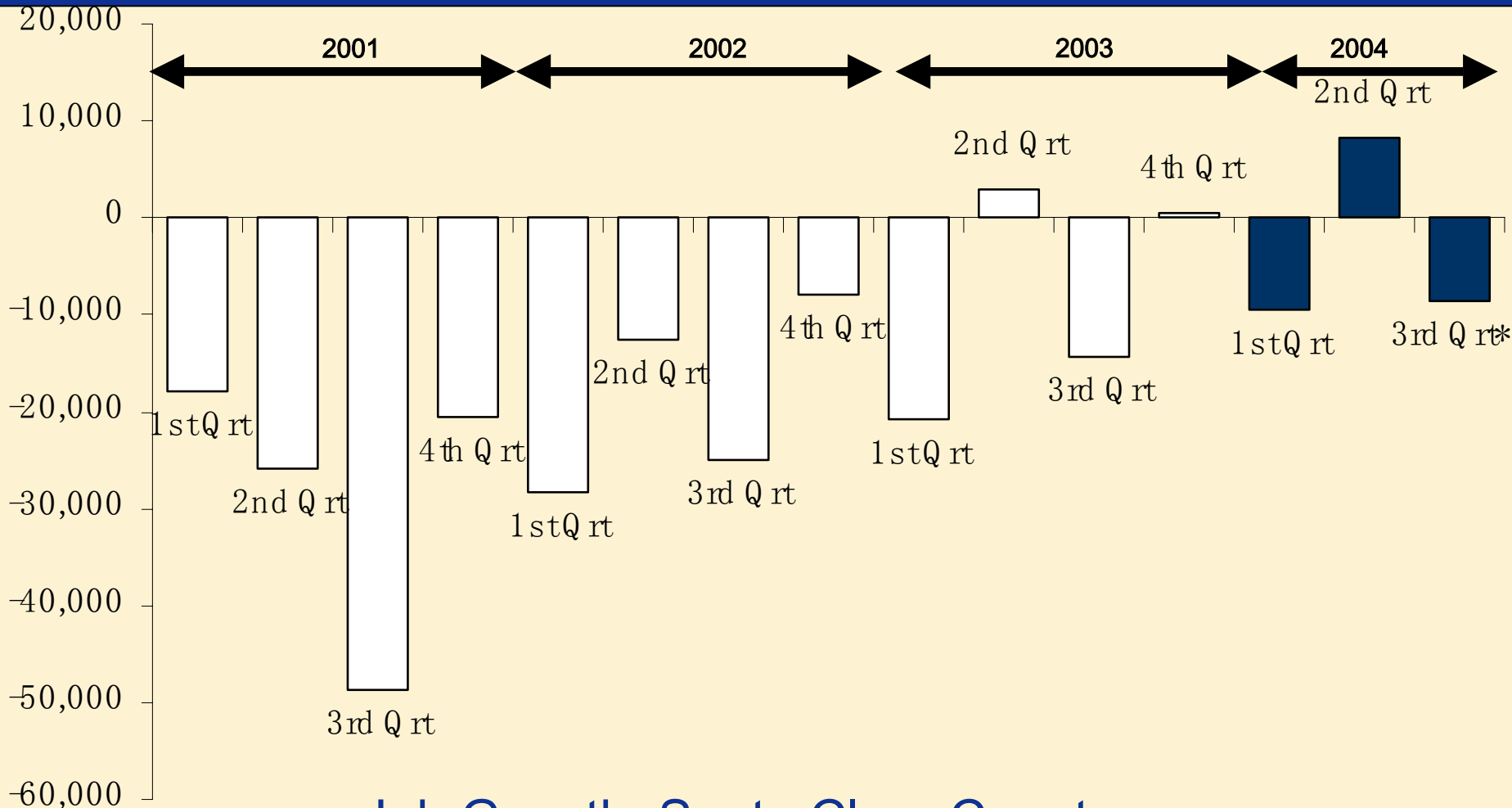
I. Economic Performance

LOST 21% OF JOBS SINCE UP PEAK



Jobs, Santa Clara County 1993-2004

STILL NO SUSTAINED JOB GAINS



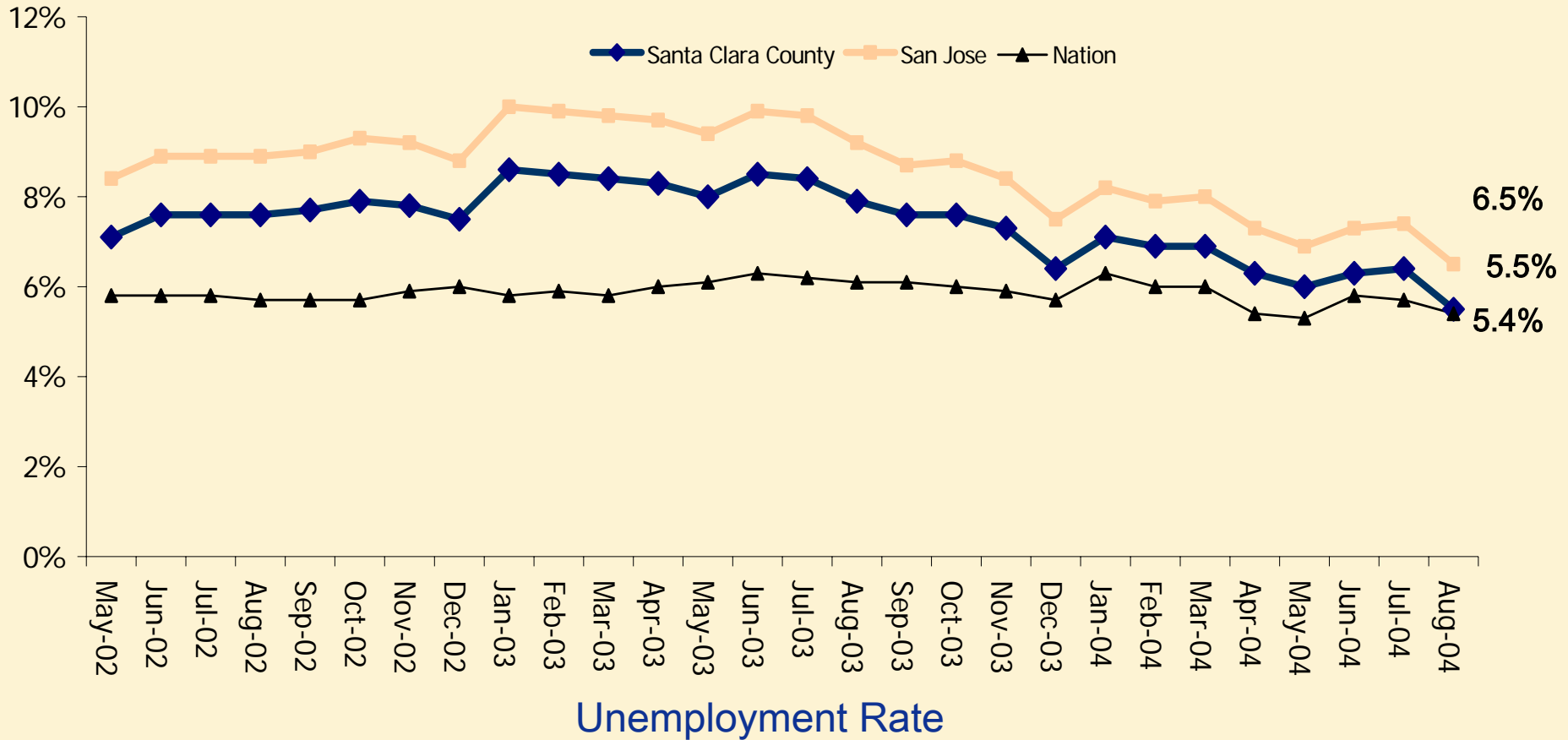
Job Growth, Santa Clara County

Lost 9,700 jobs so far this year

* July & August Only

Source: Employment Development Department

UNEMPLOYMENT RATE IS DECEIVING

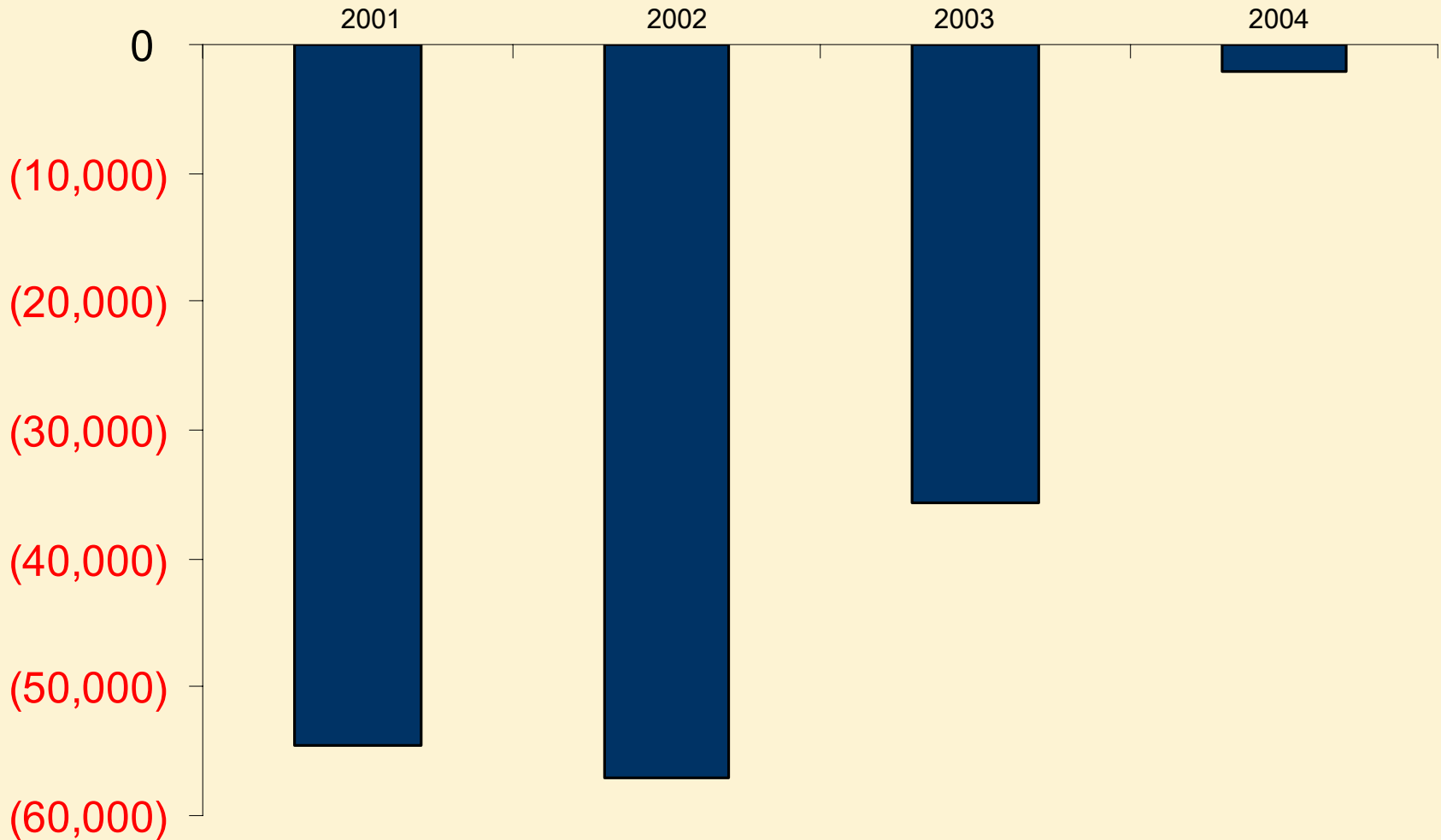


48,400 county residents, including 28,980 San Jose residents, are “officially” unemployed

Source: Employment Development Department

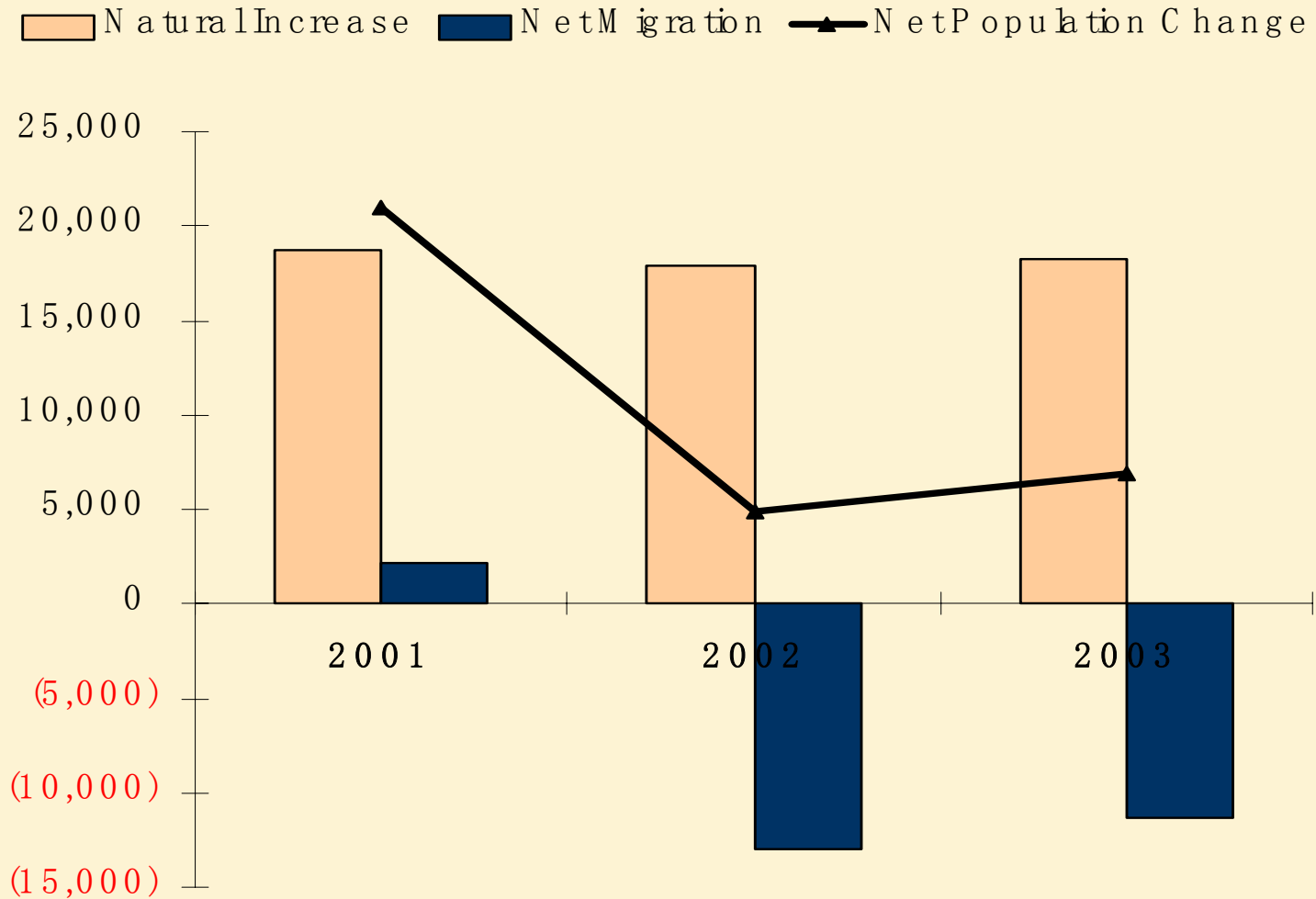
The most recent monthly 2004 figures “August” reflect the EDD’s preliminary estimate of jobs. August figures will become *official* with the release of the September 2004 figures. All figures prior to August 2004 reflect *official* numbers.

LABOR FORCE HAS DECLINED



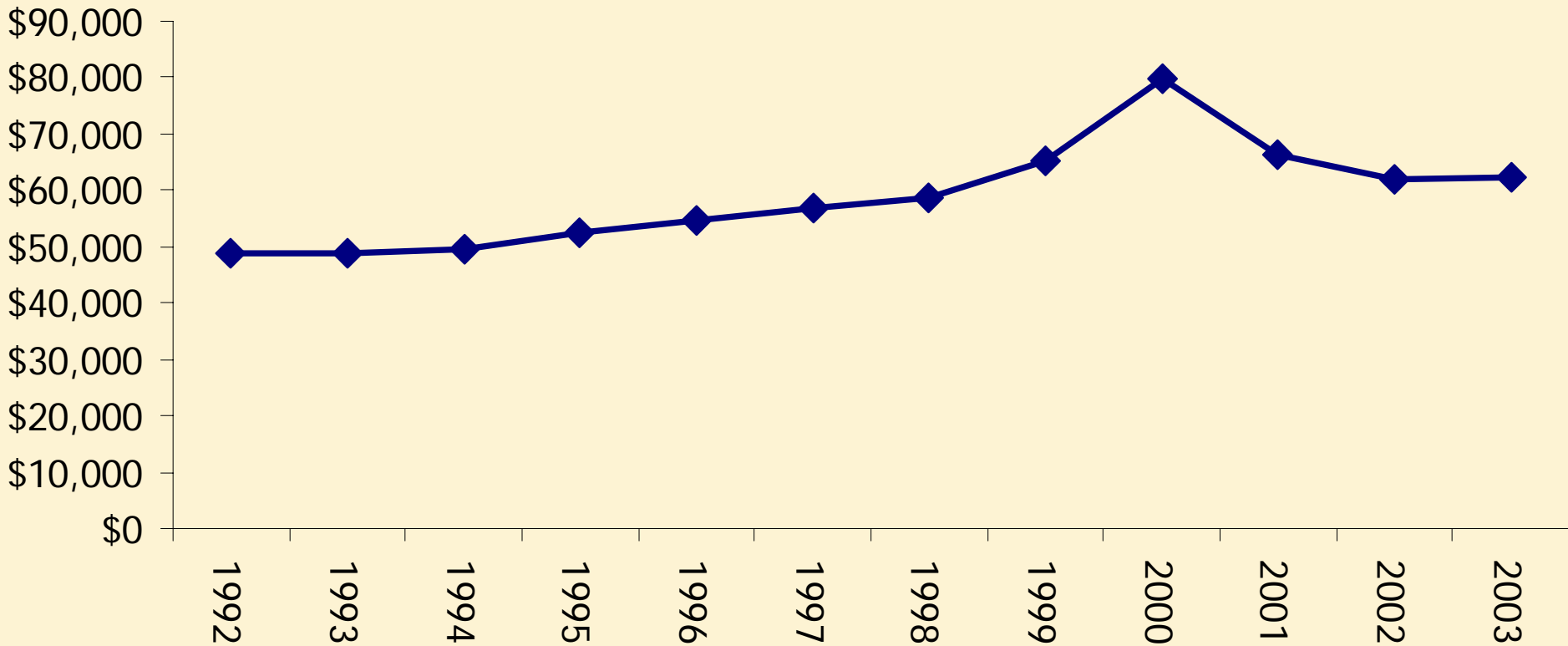
From Q1 2001 to Q2 2004, labor force in the San Jose area declined by 149,000.

NET MIGRATION TURNED NEGATIVE, BUT RESIDENT POPULATION STILL INCREASED



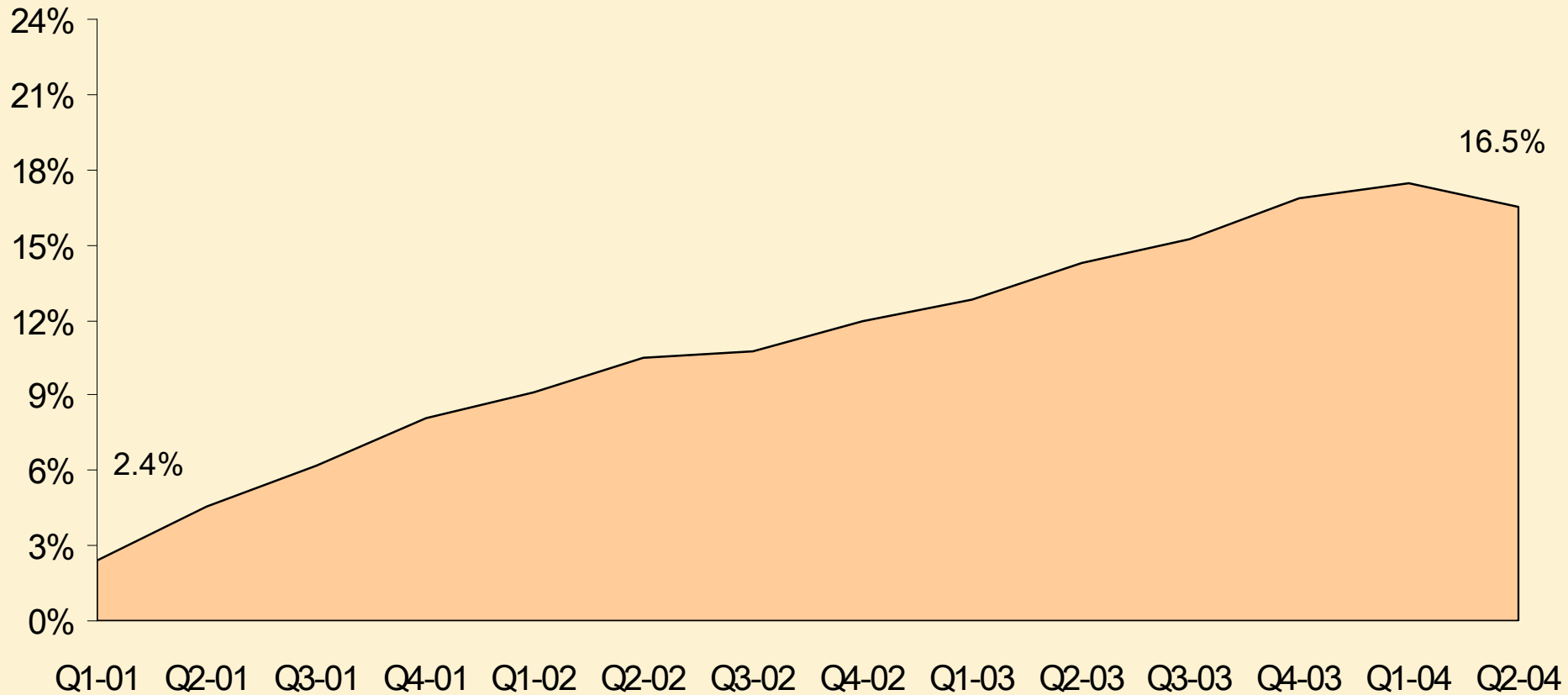
Net Population Change Santa Clara County, 2001-2003

AVERAGE PAY DECLINED 22% SINCE 2000

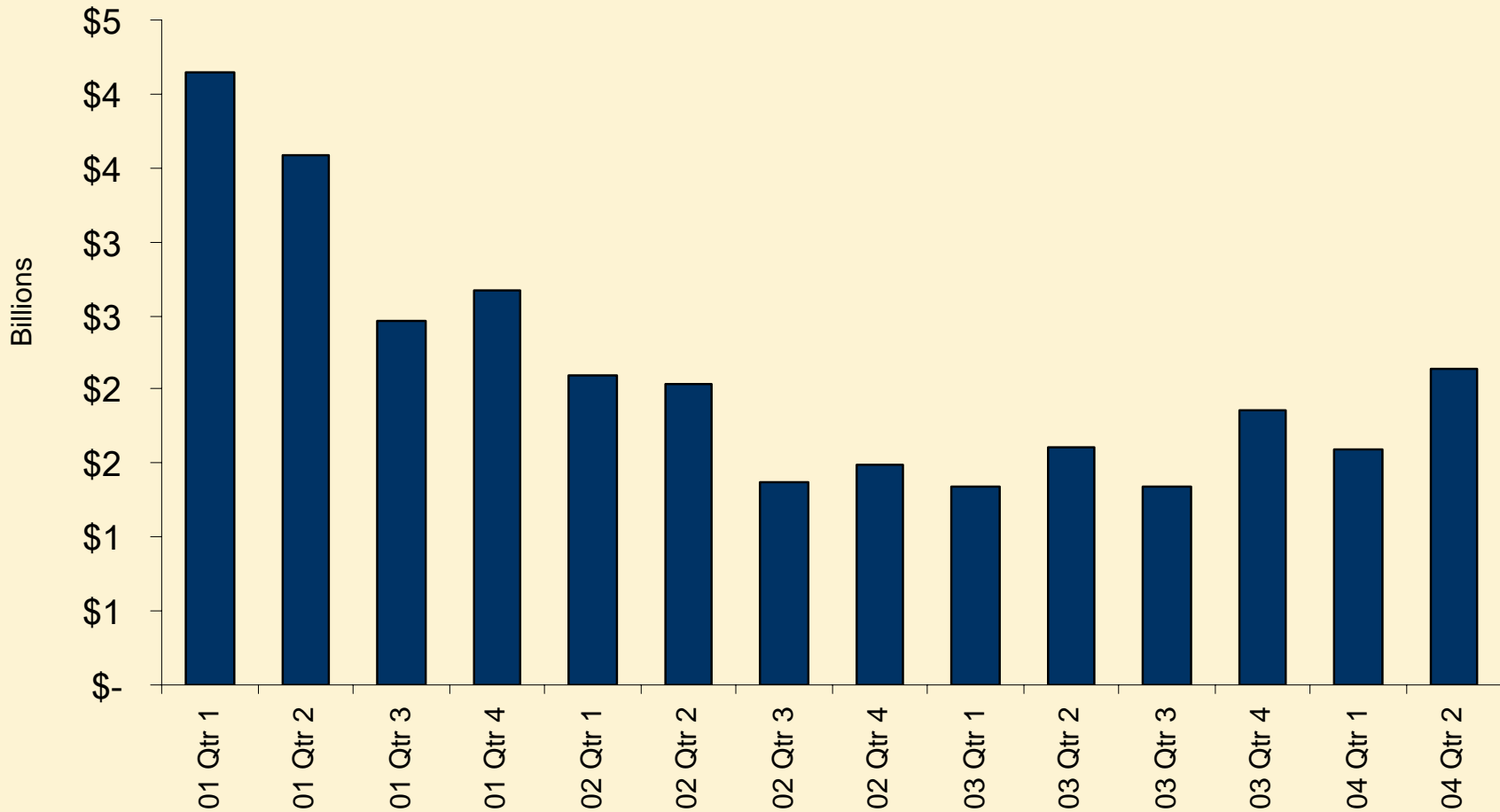


Average Pay Per Employee, Santa Clara County

VALLEY'S VACANCY RATE FELL IN Q2

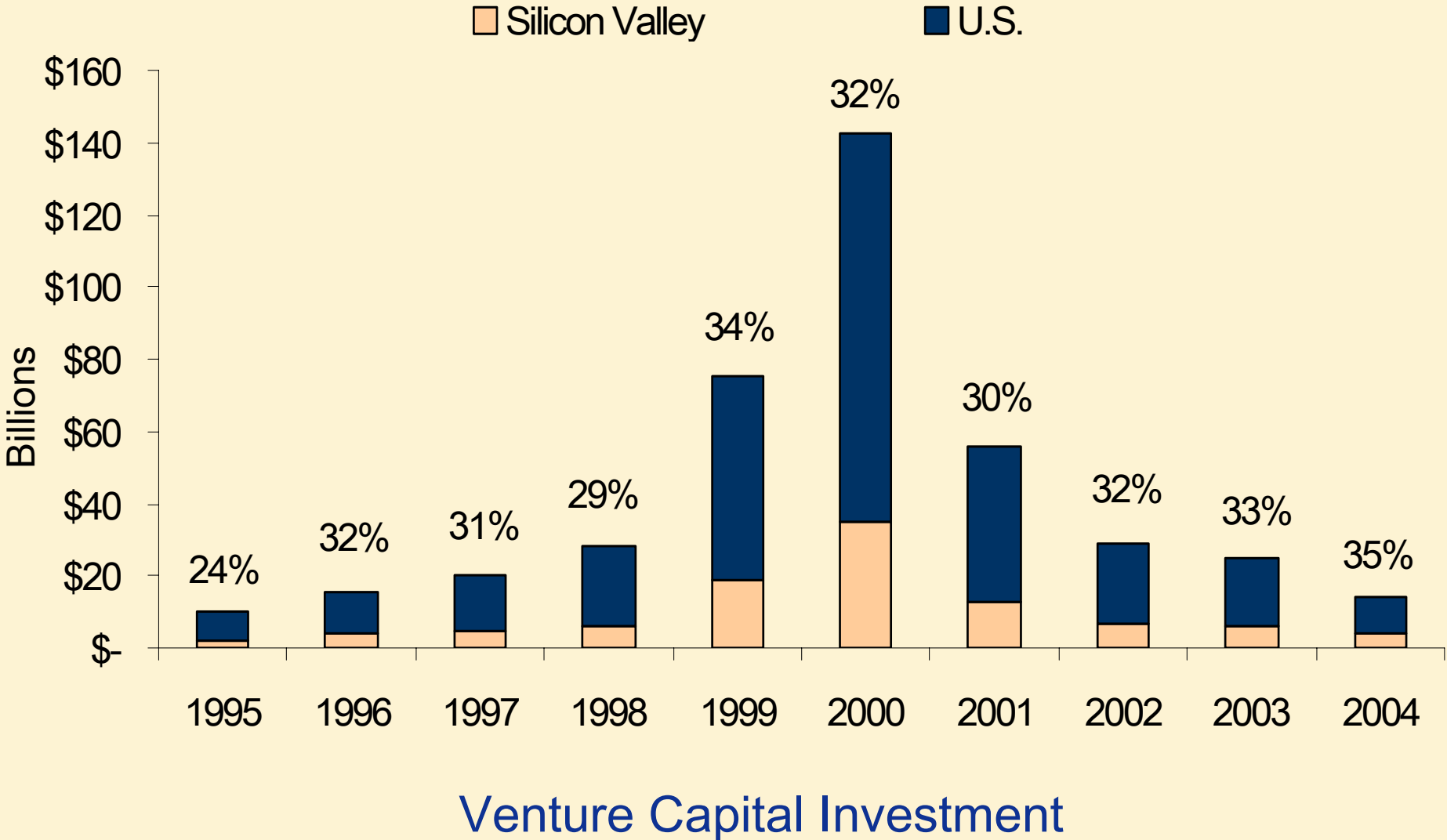


VENTURE CAPITAL IS REBOUNDED SLOWLY



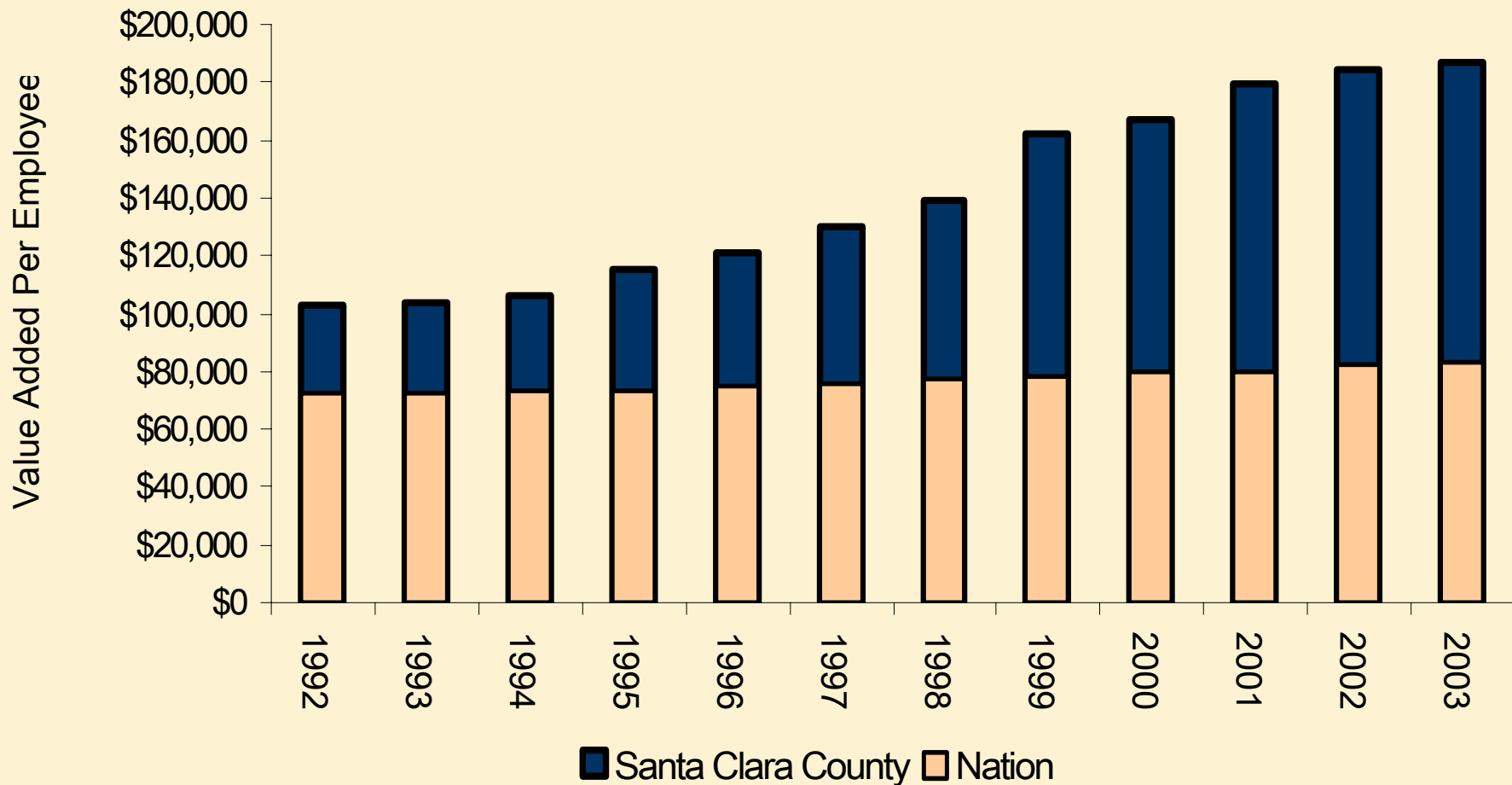
Silicon Valley Venture Capital Investment

SILICON VALLEY CONTINUES TO RECEIVE 1/3 OF ALL VENTURE FUNDING

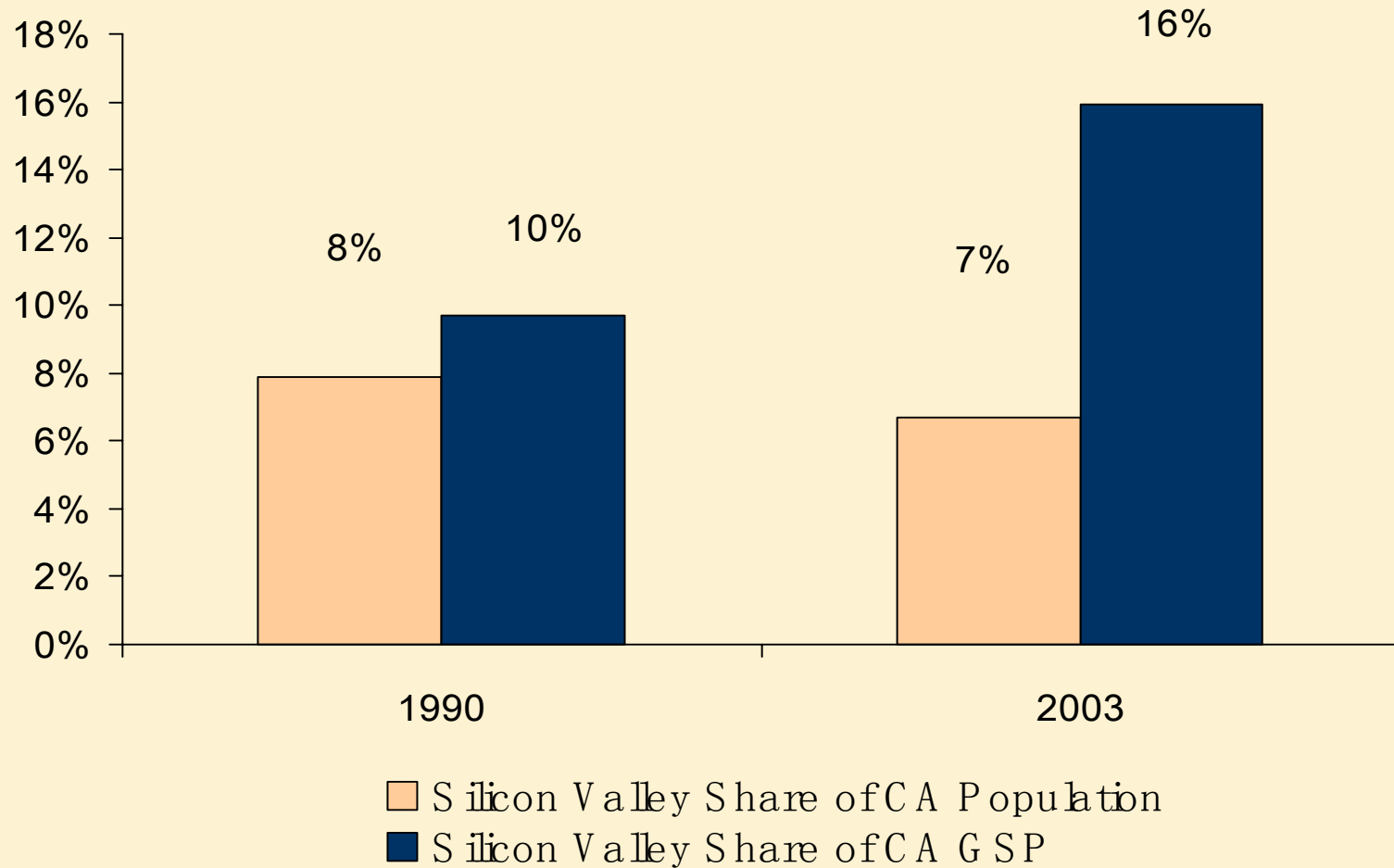


Source: PricewaterhouseCoopers/Venture Economics/National Venture Capital Association MoneyTree™ Survey

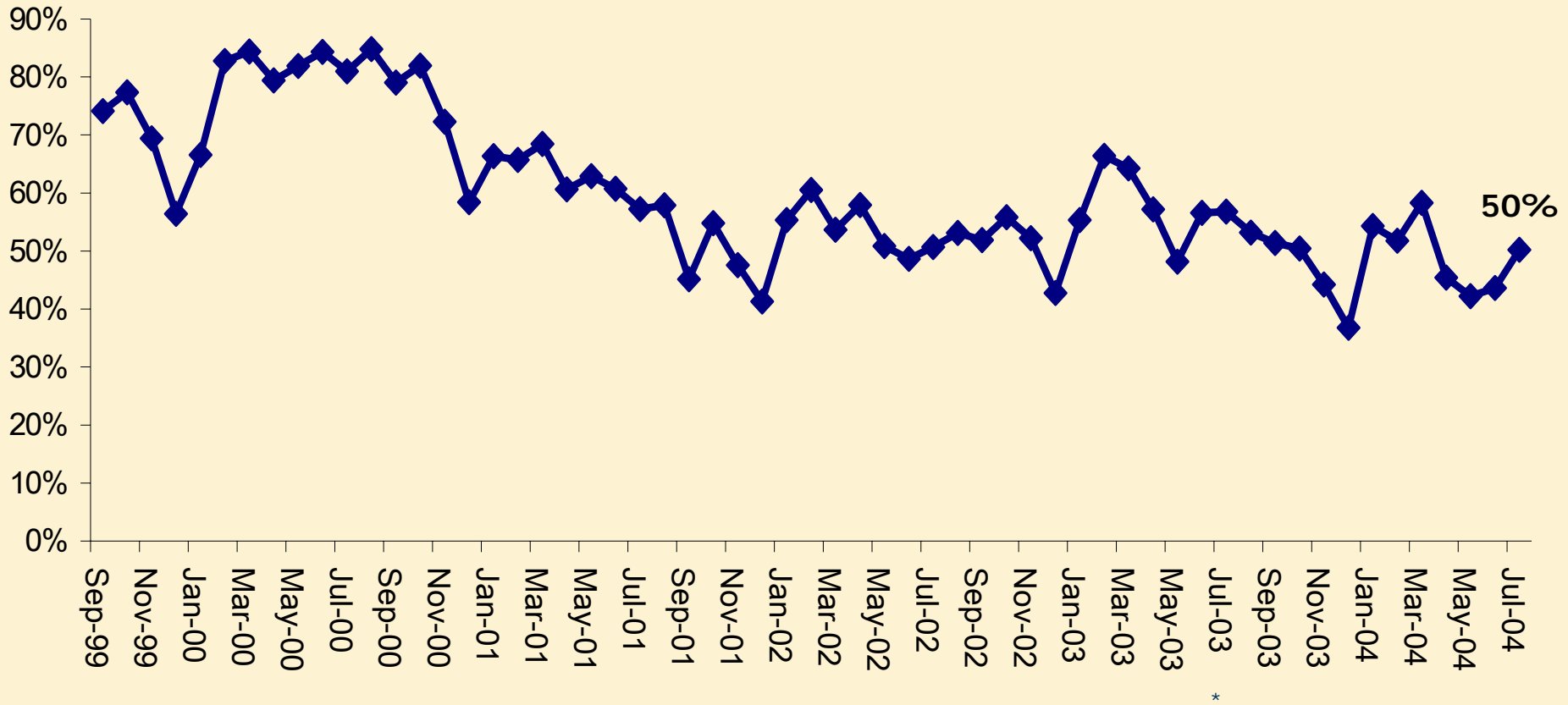
LOCAL VALUE-ADDED PER EMPLOYEE IS DOUBLE THE NATION, INCREASING



SILICON VALLEY'S GROWING CONTRIBUTION TO CALIFORNIA'S ECONOMY



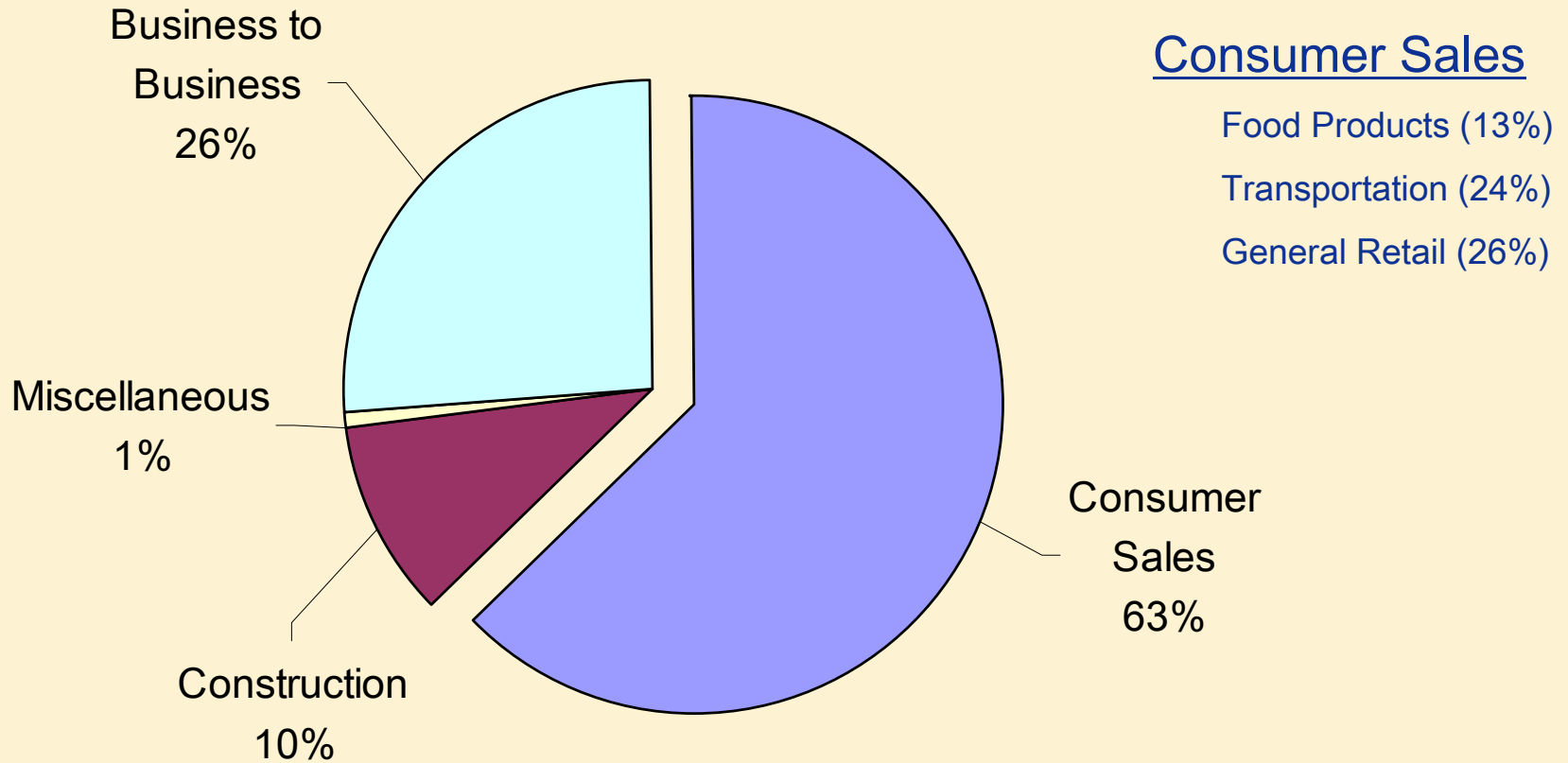
July Occupancy Increased to 50%



Hotel Occupancy, San Jose

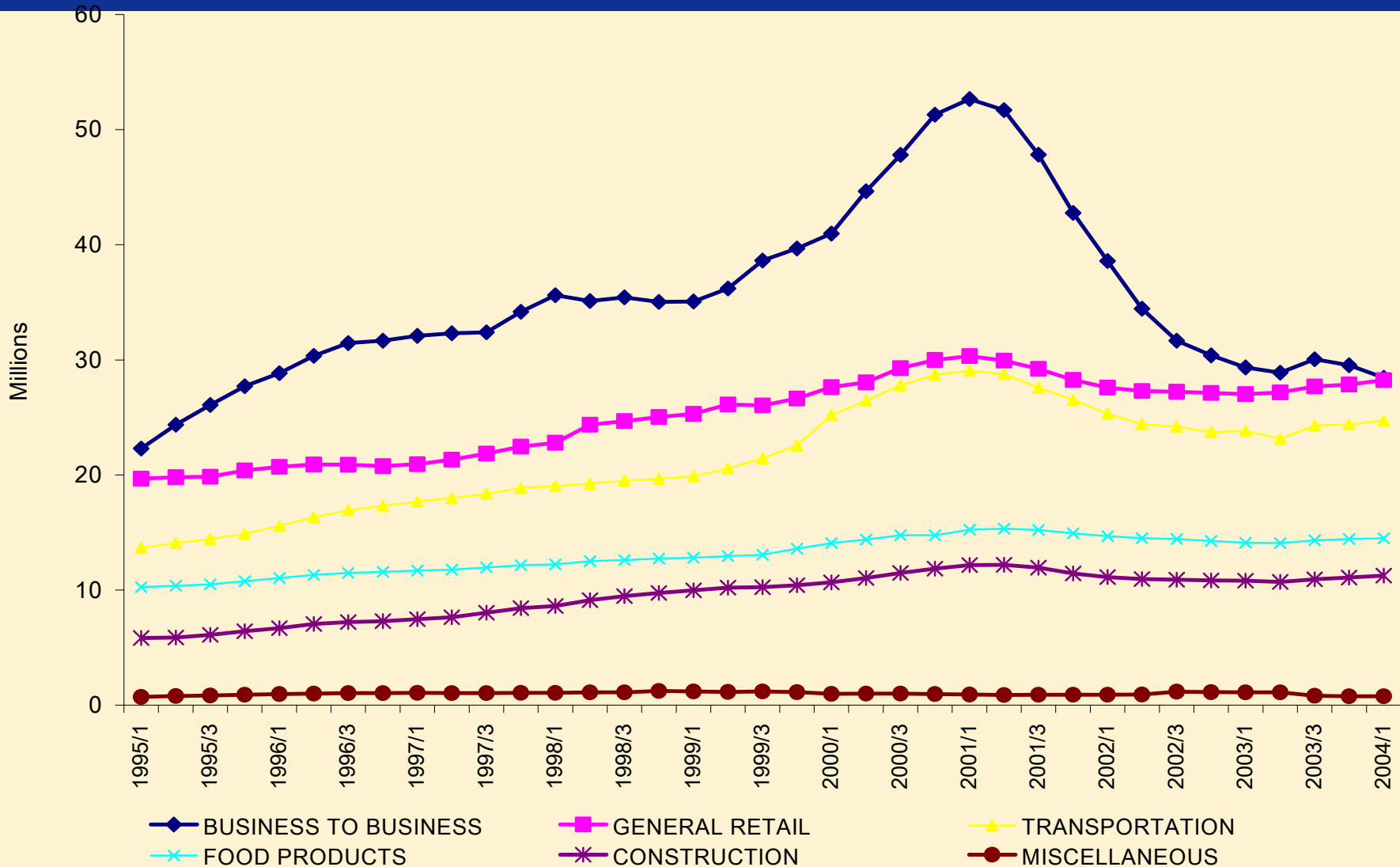
Source: San Jose Convention & Visitors Bureau
*New Marriott Hotel added July 2003

SAN JOSE'S SALES TAX BASE



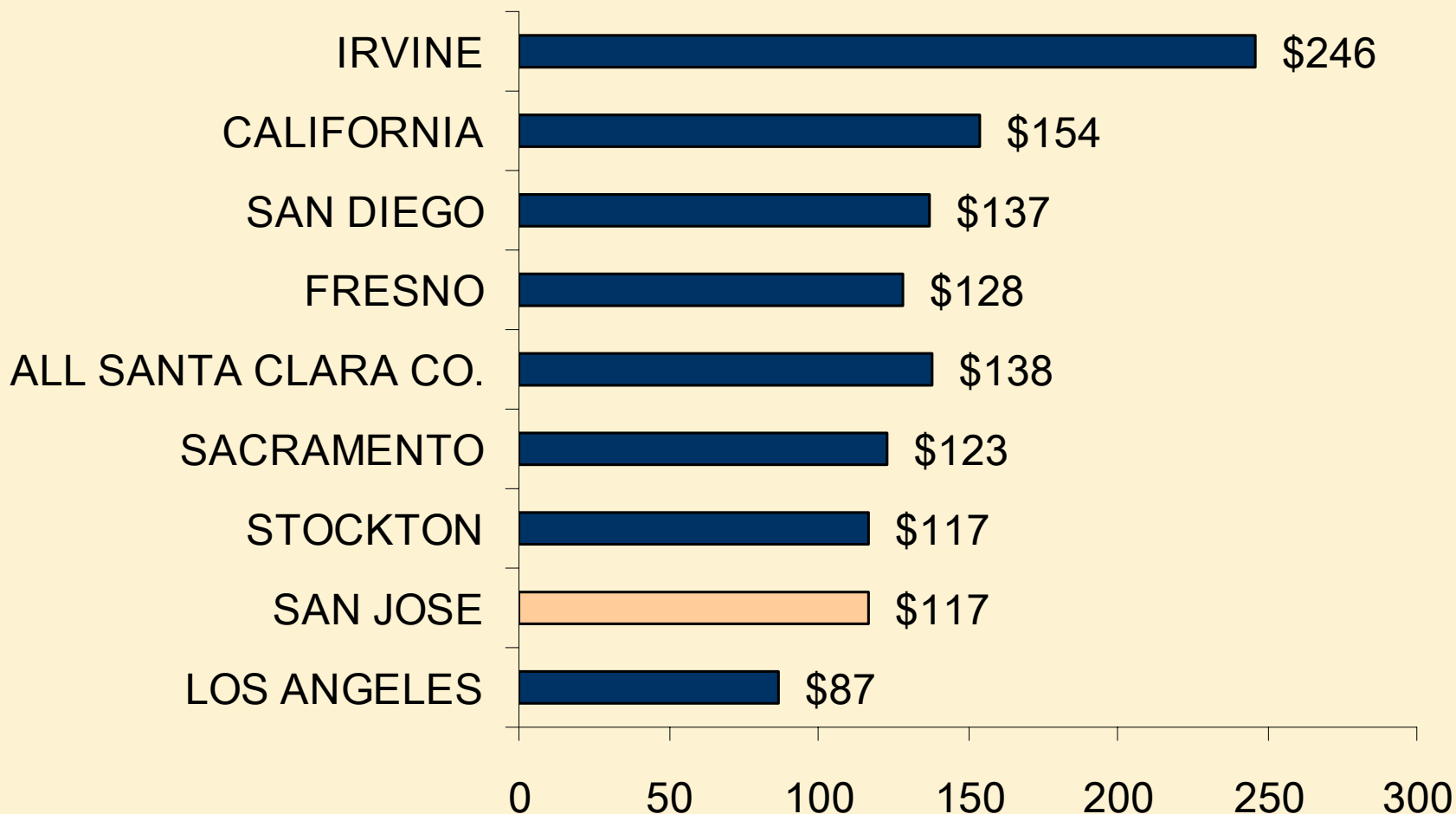
2003-2004 Total: \$107 Million

B-TO-B TAX PLUMMETS WHILE CONSUMER SALES TAX STAGNATES



Breakdown of Sales Tax by Category

SAN JOSE'S CONSUMER SALES TAX PER CAPITA IS BELOW THE STATE



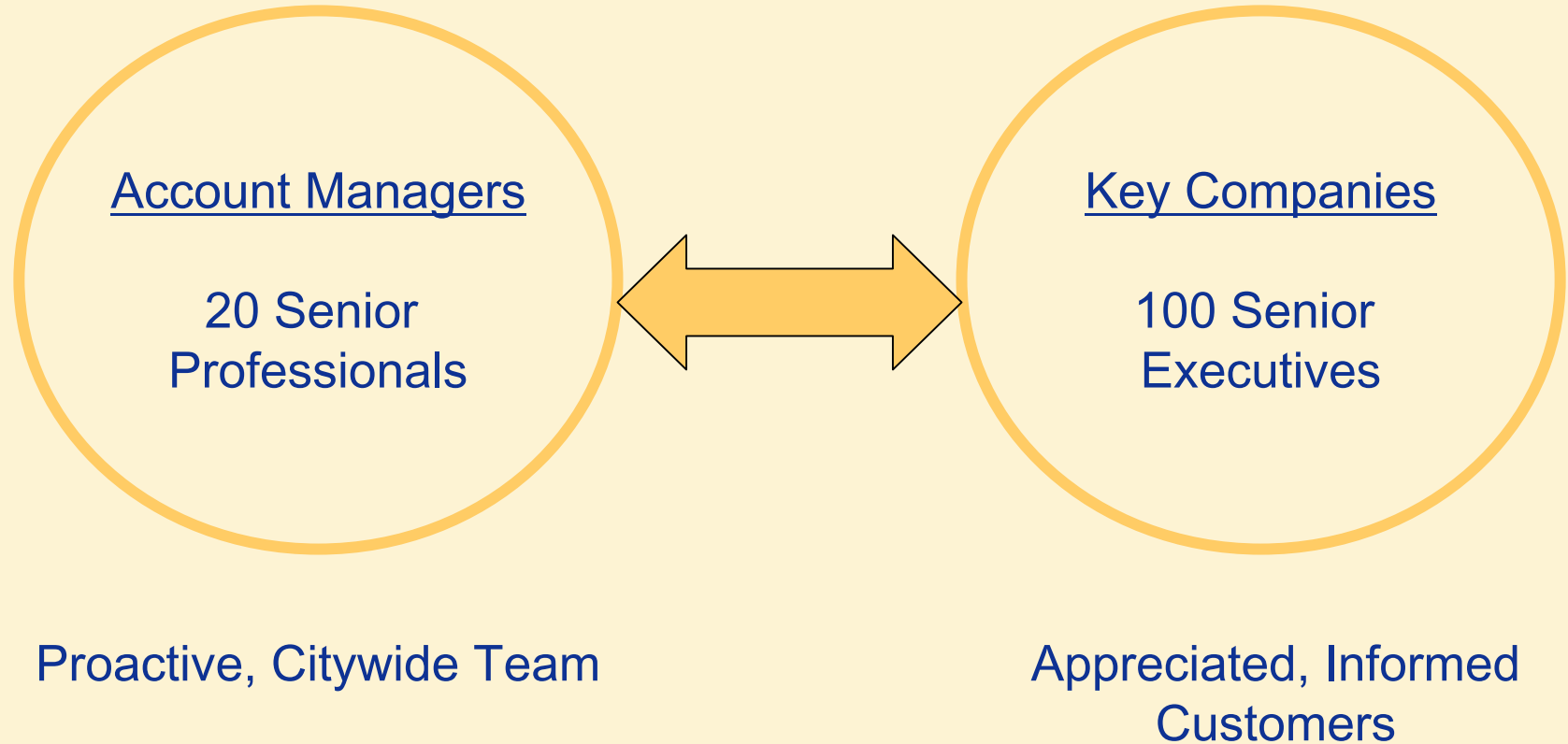
% Sales Tax Revenue, Per Capita, Benchmark Year

A DYNAMIC, COMPETITIVE SITUATION

- ✓ In 2004-2005, San Jose will lose at least \$1.4 million due to car dealership relocations to nearby cities
- ✓ In 2003-2004, new dealerships added \$750,000 to San Jose's sales tax base.

II. “One Voice” Business Appreciation Findings

CXO-LEVEL RELATIONSHIPS WITH KEY COMPANIES



MET WITH 95 COMPANIES JUNE-AUGUST

High Revenue Impact

- Largest generators of City tax revenue
- Top RDA property assesses
- Companies with strongest growth in tax revenue

“Anchors”

- Largest private-sector employers
- Largest companies by revenue

“Gazelles”

- Fast-growing companies
- Venture-invested

WE ASKED ABOUT.....

Their Industry

- Important trends and challenges?

Our Community

- Feedback on San Jose's "product" (+/-)?
- Priorities for civic leadership?

Their Company

- Likely or desired future in SJ?
- Issues or opportunities we can help with?

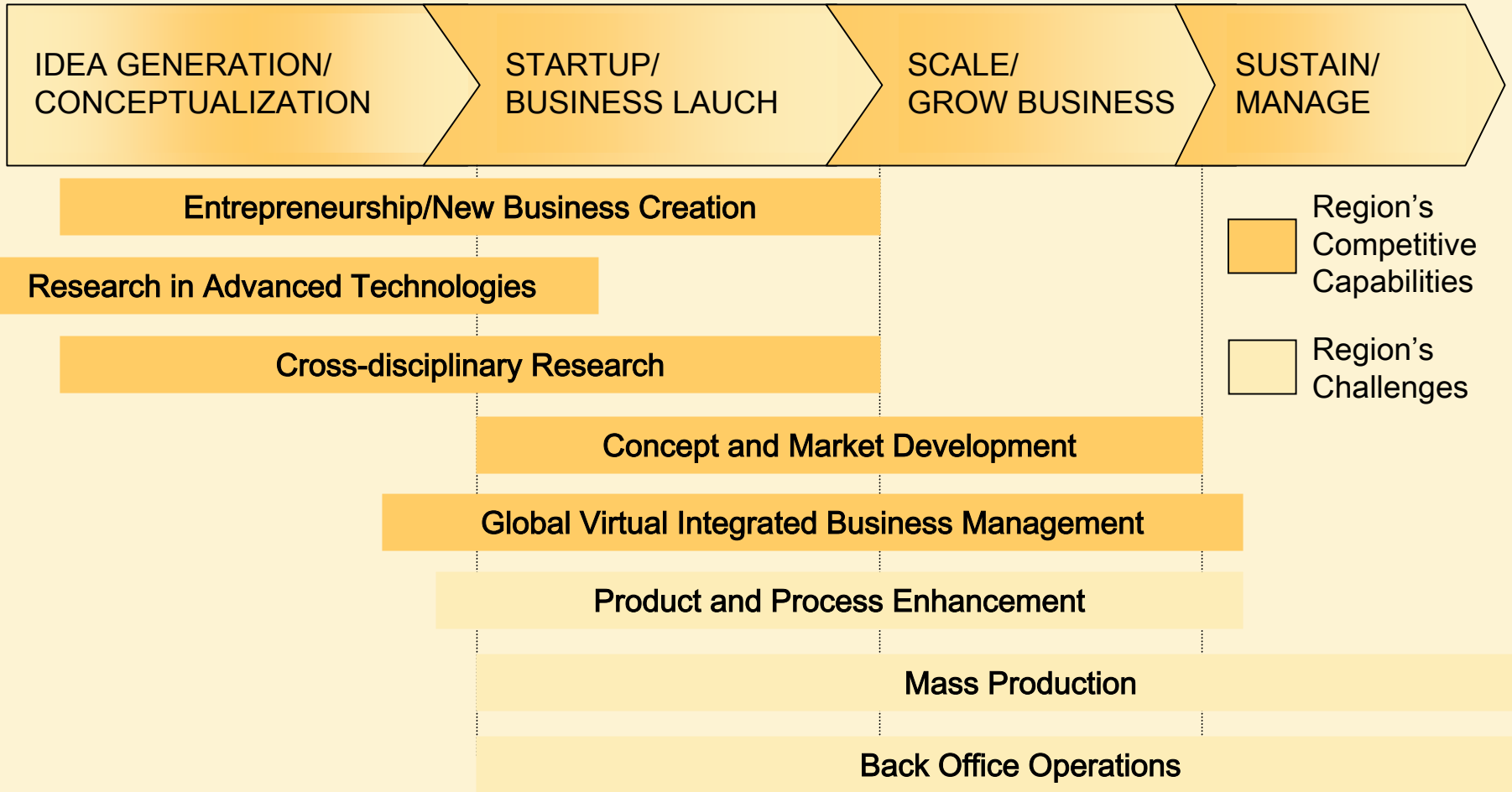
INDUSTRY CHALLENGES

- Pressure to control costs remains intense, as does need to justify 'expensive' location
- Difficulty with recruitment and retention (housing, local skills)
- State policy affects margins, flexibility

VIEW OF FUTURE?

- Cautious optimism
- See clear advantages to SV location: fast time-to-market, start-up infrastructure, creative talent
- Emphasis on productivity growth
- Global business model is larger concept than outsourcing
- Expect more, smaller companies

SILICON VALLEY WILL REMAIN START-UP CENTER, BUT NOT CAPTURE BULK OF EXPANSION JOBS



THE BUSINESS LIFECYCLE AND REGIONAL CAPABILITIES

PRIORITIES FOR CIVIC LEADERSHIP

- ✓ Housing: especially for young and new talent
- ✓ Improve communication with companies: especially about cultural opportunities, airport, Downtown, housing/neighborhood types
- ✓ Expand cultural and entertainment offerings
- ✓ Downtown: Kudos on progress, keep it up!
- ✓ Prioritize BART, add shuttle connections from trains/light rail to workplaces
- ✓ Keep up good work improving speed and attitude of development process

PRIORITIES FOR CIVIC LEADERSHIP (Cont'd)

- ✓ Avoid inappropriate residential conversion/location
- ✓ Promote San Jose nationally and internationally to build recognition, counter negative view of Silicon Valley
- ✓ Facilitate collaboration—SJSU + businesses + City
- ✓ Create “sounding board” on policy issues
- ✓ Collaborate on critical legislative issues
- ✓ Ensure balanced approach: value both employers and residents

AIRPORT SUGGESTIONS

- Desired International Destinations: Asian Gateways, European gateways
- Domestic: focused East Coast destinations with more frequency
- Tell us your vision!
- Communicate at the airport—the master plan, San Jose
- Ensure positive attitudes of airport employees

EXAMPLES OF CUSTOMIZED FOLLOW-UP

- Helped coordinate with a regional authority to expedite access to fiber optic service
- Arranged for tour of a City's newly re-aligned permit processing center
- Helped expedite a safer pedestrian cross-walk for a tech CEO with impaired vision
- Connected companies to local banks and hotels
- Helped a CEO step up his nonprofit board service
- Helped several companies access SVWIN training dollars and recruiting assistance

STAFF TEAM INSIGHTS

- “Amazing how much companies will tell you if you just ask”—value of listening
- Value of Citywide integrated approach to employer outreach
- Through follow-up action, can establish trust
- But...importance of consistent City interaction