SONOMA COUNTY

CHALLENGES AND OPPORTUNITIES

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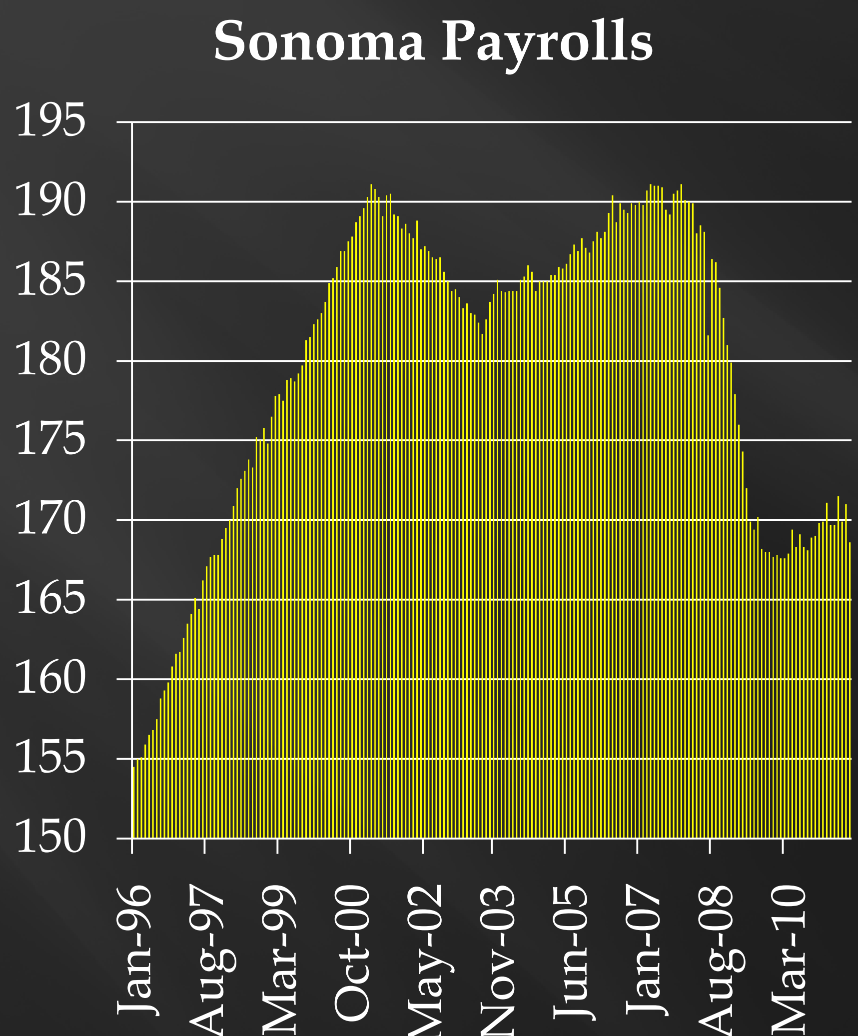
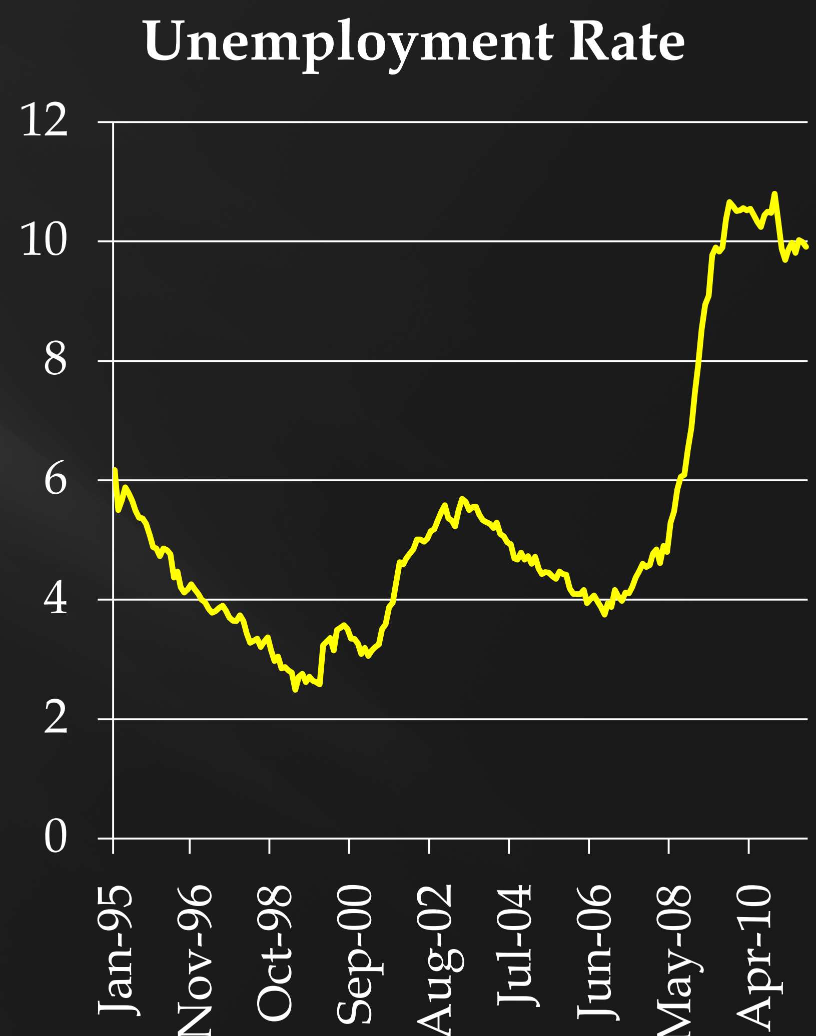
Founding Principal, Beacon Economics

Current Economic Woes





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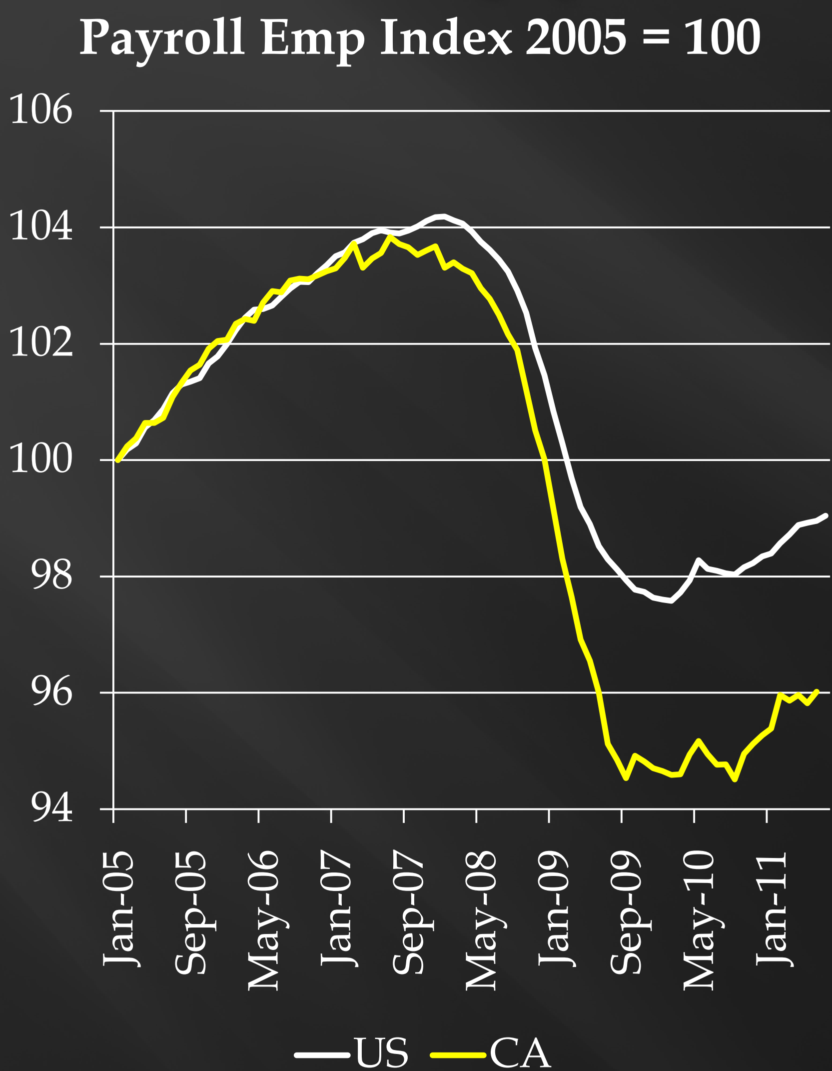
What happened to California?



California	-7.1%
Bakersfield	-4.5%
San Jose	-4.9%
San Diego	-5.4%
San Francisco	-5.8%
Santa Barbara	-6.7%
San Luis Obispo	-7.1%
Ventura MSA	-7.4%
Los Angeles	-8.0%
East Bay	-9.5%
Sacramento	-9.7%
Orange County	-9.9%
Sonoma	-10.6%
Inland Empire	-12.1%

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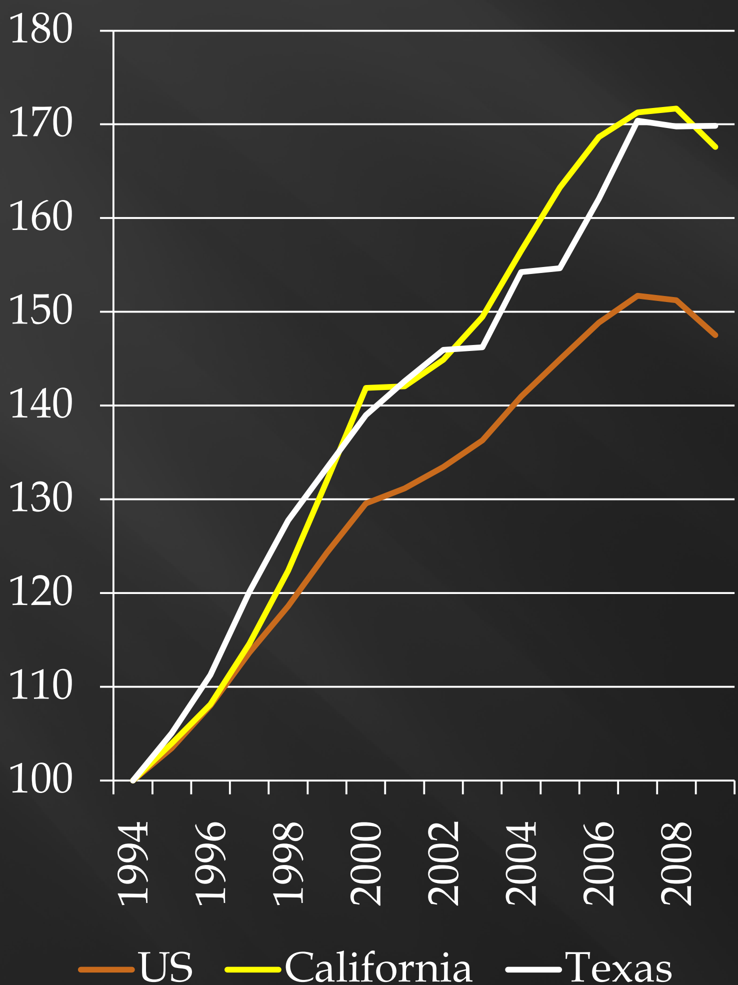
Lesson 1: Don't Confuse Trends and Bends

Real GDP by Region



Nominal Growth (rank) 01-07

Biggest 100		Biggest 40	
CA	Bakersfield	NV	Las Vegas
NV	Las Vegas	TX	Houston
LA	Baton Rouge	FL	Orlando
IA	Des Moines	AZ	Phoenix
NC	Durham	CA	Sacramento
TX	Houston	OR	Portland
FL	Orlando	CA	Riverside
AK	Anchorage	FL	Tampa
AZ	Phoenix	TX	Austin
CA	Sacramento	TX	San Antonio
OR	Portland	CA	San Diego
FL	North Port	DC	Washington
FL	Jacksonville	FL	Miami
FL	Cape Coral	VA	Virginia Beach
SC	Charleston	NC	Charlotte
CA	Riverside	TX	Dallas
HI	Honolulu	CA	Los Angeles
CA	Oxnard	WA	Seattle
ID	Boise City	TN	Nashville
CA	Stockton	CT	Hartford

Why the worse downturn in CA?

All industry total	CA	TX	Diff
Agriculture	1.5%	0.8%	0.7%
Mining	0.9%	9.7%	-8.7%
Utilities	1.5%	2.3%	-0.8%
Construction	4.6%	5.2%	-0.5%
Manufacturing	10.9%	15.0%	-4.1%
Petroleum	1.9%	3.7%	-1.9%
Chemical	1.1%	2.8%	-1.7%
Wholesale trade	5.6%	6.6%	-1.0%
Retail trade	6.6%	6.0%	0.7%
Transportation	2.4%	3.4%	-1.0%
Information	6.6%	4.1%	2.5%
Finance and insurance	6.0%	5.6%	0.4%
Real estate	16.2%	8.7%	7.4%
Professional, scientific	8.7%	6.6%	2.1%
Educational services	0.8%	0.5%	0.3%
Health care	5.5%	5.2%	0.3%
Arts, entertainment	1.2%	0.6%	0.7%
Accommodation	2.8%	2.7%	0.2%
Government	11.2%	10.6%	0.5%
State and local	8.9%	7.7%	1.2%

- Housing
  - Greater price increase / decrease
  - Subprime central
- Exports
  - Goods / tourism / licenses
- Business Spending
  - The IT industry

Source: BureauEconomic Analysis

Educational Attainment

	Napa		Santa Barbara		Sonoma		Ventura	
	2000	2009	2000	2009	2000	2009	2000	2009
High school graduate	20.5%	19.2%	19.0%	17.8%	20.4%	19.1%	19.7%	19.1%
Some college, no degree	25.5%	23.2%	23.1%	21.0%	27.1%	25.3%	25.5%	24.7%
Associate degree	8.0%	9.8%	7.7%	9.0%	8.9%	9.2%	7.9%	8.3%
Bachelor's degree	17.0%	19.7%	18.0%	18.4%	18.8%	20.5%	17.4%	19.4%
Graduate or Professional degree	9.4%	11.5%	11.4%	13.2%	9.7%	12.1%	9.5%	11.6%

Income

Per Capita Income			
	2000 ($)	2009 ($)	Growth
Napa	26,395	35,846	35.8%
Ventura	24,600	30,581	24.3%
Sonoma	25,724	31,816	23.7%
Santa Barbara	23,059	28,147	22.1%

Median Household Income			
	2000 ($)	2009 ($)	Change
Napa	51,738	68,541	32.5%
Santa Barbara	46,677	59,051	26.5%
Ventura	59,666	71,723	20.2%
Sonoma	53,076	62,368	17.5%

Income

County	< 50 K	50K - 100K	> 100K
Marin	33%	24%	43%
San Mateo	28%	30%	41%
San Francisco	38%	25%	37%
Contra Costa	34%	30%	37%
Alameda	38%	29%	33%
Napa	40%	31%	29%
Sonoma	43%	33%	24%

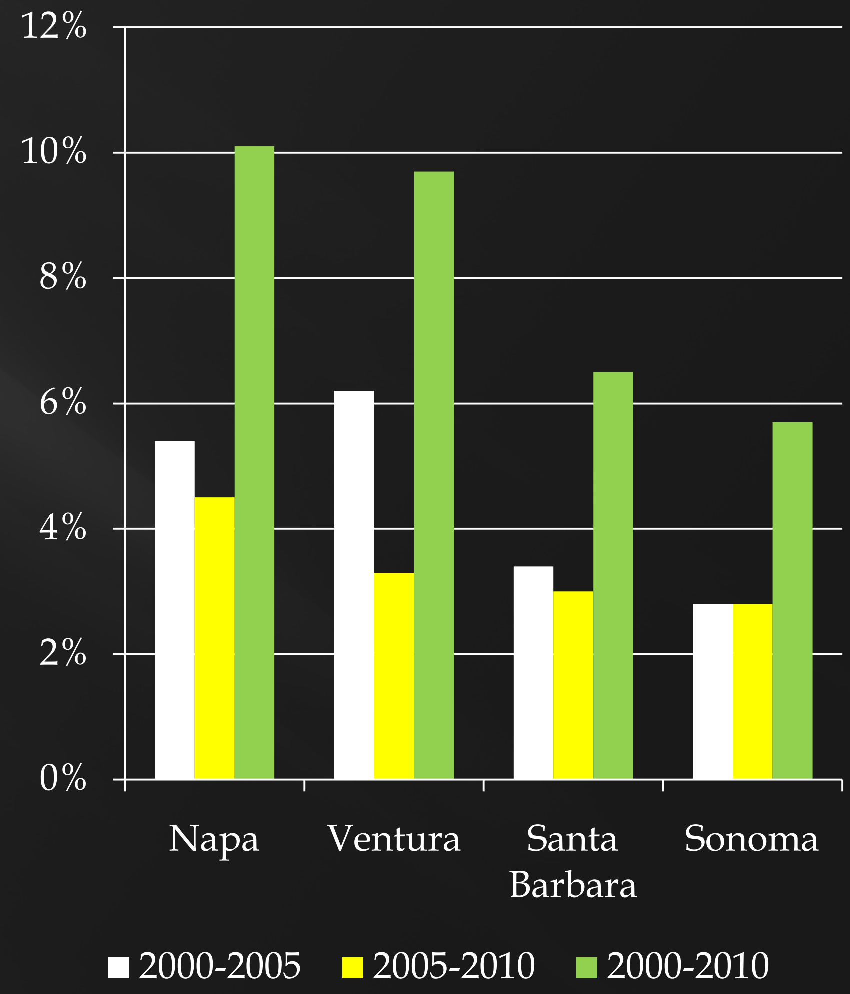
Poverty

Family Poverty Rate			
	2000	2009	Difference
Santa Barbara	9.2%	9.4%	0.2%
Ventura	7.6%	7.7%	0.1%
Sonoma	5.2%	5.3%	0.1%
Napa	6.2%	3.8%	-2.4%

Individual Poverty Rate			
	2000	2009	Difference
Sonoma	8.1%	9.3%	1.2%
Ventura	9.2%	10.4%	1.2%
Santa Barbara	14.3%	15.1%	0.8%
Napa	8.3%	7.2%	-1.1%

Population Growth

	2000-2005	2005-2010	2000-2010
Napa	5.4%	4.5%	10.1%
Ventura	6.2%	3.3%	9.7%
Santa Barbara	3.4%	3.0%	6.5%
Sonoma	2.8%	2.8%	5.7%



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Changes in Median Home Prices

2000-2010			
	Existing SFR	Existing Condo	New Home
Ventura	56.6%	51.8%	0.7%
Santa Barbara	54.6%	45.3%	86.5%
Napa	26.6%	11.3%	41.4%
Sonoma	17.9%	-2.6%	13.6%

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Housing Tenure

	Owner Occupied			Renter Occupied		
	2000	2009	Change	2000	2009	Change
Napa	65.1%	63.9%	-1.3%	34.9%	36.1%	1.3%
Santa Barbara	56.1%	53.0%	-3.0%	43.9%	47.0%	3.0%
Sonoma	64.1%	60.7%	-3.4%	35.9%	39.3%	3.4%
Ventura	67.6%	65.1%	-2.5%	32.4%	34.9%	2.5%

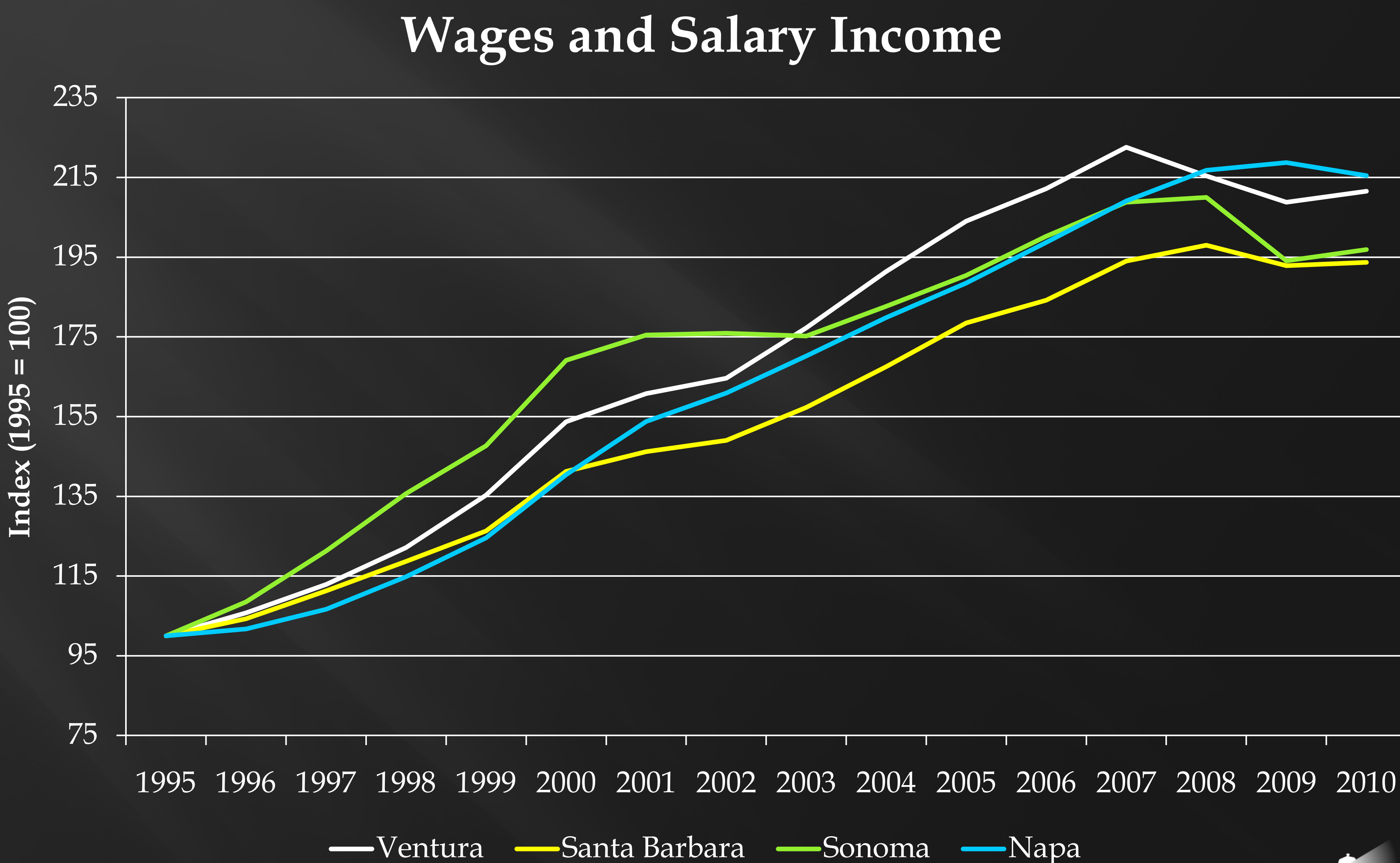
Residential Permits

2000-2010			
County	Total New Permits	Change in Population	Permits-Population Ratio
Contra Costa	48,159	102,995	47%
Napa	6,164	12,534	49%
Alameda	39,848	72,104	55%
San Francisco	22,552	31,677	71%
Sonoma	19,231	26,062	74%
Marin	4,439	5,776	77%
San Mateo	12,348	13,562	91%

Housing Affordability

County	Median Household Income	Median Home Prices	Price-Income Ratio
San Francisco	71,745	660,494	9.2
Marin	83,867	712,531	8.5
San Mateo	82,748	652,898	7.9
Alameda	67,169	383,892	5.7
Sonoma	59,055	322,425	5.5
Napa	64,401	329,644	5.1
Contra Costa	73,721	265,721	3.6

Better History



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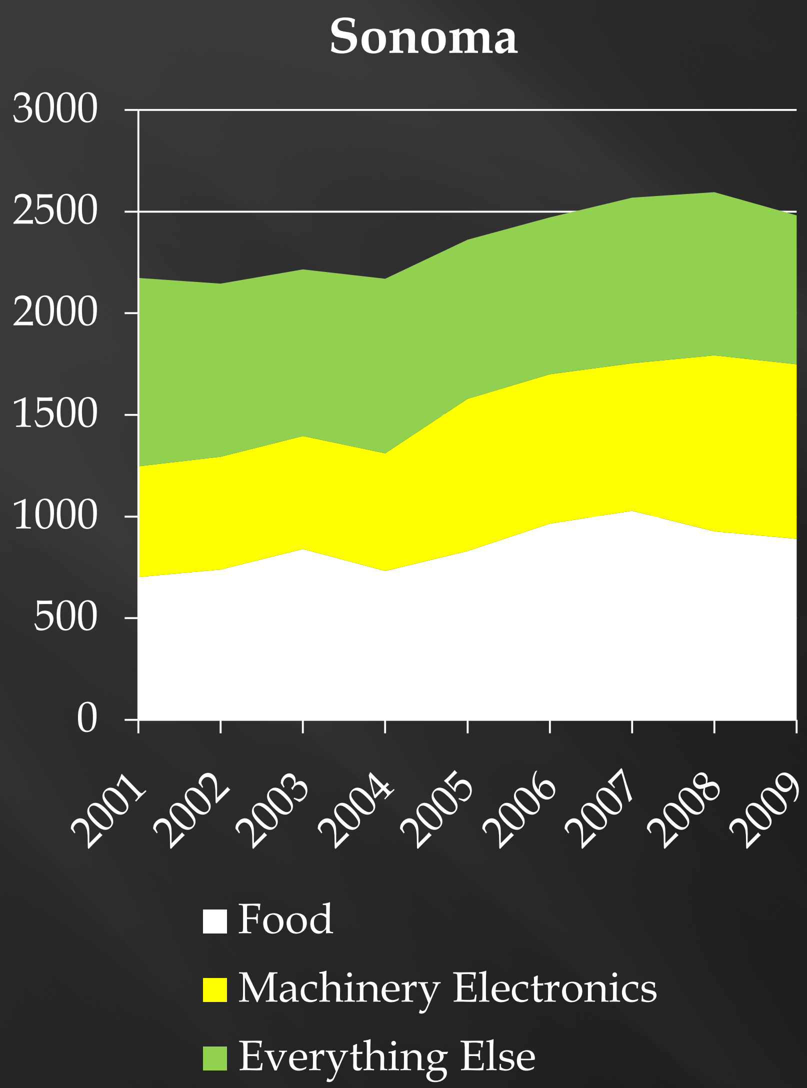
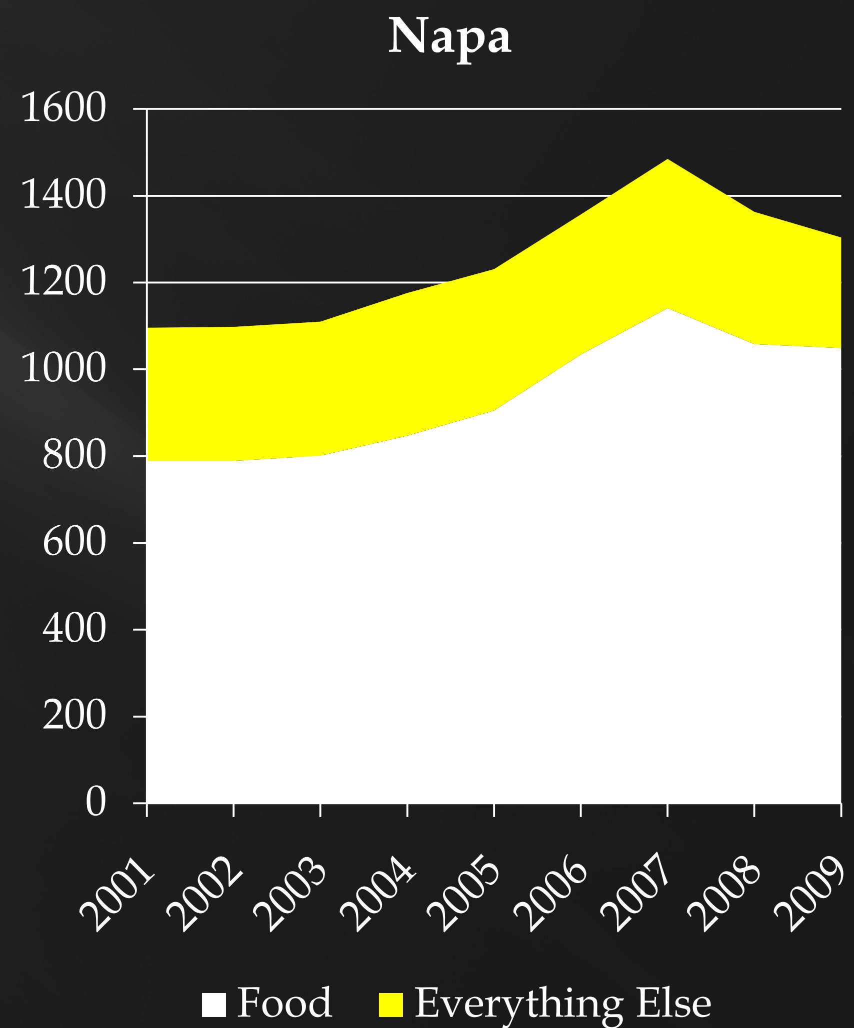
Sonoma Economy 2006

	Sonoma	Ventura	Napa
Agriculture	1.5%	4.1%	5.0%
Mining	0.4%	1.1%	0.3%
Utilities	1.0%	0.9%	0.6%
Construction	7.5%	4.5%	7.0%
Manufacturing	12.8%	17.1%	20.5%
Wholesale trade	5.4%	6.2%	3.2%
Retail trade	8.6%	7.8%	6.6%
Transportation and warehousing	1.4%	1.3%	2.0%
Information	3.0%	3.4%	2.1%
Finance and insurance	5.3%	9.9%	4.1%
Real estate and rental and leasing	17.0%	11.2%	14.3%
Professional, scientific	7.5%	5.8%	4.5%
Management of companies	0.6%	1.1%	0.3%
Administrative	2.8%	3.0%	3.1%
Educational services	0.5%	0.5%	0.9%
Health care and social assistance	7.7%	5.1%	6.8%
Arts, entertainment, and recreation	1.0%	0.8%	0.6%
Accommodation and food services	3.3%	2.5%	5.6%
Other services, except government	3.3%	2.7%	2.8%
Government	9.4%	11.0%	9.7%

Local Manufacturing





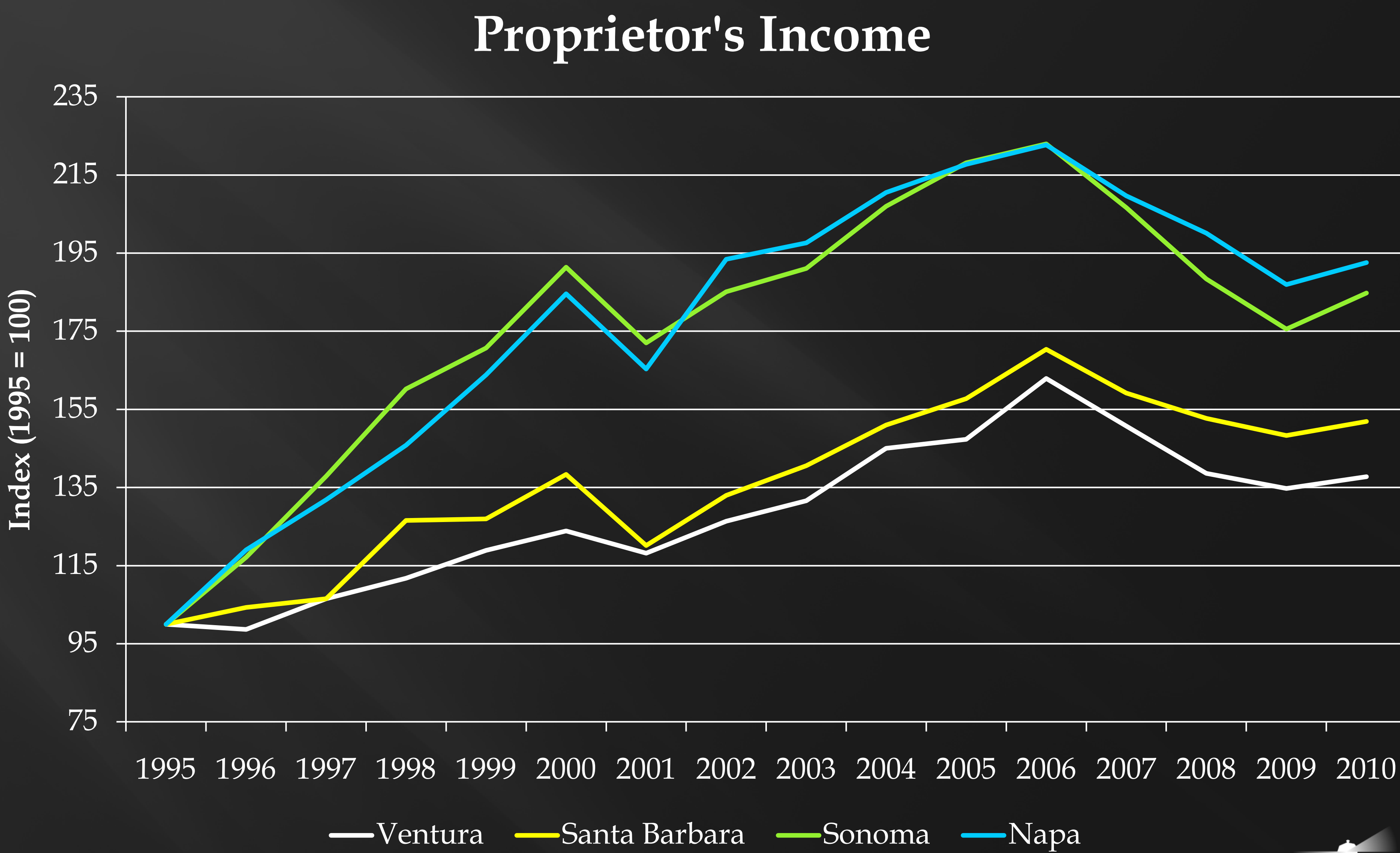
GDP Growth

Average Annual Growth (2001-2007)				
	Sonoma	Santa Barbara	Ventura	Napa
Professional, Science, Tech.	7.6%	1.1%	8.8%	11.5%
Wholesale Trade	7.6%	1.1%	8.8%	11.5%
Arts, Entertaiment, Recreation	7.5%	0.9%	3.4%	-1.6%
Construction	-1.4%	2.1%	0.1%	-0.3%
Retail Trade	1.1%	1.8%	2.9%	0.5%
Accomodation	3.6%	1.9%	2.0%	4.1%
Education/Health	3.0%	3.2%	3.8%	3.2%
Transportation/ Warehousing	3.1%	6.9%	1.8%	12.9%
Information	1.2%	8.5%	4.9%	15.4%
Administrative	0.6%	3.2%	3.0%	6.7%
All Industries	7.0%	5.4%	3.8%	0.4%

GDP Growth

	2007-2010			
	Santa Barbara	Ventura	Sonoma	Napa
Professional, Science, Tech.	7.3%	4.8%	0.9%	-5.9%
Wholesale Trade	-1.2%	9.0%	0.3%	16.1%
Arts, Entertainment, Recreation	-13.4%	-13.7%	-5.8%	-14.3%
Construction	-26.5%	-29.8%	-31.5%	-35.7%
Retail Trade	-7.3%	-5.1%	-11.2%	-5.3%
Accomodation	-12.1%	-12.8%	-14.4%	-5.0%
Education/Health	6.7%	9.7%	5.4%	5.8%
Transportation/ Warehousing	-2.3%	-19.4%	-17.6%	-4.7%
Information	7.5%	-6.9%	-6.5%	-19.6%
Administrative	1.5%	-2.8%	-14.3%	-12.4%
All Industries	-0.6%	-5.3%	-6.3%	-8.1%

Small Businesses



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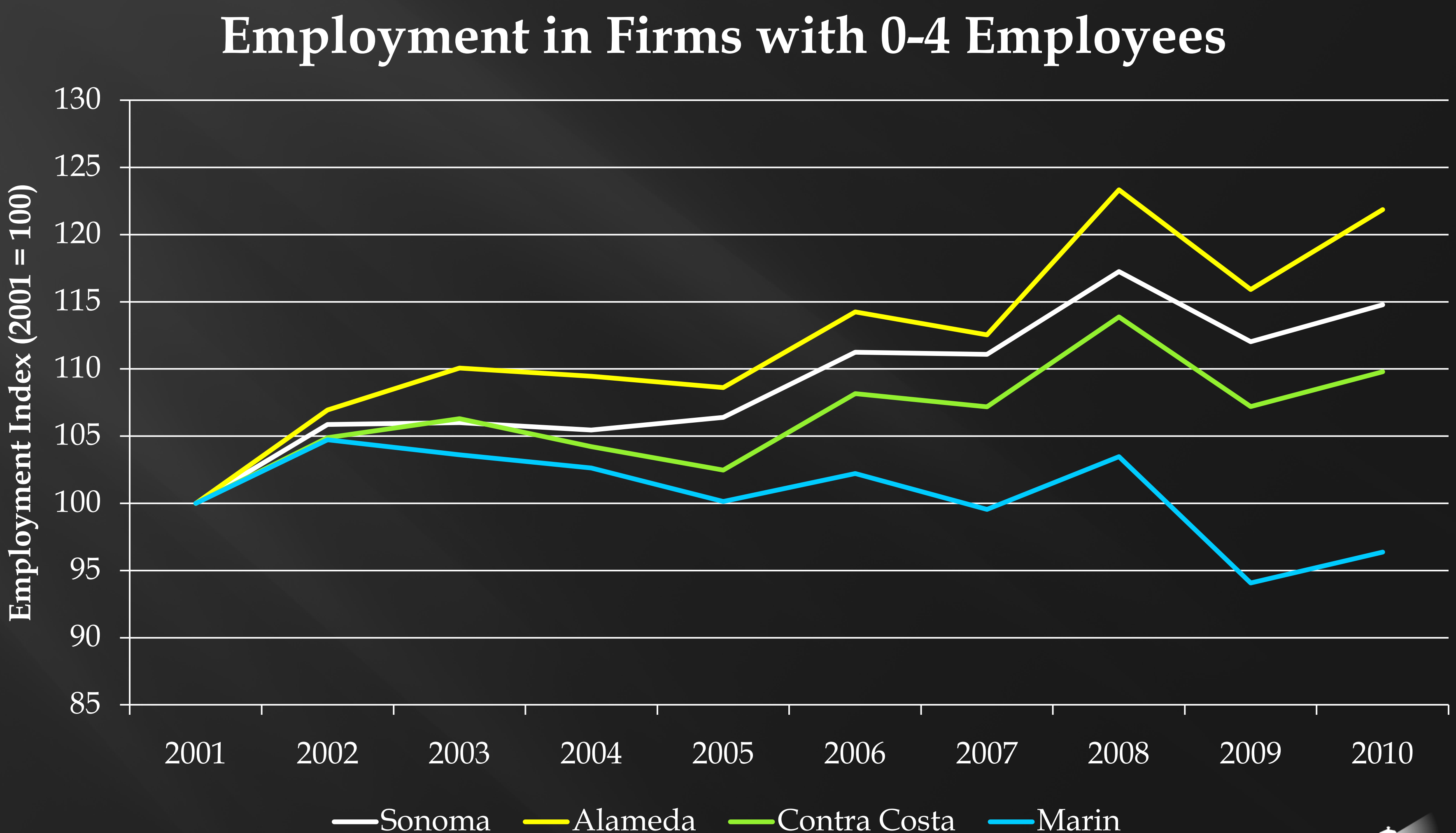
Small Businesses in the Area



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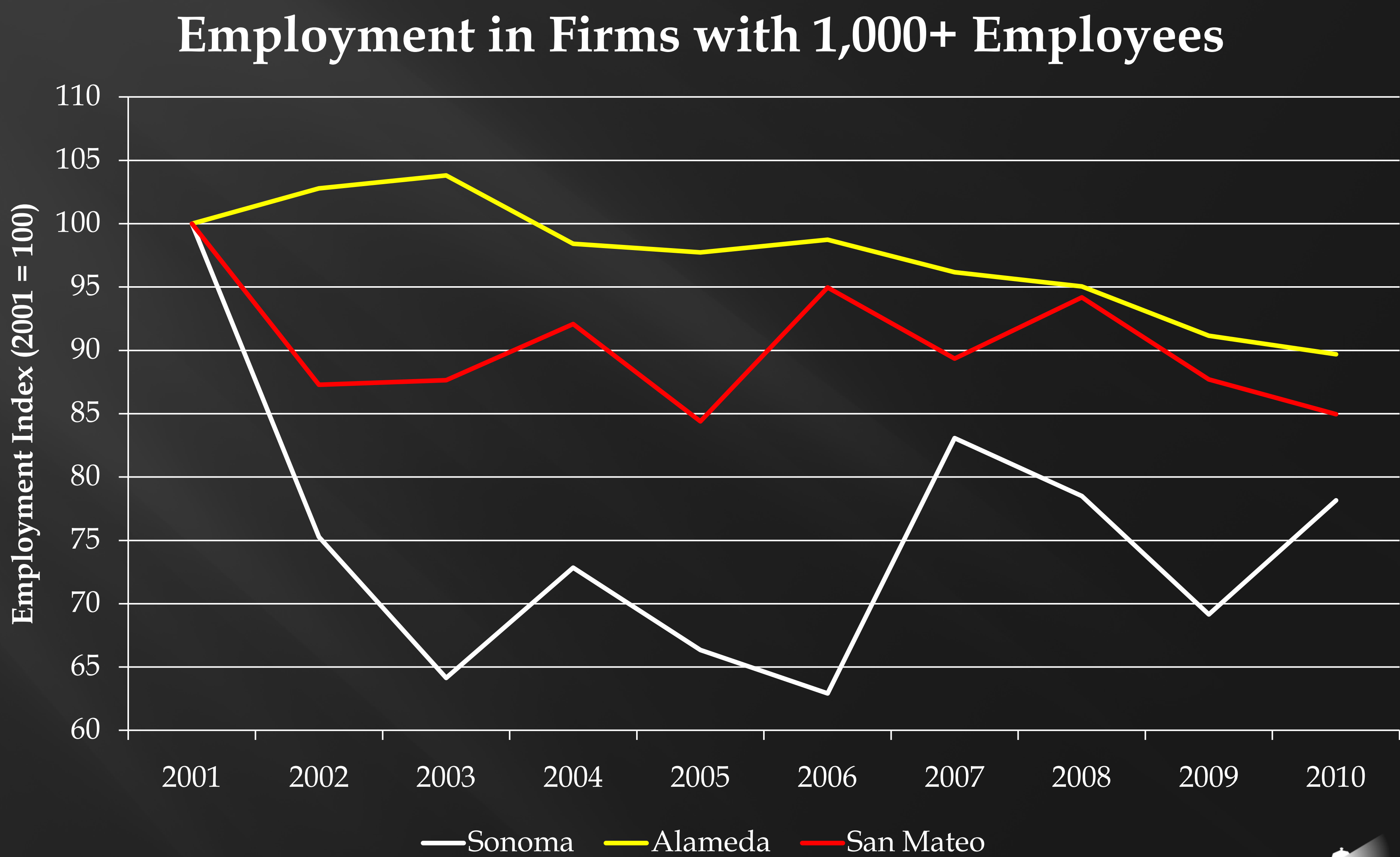
Large Businesses Lagging



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Conclusions

- Sonoma is having a tough time but isn't falling behind
  - The bay tide is turning, and will eventually get up to the area
  - Fundamental are decent in the area
- Issues
  - Lack of large firms in the region
  - Housing affordablitily – but good compared to the bay
  - Better infrastructure