

Happy Valentine's Day, and thank you for that very kind introduction.

Thank you for inviting me here again. It is a wonderful opportunity to talk about the state of San Francisco, our business climate, what I can try to do to improve it, and how I can cooperate with Oakland.

I want to thank all of you because you play a great part in our economy and what we do and how we do it. I am happy to be here this morning to join all of you, and I am thrilled to be able to do this event again.

Job Creation

A year ago, I stood before you, and I had only been in office for seven weeks as the interim mayor of San Francisco. At that time, the unemployment rate in our city was 9.5%. Our city was faced with about \$380 million deficit, and we were struggling with how to meet a rising and increased cost in our pension and health-care obligations. A year later, our city has come together to tackle pension reform and balance the budget.

Most importantly, we put people back to work. In the last 12 months, we have created jobs for more than 17,300 San Franciscans, bringing our unemployment rate to 7.6%.

That is the third lowest behind Marin County and San Mateo, but I will tell you this -- as I study Marin County and San Mateo, you know, they have got that wine up there in Marin County. I think we consume the most of it here in San Francisco with our conventions. And in San Mateo, I notice we have got a big airport there that is bustling. We make a lot of contributions to the other two lowest unemployment rates.

Just yesterday, our city controller's report gave us more positive news about our economy, with revenues of about \$129 million greater than expected and projected in the first six months of our fiscal year. I stand before you today just over a year in office and in my first year as full-term mayor, to say that San Francisco's economic recovery is well under way, and after years of deepening unemployment and hardship for so many families, we are turning the corner.

But my message to you in the business community, to our neighborhoods, and to our constituents is this -- the economic policies and strategies that we have been pursuing and working on have been putting us back on track, but we also must stay that course. And though our revenues have surged from our economic growth, we must not be tempted to go back to the spending habits and sprees that could delay the hard choices that we may have to make. We have got to make the hard choices that we have been accustomed to making the past few years.

I think my hardest job for the next few months is going to be making sure that we do not return to those spending habits and that we do not make short-term choices that get us into more trouble than we have experienced in the past.

We have in our economy, for example, a requirement now by law that we balance our budgets not for one year but for two years. That is a much harder process to engage in, but one that we have to be very careful about.

More than ever, we must double down on our reforms and double down on innovation and future investment in our infrastructure. We must, for once, treat government and our responsibilities as mayors as families do. That is, when we find an opportunity to save, we should save it, we must reduce unnecessary spending, and most importantly, we must invest in our people and our infrastructure and plan and save for our future.

The building blocks of our economic growth have been very clear. We are attracting and retaining jobs through our tech and biotech companies and our cleantech companies. We have invested and want to continue our investment in small businesses.

In my seventeen point plan as I ran for mayor, we focused on job creation. We focused on creating a \$5 million small business job loan program for our neighborhood commercial corridors. We are creating a job squad to make sure that our vacancies are reduced throughout all of the commercial corridors in our city, but I am very interested in making sure we have an opportunity to manufacture things in San Francisco.

That means not only do we invest in our intelligent sources to sell and manufacture, but I think that we can blend technology with manufacturing.

New Initiatives

Just yesterday, I was greeted at and kicked off the annual music technology conference in San Francisco. You could literally see the way that music content is being delivered today, and it is melding in the technology applications that are exciting.

So Apple, Google, and Pandora, Jean Quan reminds me, are headquartered here in Oakland -- they are finding new applications to the technological innovations going on in San Francisco and finding different ways to make sure that that content reaches people in the most comfort level. That is exciting. That is melding a whole exciting industry that used to be only in Hollywood. Now it has come forth and really sprouted in Northern California.

Then, within the hour of that, we broke open the walls and put in screws on the Pac 12 Media Center. Again, sports, like music, had a choice. They could continue the way they have done it, which is locate in Hollywood and take a more standard television approach, or they could think anew.

They decided to locate their media center in San Francisco with the idea that our technology applications and the innovation that can go on in sports and all the sports leaders can evolve and can increase their market share with those applications. We are excited about that.

We continue to invest in our international tourism and travel. We have a program called China SF, something that I have embraced. We have two offices as a result of the work of our sister city in Shanghai to increase business opportunities both ways.

Finding companies, like a solar company from China, who decided to locate their offices in San Francisco. In exchange, we are bringing companies, whether they are architects, engineers, and intellectual properties like Autodesk and others, they are locating their offices in China in exchange and getting help and support as the foundation for our offices, and increasing their international abilities.

We want to bring those initiatives to Latin America, Africa, and India in the future. So you will see the models of China SF sprout during my administration to focus also on South America and these other international realms. I look forward to making trips into those countries to establish those offices.

While we are manufacturing and strengthening our technology and biotech, I want to make sure you know that I have formed an exciting and new relationship with our Board of Supervisors to make sure that we create policies that support job creation, job placement, and economic growth in our city.

The Payroll Tax Exemption

One of those monumental decisions that we made last year was to, as you know, negotiate with a number of companies, including Twitter, to make sure that they saw the possibilities of benefiting from our payroll tax exemption that was located toward Mid Market.

In those conversations when we landed them and they signed a long-term lease, we understood their argument that we had to revise our payroll tax -- we are well under way with that. We have had a room full of businesses advising us. All the different chambers and members of the chamber of commerce are now engaged. For the next two months, we're getting that input about the best ideas going forward about how we revive the payroll tax with our hope that sometime in the next month or two, we will be able to introduce something for our November ballot.

I have been a big embracer of our policy for hiring locally, and we continue to not only work in the construction area where we have a local hire ordinance, but to bring that principle to events like America's Cup. To all the larger events that by principle, if they locate and have that event in San Francisco, we can discuss with them how to hire as many local businesses and local people as possible and sustain those employment opportunities.

We had engaged in our technology companies primarily. But in many companies, financial and otherwise, trading partnerships, strategies with our schools and how to make sure our youth are trained in the right areas, getting the right focus so they can grow up in a city where not only can they see good schools, but that they can see the possibility

that if they commit to those sacrifices to get a better education, that they can join the million dollar club, as I have often said. Without that million dollar club, you are missing out.

Without that college degree, you are missing out on an opportunity to increase your marketability with jobs that we are creating in San Francisco. In the technology world, we have found some great partnerships. In fact, we created SF Citi, the citizens' initiative for innovation and technology.

It is our partnership with technology companies to create job postings and training programs that offer our young and mid-career people an opportunity to get trained in those technology skills that our companies are looking for. And within one month of announcing that, we have over 100 technology companies that have joined in SF Citi. Thank you very much for those of you that have done that.

We have stronger policy analysis for looking at legislation between the mayor's office and the board of supervisors that will gauge the impact on jobs and for small businesses. We have signaled very strongly that we need to have businesses at our side to evaluate all of the legislation that we do so that we can understand its impact on business. That is the level of commitment that I have made in working with the board of supervisors. I think we have signaled a new way of looking at things.

Infrastructure

Finally, we have invested in the foundations of our city that ensure all of us can live here. We are investing in infrastructure. This November, we will propose a park spot to make sure that our parks are again world-class and that they serve all of our neighborhoods in the City.

We have enjoyed a very lucky vote passed in November that will not only produce \$240 million of anchor for our street repaving, but also for infrastructure in our streets that allow Muni to move faster, less congestion, and offer curb ramps for persons with disabilities. Bike lanes for our bikers -- many of whom work with these tech companies -- a lot of them want to be able to have dedicated green lanes. All of that has anchored into a very strong vote, one that was very difficult to pass because it required 2/3, and we were able to do that. We are very fortunate in our city to be able to have that.

And, of course, improving our public transportation. Muni continues to be a challenge because of its infrastructure and its debts, and we will continue paying attention to that. That is why we have got to be always investing in our future, and transportation is a huge part of that. But while we have been very successful in gaining federal grants for that in the past, we also must make sure we can build infrastructure like the central subway that are well underway. You will see a little bit of construction detours as you hit Union Square, in the near future that we will be able to bring people north and south quite easily with our new subway.

I would say to you, as business leaders here, that I'm going to be about investing in innovation for our city. We've got to innovate our way out of recession, and we continue to see that if we do not do that, if we do not embrace innovation, if we do not meld technology, we will lose steps very quickly. That is why I have been embracing all these technology companies to start in San Francisco, to grow, and to stay. They represent our future.

I have often said -- and I have been both a participant and observer and a relatively new mayor, but I will say this to all of you, too -- we have got to make sure that our city continues to be an investor-confident and an investment-friendly city.

Whether your investment is a family, whether it is a small business, or whether it is investing in someone else's business, no one is going to come to a city where the signal from the mayor and the board of supervisors is lack of work together and the signal is less than sure confidence that it is good to invest in our city. Confidence is what is attractive about San Francisco. I will continue to work hard everyday to make sure we create jobs in our city.

Thank you very much.