

# America's Cup promises S.F. jobs

## Half of entry-level jobs for residents

BY ERIC YOUNG

San Francisco Business Times

San Francisco officials have said the 2013 America's Cup could spur more than 8,800 new jobs in the city.

Now they have an outline of who might be in line for that work.

As many as half of all entry-level jobs created by big America's Cup contracts will go to San Francisco residents, and local small businesses will get at least 30 percent of major Cup-related contracts, under a new proposal devised by city and race officials.

In a nod to San Francisco's local-hire law, America's Cup leaders pledged that 20 percent of all work hours on construction projects will go to city residents.

"From the beginning, we've been committed to developing plans that are inclusive and provide opportunity for the San Francisco residents and small businesses to benefit," said Stephanie Martin, a spokesperson for the event, which could bring an estimated \$1.4 billion in spending to the region.

With the jobs and small business plan, "We have worked to maximize job offerings for San Franciscans," Martin said.

The jobs and small business plan is still in draft form. It will be presented to the San Francisco Board of Supervisors — along with other America's Cup plans dealing with traffic, waste, security and other issues — on Jan. 24.

### MADE IN SAN FRANCISCO

America's Cup officials are promising to hire San Franciscans — or use San Francisco small businesses — for a variety of work. Here are highlights of their plan:

#### San Francisco resident hiring:

America's Cup has set a goal of making 50 percent of all entry-level jobs for contracts of \$150,000 or more go to San Franciscans.

**Small business:** America's Cup has set a goal of using San Francisco-based small businesses 30 percent of the time on contracts of at least \$150,000.

**Construction jobs:** All construction work will be performed by union workers.

America's Cup has a goal of 20 percent of all work hours going to San Francisco residents with 10 percent of hours going to low income residents.

Nearly 600 businesses have already signed on to Business Connect, a site that is intended to connect them with America's Cup business opportunities. (See related story, page 17).

They include small companies like Barry Demak's Oakland-based J World, which provides sailing lessons and operates charter boats. Demak said it helps get his business in front of potential new customers.

City officials — who sought to host the yachting spectacle to help the San Francisco economy — said they will

monitor the America's Cup progress.

"We as a city are held accountable to meet the economic promises from the event," said Mike Martin, San Francisco's point person coordinating the city's race preparations. "We're going to hold them (America's Cup) accountable."

One labor official said that with close monitoring, the America's Cup likely will reach its stated goals.

"Good faith efforts can work pretty well if it's pursued assiduously," said Michael Theriault, secretary-treasurer of the San Francisco Building and Construction Trades Council. "It's all in the execution."

But others noted that fiscal constraints could be a major factor in determining how much work goes to San Francisco workers and businesses.

"The reality is (the America's Cup is) just like any other business," said Art Swanson, president of the San Francisco Small Business Network. "They have a budget to deal with... They might not be able to do all the hiring they want because of the costs."

Indeed San Francisco labor costs tend to be higher than that of surrounding counties. Exactly how many new jobs are created by the America's Cup is a fluid number, depending in large part on how many spectators the races attract.

City officials estimated in 2010 that as many as 3,340 new jobs could be created as a result of the boat races. Many jobs would be tied to construction of facilities to be used during racing. Others could come in catering, events, hospitality, transportation, food preparation, information technology and other professions.

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# VCs predict gloomy exit environment

BY LINDSAY RIDDELL

San Francisco Business Times

Public offerings and mergers and acquisition activity picked up in the fourth quarter of 2011, but venture capitalists have a dim outlook for 2012.

"There are a lot of very negative trends," said venture capitalist Nat Goldhaber.

Goldhaber, managing director at Oakland-based Claremont Creek Ventures, said signs in just about every major market — Europe, the United States and even emerging economies — point to a bad exit environment for investors.

"And clearly, like in 2008, if you have a sustained down market with big drops, it's a complicated environment for anything to get public," he said.

Still, the numbers tell a slightly different story.

The number of M&A deals in 2011 was the highest since 2007, with 429 disclosed deals, while deal value was also the highest since 2007, averaging nearly \$23 million per deal, according to the National Venture Capital Association and Thomson Reuters' fourth-quarter exit poll figures.

There were 52 venture-backed IPOs in 2011 — a figure VCs aren't excited about. That 52 was more than in 2008 or 2009, when there was a combined 18, but less than the 75 venture-backed IPOs in 2010. The average amount raised per offering was \$190 million, the highest recorded value since at least 2005.

Local successes include biofuels company Solazyme, based in South San Francisco, which had a \$198 million IPO in May. Social gaming company Zynga, based in San Francisco, also raised \$1 billion.

Mark Heesen, CEO of the Washington, D.C.-based National Venture Capital Association, said fundraising for venture firms is increasingly challenging, and the outlook is dim for a lot of the midsize firms dealing in broadly targeted, multi-hundred-million-dollar funds.

"The folks getting hit right now are those firms that have tried to be all things to all LPs (limited partners)," he said. "They're doing deals in China, locally, in cleantech, and life sciences. And the LPs are saying, 'You know what? With a \$300 million fund, you can't do that.'"

The National Venture Capital Association said exit numbers don't add up to a recovery in the industry.

"This is an industry that's shrinking right now and will continue to shrink," said Heesen. "And not just in the number of firms, but in the number of professionals in this industry. Firms may stick around, but they may go from six to three partners."



Goldhaber

# Avalanche eye trials challenge Genentech

BY RON LEUTY

San Francisco Business Times

A big-time eye drug could come in a small package from Avalanche Biotechnologies Inc.

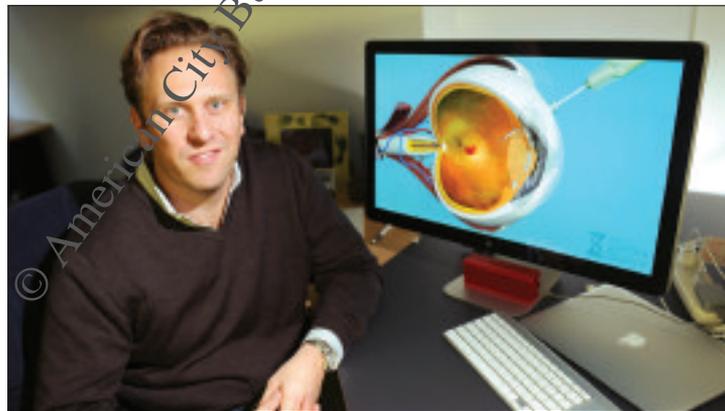
The San Francisco biotech startup last month started enrolling patients in its first human trials of a treatment for wet age-related macular degeneration, a leading cause of blindness. That could put the company on the path to challenge Genentech Inc. and a handful of other companies developing drugs to halt the weak, leaky blood vessels that cause wet AMD.

Avalanche's drug tweaks a minute virus by removing the viral genes and inserting a protein that inhibits a growth factor for wet AMD. The therapy helps the retina's own cells to set up a round-the-clock factory to secrete a therapeutic protein.

The growth factor, called VEGF, stimulates new blood vessel formation and is the target of wet AMD therapies like Genentech's Lucentis and Avastin. Lucentis is one of four approved drug treatments for wet AMD, but Avastin, a cancer drug, often is used off-label by ophthalmologists.

What may matter most to patients, though, is they would need only one shot of Avalanche's AVA-101. Currently, those patients receive a shot of Lucentis or Avastin each month.

Tom Chalberg, Avalanche's president and CEO and a co-founder, said the problem is when patients don't keep up with



Eye on the prize: Avalanche CEO Tom Chalberg hopes to move beyond eye diseases.

the roughly \$2,000 monthly injections into the eye. AVA-101 is "100 times more potent than Lucentis," Chalberg said.

Chalberg should know — he worked at Genentech for five years, most recently helping to launch Lucentis as a group manager of strategy.

Avalanche in the fall set up shop in MandalMed's Bioscience Laboratories incubator in San Francisco's SoMa.

It still is very early in the game, but three-person Avalanche is depending a lot on the little adeno-associated virus. It is 25 nanometers in diameter — a human hair is roughly 100,000 nanometers wide, in comparison — but historically has been tough to make, Chalberg said.

Avalanche has worked with researchers David Schaffer and John Flannery at the University of California, Berkeley, to engineer variants of the virus that may be easier to manufacture and can land the protein deeper into the retina.

The protein is licensed by Avalanche from a unit of Merck & Co.

If all goes well, Avalanche doesn't plan to stop at eye diseases like wet AMD and glaucoma, though. Advances over the past few years in gene therapy could make the adeno-associated virus effective in delivering other genes, Chalberg said.

"We feel like the time is now," he said.

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