

STAFFORD COUNTY ECONOMIC DEVELOPMENT AUTHORITY

2009 ANNUAL REPORT

LETTER FROM THE CHAIRMAN

I am delighted to report that Stafford's commercial economy continues to be strong. Even in a down economy, the private sector produced over 729,000 square feet of new commercial space in calendar year 2008. Additionally, as of April this year, 220,000 square feet has been built with another 625,000 square feet under construction, and site plans for more than 2.5 million square feet are in various stages of development.

This third annual Economic Development Authority (EDA) Report, produced in partnership with Chmura Economics and Analytics, demonstrates that Stafford continues to lead the Commonwealth of Virginia, by percentage of growth, in key economic categories. Today over 35,000 people can say, "I work in Stafford County," with over 9,000 new jobs being added in just the last five years (2003 to 2008). Stafford can claim, over this period, to be Commonwealth leading in:

- Wage growth – *the 5th highest growth rate in Virginia*
- Business growth – *the 3rd highest growth rate in Virginia*
- Job growth – *#1 in Virginia (localities over 30,000 employees)*

These are enviable achievements. However, it is only part of the story. In early 2009, Stafford was privileged to welcome the Stafford Hospital Center – the single biggest quality of life enhancement in decades. MediCorp Health System worked with Stafford County officials collaboratively to create a state of the art facility, in the right location.

BUSINESS GROWTH

Despite the recession, Stafford County's business community continued to expand, adding approximately 113 business establishments in 2008 compared to the previous year. From 2003 to 2008, the number of businesses increased from 1,618 to 2,238, equivalent to 6.7% average annualized growth. This impressive rate of growth was **the 3rd highest** among the 134 counties and independent cities in Virginia. The high-wage professional and business services industry sector accounted for about a quarter of Stafford County's growth, adding 154 establishments over the same five-year period.

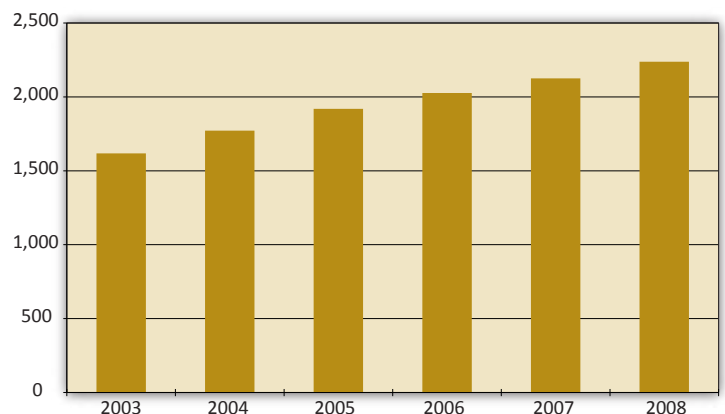


First responders now have more options, can cut ambulance travel times, saving money on fuel and maintenance, and more importantly – lives. By 2011 Stafford Hospital Center is projected to employ almost 700 people, and have a net positive impact of well over \$100 million in spending on salaries and support services in our community.

The hospital will be a focal point of redevelopment efforts in the Courthouse area. Redevelopment Masterplanning work also continues in Boswell's Corner, Falmouth and the Southern Gateway (Rt.17). This important work is laying the foundations for future quality development in Stafford. Additionally, the EDA was proud to support Germanna Community College's move to Stafford with a grant last fall. Germanna will open new classrooms in space at Aquia Park in Stafford, as early as this fall. With this new important educational asset, Stafford is better positioned to build a world class workforce.

Thanks to the collective efforts of our EDA members, Jack Rowley, Joel Griffin, Jo Knight, Mark Safferstone, Wendy Surman, David Beiler, our Board of Supervisors, and most importantly our businesses, Stafford is building a better future. If you believe the Economic Development Authority can serve your business needs in Stafford, do not hesitate to contact us at 540/658-8681.

Don Newlin, Chairman, Economic Development Authority

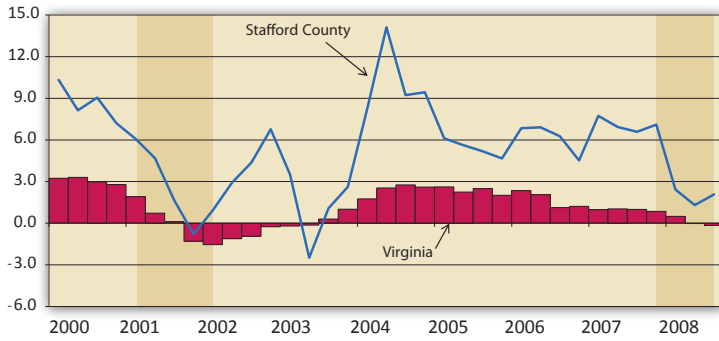


Note: The 2008 figure is a three quarter average ending with 2008 Q3. All other years represent a four quarter average.

Stafford recognized by Forbes.com as "Best Place to Get Ahead."

EMPLOYMENT GROWTH

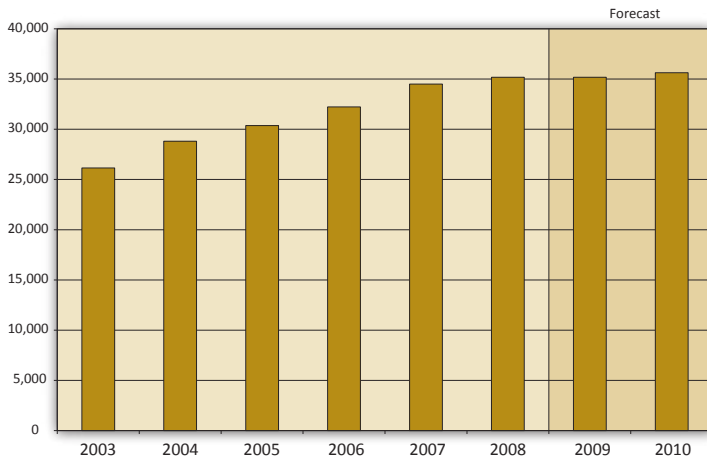
At Place Employment Percent Change, Year-Over-Year



Source: Chmura Economics & Analytics and Virginia Employment Commission

Employment has grown much faster in Stafford County than the state. This remained true in the year ending with the third quarter of 2008. Over this period, Stafford County employment increased 2.1% compared to a 0.2% decline in Virginia. The county continues to be a leader in job growth in the state from a historical point of view as well. For the five years ending in the third quarter of 2008, employment in Stafford County grew an annualized average 5.8%, **the 3rd highest growth rate** among all counties and independent cities in the state. **This is the fastest growth rate among localities employing at least 30,000.**

Total Employment in Stafford County



Source: Virginia Employment Commission and Chmura Economics & Analytics. Historical data are through the third quarter of 2008. The 2008 representation above includes one quarter of forecast.

From 2003 to 2008, 9,039 jobs were added in Stafford County, growing at-place employment in the county to over 35,000. However, the recession slowed this pace of growth from 7.1% in 2007 (2,283 jobs) to 2.0% in 2008 (678 jobs). While the Northern Virginia metropolitan area is projected to continue to shed jobs in 2009 and 2010, Stafford County is expected to fare better. Job growth is projected to be flat in Stafford County in 2009 before resuming growth at a 1.3% clip in 2010.

At Place Employment

Annualized Growth: 3rd Qtr 2003 to 3rd Qtr 2008

	Stafford County Growth Rate	Virginia Growth Rate
Construction & Mining	0.9%	1.2%
Manufacturing	5.8%	-2.8%
Wholesale Trade	3.4%	1.3%
Retail Trade	10.4%	1.1%
Transportation, Warehousing & Utilities	-0.6%	0.1%
Information	12.8%	-2.3%
Finance, Insurance & Real Estate	0.4%	0.2%
Professional & Business Services	10.4%	3.7%
Education & Health	7.7%	3.6%
Leisure	5.2%	2.6%
Other Services	2.7%	1.6%
Government	11.8%	1.6%
Total Nonfarm Employment	6.2%	1.6%

Source: Chmura Economics & Analytics and Virginia Employment Commission

From the third quarter of 2003 to the third quarter of 2008, employment grew at a faster pace in Stafford County than in the state in ten of the twelve major sectors. One of the fastest growing sectors in Stafford County was professional and business services, which expanded at an annualized 10.4% pace during this period, almost triple the 3.7% pace in the state. The professional and business services sector, which has both higher-than-average wages and higher-than-average growth prospects, includes such industries as computer systems design, architectural and engineering services, and scientific research and development. The retail and government sectors also have expanded rapidly in the region, growing 10% or more annually during this period, greatly outpacing the state average.

Stafford County's construction sector peaked in 2006 and has since been dampened in conjunction with the slowdown in the national housing market. During this same period, education and health services added 679 jobs in Stafford and grew at more than twice the pace than in the state. Manufacturing added 183 jobs in the county over the five years ending with the third quarter of 2008, in contrast to the state where the sector was in decline. The leisure sector also fared better in Stafford County, growing at twice the pace (5.2%) in the county compared to Virginia (2.6%). The leisure sector includes accommodations, food services, arts, entertainment, and recreation.

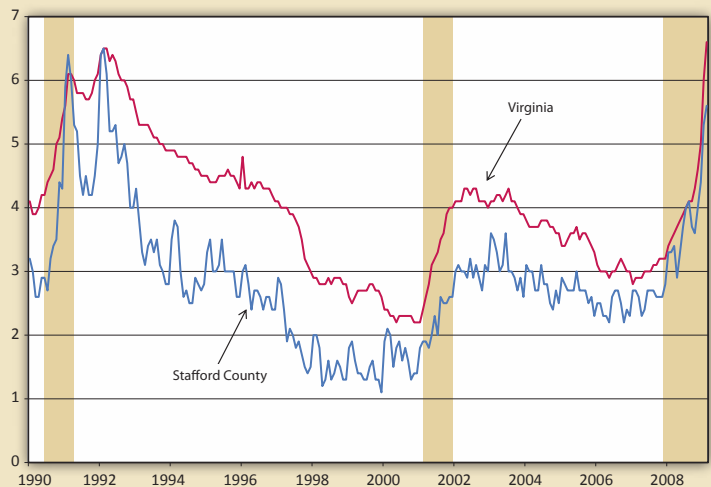
Top Private Sector Employers in Stafford County, 3rd Quarter 2008

Legal Name	Employment Greater Than:
GEICO	4,000
McLane Mid Atlantic Inc.	600
Wal-Mart Associates Inc.	400
Fredericksburg Auto Auction Inc.	400
Food Lion LLC	300
BAE Systems	230
Giant Food Stores	200
TD BankNorth NA	200
Target Corp.	200
McDonald's of Stafford	200
Hilldrup Transfer & Storage Inc.	200
Intuit Inc.	200
MTCSC	200
Welburn Management	150
TRW Space & Defense	150
Vitro Corporation	150

As of the third quarter of 2008, GEICO was Stafford County's largest private employer with more than 4,000 workers, accounting for over 10% of Stafford County's employment. Distributor McLane Mid Atlantic was the second largest private employer in Stafford County with over 600 employees. Both Wal-Mart and Fredericksburg Auto Auction employed over 400 workers in the third quarter of 2008 and Food Lion rounded out the top five with more than 300 employees. The national security and defense industry sector has been targeted by Stafford County for development and is represented by TRW, BAE Systems, MTCSC and Vitro Corporation among the County's largest firms. The Stafford Hospital Center opened in 2009 with 350 workers and expects to double employment by 2011.

Unemployment Rate

The residents of Stafford County have numerous employment opportunities as evidenced by a relatively low unemployment rate. As of February 2008, the unemployment rate in Stafford County was 5.6%, a full point below the statewide rate of 6.6%. For February 2008, Stafford County had **the 10th lowest unemployment rate** among the 134 counties and independent cities in Virginia. The Stafford County unemployment rate is typically lower than in the state, through periods of both expansion and recession. Since 1990, the monthly rate in Stafford County has been an average 1.1 percentage points lower than in Virginia.



ECONOMIC GROWTH

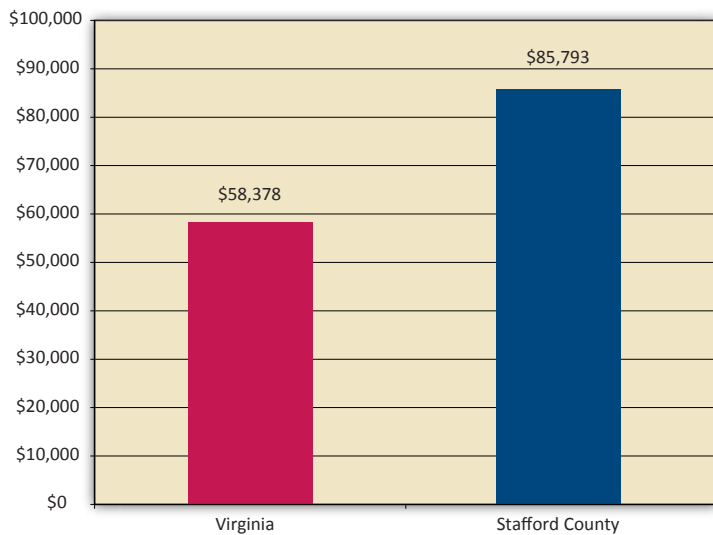
Economic Impact of Stafford Hospital Center on Stafford County

	Direct	Ripple Effect	Total Impact
2009			
Employment	350	137	487
Spending	\$40,184,453	\$17,273,461	\$57,457,914
2011			
Employment	700	274	974
Spending	\$86,623,016	\$37,235,278	\$123,858,294

Source: IMPLANPro. Employment for Stafford Hospital Center was provided by the Stafford Economic Development Authority. Spending figures are in the respective year's spending dollars.

The Stafford Hospital Center opened February 27, 2009 with 350 employees. The hospital is expected to expand employment to 700 by the end of 2010. The impact of the hospital and this growth has significance to the Stafford County economy beyond the size of the hospital staff. The center will create jobs in the community when it purchases supplies from companies in the area and when its employees spend their wages at local businesses. This ripple effect is expected to account for 137 jobs and \$17.3 million in spending in 2009, bringing the total impact of the hospital to 487 jobs and \$57.5 million. In 2011, when the hospital center is expected to grow staff to 700 workers, the ripple impact will similarly expand. The ripple effect of hospital purchases and employee spending in 2011 is expected to support 274 jobs in the county and spending of \$37.2 million. In all, the Stafford Hospital Center will have a total impact in 2011 of 974 jobs and \$123.9 million in spending.

Median Household Income 2007

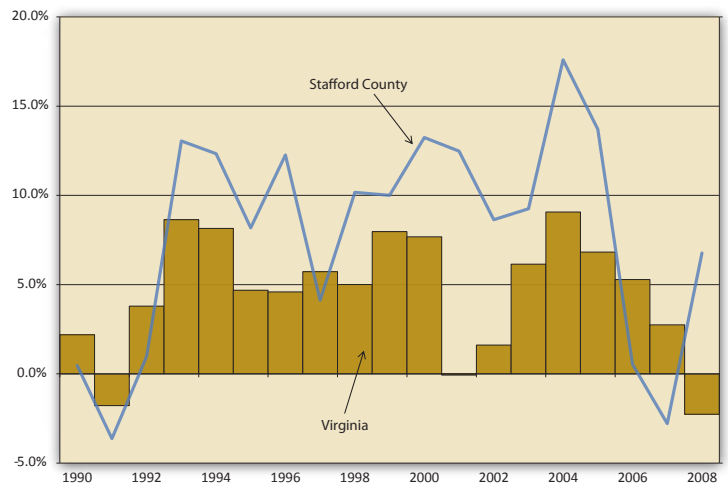


Wages earned in Stafford County have been growing at an above-average pace over the last five years. For the five years ending with the third quarter of 2008, average annual wages grew an annualized 6.4%, **the 5th highest growth rate** among Virginia's counties and independent cities. In the third quarter of 2008, the average wage stood at \$41,771 and increased 4.9% from the prior year, compared to 2.8% growth in Virginia. Even with the outstanding growth in average wages, these data only capture individuals working within Stafford County. Median household income is also impressive, which reflects the wages of individuals who live in Stafford County. In 2007, median household income in Stafford County was \$85,793, over \$27,000 higher than the state average, and **the 11th highest in the nation.**

CONSUMER SPENDING

Following strong housing growth, the housing market recession hit the Washington, D.C. and Northern Virginia areas especially hard and reduced retail sales, particularly at building material stores. Stafford County's annual retail sales (including items such as building materials and furnishings) edged down in 2007 for its first decline since the last housing market recession in 1991. In 2008, however, retail sales rebounded in Stafford County, expanding 6.8% from the prior year. In contrast, retail sales in Virginia continued to slow, contracting 2.3% in 2008. Since 1990, Stafford County has averaged 8.0% annualized growth in retail sales, exceeding the 4.6% pace in the state.

Growth in Annual Retail Sales



REDEVELOPMENT



Redevelopment work continues in the areas of Boswell's Corner, Courthouse, Falmouth, and Southern Gateway (Rt. 17). This important work has evolved from simple visions created in 2006, as components of the Economic Development Strategic Plan, to what will soon be full blown Masterplanning documents. The work, led by CMSS Architects and staff, has taken input at 6 different community forums to create detailed plans and recommendations for these important areas of Stafford. The intent is to encourage quality, pedestrian friendly and environmentally sound developments, that produce increased investment in our community. See more at www.GoStaffordVa.com and click on Redevelopment Areas.