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Bright Spots in the Valley Economy

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In Valencia, Stellar Microelectronics recently moved into a new production facility for the design and manufacture of electronic devices used by the military and health care and is in a hiring mode to fill high tech and engineering positions.



The company can make these moves when others cut employees or even close up shop altogether because of the specialized markets it serves and the types of devices it makes – heart pumps and pacemakers; radar systems and jamming systems to protect soldiers from roadside bombs.

For its military clients Stellar has little choice but to keep manufacturing in the U.S. because of certain regulations, said Alex Richardson, vice president of business operations

“On the medical side there is a high level of (intellectual property) that follows with these devices and with competing IP on the market protecting (ours) is important to our customers,” Richardson said.

To call the economy in 2008 dismal may be an understatement and all signs point to 2009 not showing much improvement in the hardest hit area of finance, housing and the automotive industry. But as Stellar and other companies in the greater Valley region have shown there are bright spots here and there.

Medical care, for one, is an area with little scrimping regardless of the economy.

One Lambda, a Canoga Park company doing Antibody typing tests and manufacturer of software and lab equipment, started the year with 210 employees and added 50 more, with an overall goal of 275 workers.

In the tech industry, companies providing software-as-a-service will be on the receiving end of more business, according to a recent Goldman Sachs report.

And in Hollywood, 2009 could prove to be the breakout year for 3D films. All the major studios have a 3D film on their slate, including the much anticipated “Avatar” from James Cameron and “Monsters vs. Aliens” from DreamWorks Animation SKG.

There are other manufacturers in the Valley that continue to do well even if it is at a slower pace.

Refrigerator door maker Anthony International, themed entertainment designer Thinkwell in Burbank, and WET Design, a Sun Valley firm that designs and makes the equipment used in elaborate fountain displays found at Las Vegas casinos and lifestyle centers like Americana at Brand in Glendale and The Grove in Los Angeles are among the companies singled out by Elan Shore, regional manager with the Economic Alliance of the San Fernando Valley, as thriving.

"Most cases it is having a diverse customer base," Shore said of why certain companies thrive in a down economy.

Stellar Microelectronics serves a niche market in which the failure of its products is not an option. Even with the unknown of what the Barack Obama administration will do with military spending, the company anticipates its sophisticated systems will still be needed, Richardson said.

Having outgrown its old 40,000-square foot facility also in Valencia, company executives spent a year planning and constructing the new building; installing 27 miles of cables and conduit and other infrastructure that can handle future expansion.

Stellar currently employs 300 people and expects to double that number within two years. A new apprenticeship program is targeting military veterans who can get work experience and further their education at a two year college or four-year university.

"These are highly technical jobs," Richardson said. "They are taking and turning technicians into engineers and engineers into seasoned engineers."

Other Bright Spots

Professional service firms in the Valley region have been in a growth mode for the past several years and the poor economy may not do much to change that, especially when it comes to legal and accounting services.

The growth rate was projected at 2.5 percent for professional services, which includes legal and accounting services, marketing and management, and collection agencies, travel, and security, in the 2007 economic forecast from the San Fernando Valley Economic Research Center at California State University, Northridge.

MyCorporation, an Intuit-owned company in Woodland Hills assisting with filing paperwork to incorporate, has seen a boost in business owners since offering its services.

While no additional hires are scheduled at MyCorporation, if the workload continues it may be necessary, said general manager Deborah Sweeney.

Intuit initially waived the \$149 fee for a single day and then as a larger gesture of goodwill toward entrepreneurs extended the free service for all of 2009, Sweeney said.

Incorporating helps protect personal assets; can save on taxes and gives a sense of credibility that is important to small startups.

"They want to show they are legitimate and that is helpful to them," Sweeney said.

Certain areas in law are also expected to shine in the new year.

California was identified as one state where law firms would be adding offices or attorneys to handle lobbying, transactional and project finance, intellectual property, and litigation and international work connected with new and increased regulations relating to climate change issues.

With many homeowners falling behind in mortgage payments, Alpert Barr & Grant, an Encino firm with banking and lending clients, has seen a spike in its workload that will last well into 2009.

In a regular month, the firm will bill five to 10 hours on mortgage-related cases but lately has been billing 25 to 30 hours, said Adam Grant, a principal in the firm.

“It is not slowing down,” Grant said. “It has remained at that level and spiked occasionally.”

The firm represents three lenders giving mortgages for mobile homes. As notices of defaults and foreclosures are just as prevalent as they are with houses, its expertise is needed to deal with specific laws on those types of domiciles.

There is a detailed process to get a foreclosure started and homeowners will counter with a claim of their own alleging improper lending practices or notice.

“Oftentimes the homeowner files for bankruptcy thinking that will stop it, which it doesn’t,” Grant said.

In the third quarter, notices of default in the San Fernando Valley dropped to 3,500 after reaching a peak of 4,500 in the second quarter, according to CSUN’s economic research center.

The number of foreclosures reached 2,589, a record number and surpassing the previous high number in 1996. Changes in state law and the drop in notices of default will likely result in foreclosures dropping as well.