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MAIL TO:

New Scene for Startups

Longtime Home of Innovation, Entrepreneurial Grit Builds 'Ecosystem'

By DEIRDRE NEWMAN

The Fender guitar. Vizio TVs. Vans shoes. Just a few one-time startups that are now part of Orange County history.

Innovation and grit continue to be hallmarks of the startup scene here, but today's entrepreneurs also are getting help from an infrastructure that's only recently begun to take on a new, substantial shape. It's a phenomenon that has yet to attract the sort of attention that's bestowed on renowned epicenters, such as Silicon Valley or more recent entries, such as Silicon Beach on the



OCTANE's Carpou: startup scene "dependent on collaboration amongst the entire constituency"

Westside of Los Angeles.

But OC is getting in the game, thanks to a confluence of factors that have conspired to help more OC startups gain traction and visibility:

- funding for startups, which continues to accelerate in 2016, according to industry experts;

- an "ecosystem" that includes everyone from angel investors to venture capital to crowdfunding, with service providers geared toward startups in between;

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Williams: sees her team as problem solvers

Road More Traveled

Taco Bell Exec Credits Early Itinerary as Effective Prep

By MICHAEL DE LOS REYES

Liz Williams doesn't sit still, even when she stays in the same place for a while.

William joined Yum Brands Inc., Taco Bell's parent company, six years ago as senior director for corporate strategy. She was promoted a year later to vice president of business and planning strategy for Taco Bell and became chief financial officer in 2013.

Taco Bell is a \$9-billion fast-food business that generates about \$500 million in profits for Yum, a global operation with a market capitalization of \$29 billion. The chain has notched same-store sales

growth in 14 of the last 15 quarters, earning kudos from its corporate parent, which also has the Pizza Hut and KFC brands in its portfolio.

Many of those gains have come with Williams as CFO, with duties that include leading the company's annual planning for strategy, including an emphasis on innovation and long-term growth. She's also at the helm of an effort to improve restaurant margins, with a goal of trimming \$100 million over three years.

Those are highlights from a performance that landed Williams honors in the public company cat-

► Williams 56

Creative-Office Trend to Great Park

REAL ESTATE: Anchors FivePoint's revised plan for 73-acre site

By MARK MUELLER

The developer of Great Park Neighborhoods in Irvine has earmarked a 73-acre portion of the former El Toro Marine Base for a commercial project featuring creative-office buildings, among others.

FivePoint Communities, the Aliso Viejo-based developer of the former Marine base, recently got city approval to turn land near the northwestern edge of the Irvine site into a mix of what it calls "multi-use, medical and science, and community commercial purposes."

The project could run as large as 1.2 million square feet, according to city documents.

Creative-office buildings would be the centerpiece of the largest part of the project, with about 704,000 square feet.

The offices in the developer's "creative campus"

► Great Park 55

Kia's Road to Driverless Car Runs Through Irvine

TECHNOLOGY: Strategy hinges on voice of North American HQ

By CHRIS CASACCHIA

A 12-man team at the Irvine headquarters of Kia Motors America Inc. is a key part of a global engineering and development effort to bring an autonomous vehicle to the market by 2030.

The technology and market strategy has been crafted by Chief Technology Strategist Henry Bzeih, who oversees the connected car and technology planning division at the North American unit of parent Kia Motors Corp. in Seoul.

Bzeih (pronounced Be-zay) works with Kia engineers at the company's design centers in Irvine, South Korea, Detroit, and Frankfurt, Germany, to implement the automaker's newly launched Drive

► Kia 14



Bzeih: works with engineers at design centers here, South Korea, Detroit, Frankfurt

Year of Reckoning for Costa Mesa Developers

General Plan, Slow-Growth Measures Headline Agenda

By MARK MUELLER

2016 is shaping up to be a year of heavy suspense for a nearly 3-mile swath in Costa Mesa just north of the San Diego (I-405) Freeway in terms of potential residential and commercial development.

A handful of large proposed projects—most in the early planning stages—have the potential to result in construction of a few thousand apartments and

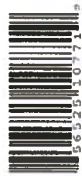
condos in that part of Orange County's eighth largest city by population, along with several million square feet of offices and other commercial construction.

The area north of the 405 "represents the best opportunity for Costa Mesa to go forward in the 21st Century," said Leonard Glickman, founder of Beverly Hills-based developer Rose Equities,

► Costa Mesa 62



Robinson Pharma building: property next to SOCO retail center being considered for tear-down, new residential redevelopment



It's the little details that are vital.
Little things make big things happen.

— John Wooden

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Startups

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■ and more connections between entrepreneurs being made than ever before due to the growing number of incubators.

Some hurdles remain on the road to achieving a critical mass of startups, according to leaders in this area, but there is a bevy of proponents pushing that way.

"There's been a lot of startups here, but we can do a better job of connecting and keeping them," said **Richard Sudek**, executive director of **Applied Innovation**, the University of California-Irvine's institute for innovation.

'Paradise Culture'

OC has always been a springboard for startups across industry segments. Chalk that up to Southern California's "paradise" culture as an allure for entrepreneurial minds, according to strategist **Andrea Guevara**, the founder of Costa Mesa-based **Lucky 19**, which provides branding, graphic design and Web-design services.

These days there's a huge emphasis on networking and mentoring. A mecca of the trend is The Cove, the 31,000-square-foot home of Applied Innovation, where 200-plus mentors and experts-in-residence are on hand to help any startup in OC, free of charge.

Other resources include **Tech Coast Venture Network** and the **Orange County Small Business Development Center**, Guevara said.

OC boasts a cluster of academic institutions, including a prize in UC Irvine, one of 108 research universities in the U.S., according to the Carnegie Classification of Institutions of Higher Education.

Southern California as a whole has a more highly educated workforce than anywhere else in the country, according to **Jason Lantgen**, a vice president with real estate brokerage **Jones Lang LaSalle's** Irvine office.

Incubator hubs have sprung up at a number of local universities besides UCI, including **California State University Fullerton's Center for Entrepreneurship** and **Chapman University's Leatherby Center for Entrepreneurship and Business Ethics**.

The result is a more formalized infrastructure and self-sustaining "ecosystem," said **Bill Carpou**, president and chief executive of Aliso-Viejo based **OCTANE**, formed in 2003 with a mission of connecting entrepreneurs and resources.

"The ecosystem exists on its own," Carpou said. "It's the air we breathe. I think if you look at any of the ecosystems that are successful, they're dependent on collaboration amongst the entire constituency."

Also in Irvine is **EvoNexus**, a high-end incubator for startups that is transitioning from ideation to fundraising and revenue generation, according to **Dan Jenkins**, an adviser there.

"In the past, this more complete and obvious support infrastructure from idea to funding to revenue did not exist," Jenkins said.

Not Silicon Valley

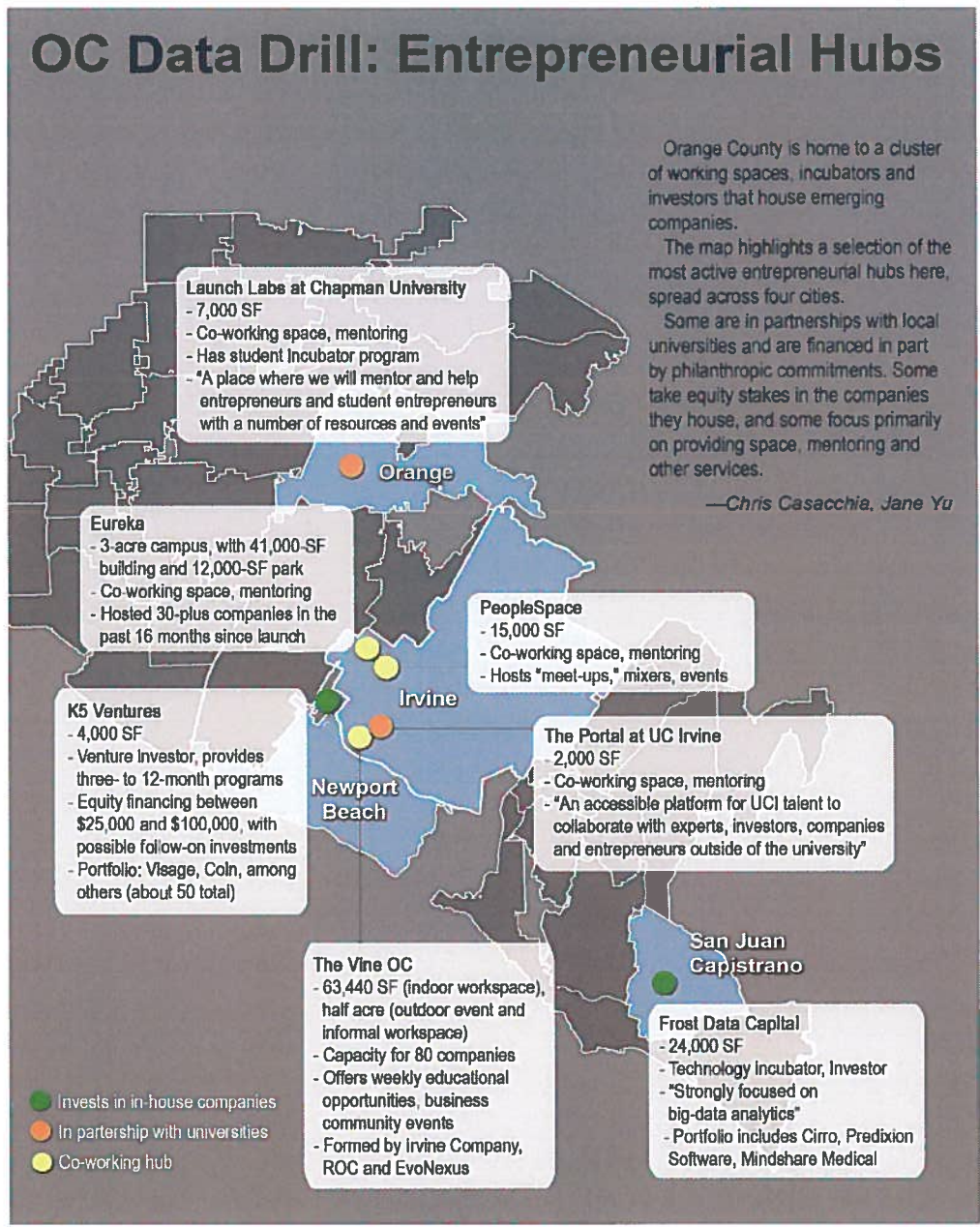
How does the startup scene in OC compare to its more-established counterpart in Silicon Valley?

Silicon Valley has a concentration of organized, tech-savvy investors, including venture capitalists and angels, according to Jenkins. OC has some of the same but they're not as organized or active, he said.

"OC has suffered from fragmentation, which is what we're collectively working hard to change."

Michael Sawitz, founder of Irvine-based **FastStart.studio** and an entrepreneur-in-residence at Cal State Fullerton's **Mihaylo School of Business and Economics**, notes that money in OC has typically been invested in more mature, developed businesses and industries.

"Investors in OC, as a whole, are really more risk-averse than what you see in other places,"



he said. "In Silicon Valley, many, many, many investors have lost—but [they know] you don't win every time. And the ones that have tasted success, it brings them back in with even more money, and the word of their success drives more engagement."

What will it take to motivate investors to take more risks with their money here in OC?

Sudek, for one, has seen more people step up to the plate, which he attributes to the OC startup landscape being less fragmented these days. He noted that more than 35 donors combined to contribute more than \$6 million to establish The Cove, the physical home of Applied Innovation, in the first year.

Carpou said it's not necessary for OC's startup industry to try to emulate Silicon Valley, noting that OC has a more diverse array of businesses than its northern counterpart. Entrepreneurs involved with startups here should focus on what works best in this particular environment, he said.

"We have support to build the best possible ecosystem for Orange County that has the longest sustaining results."

Venture capital funding for OC startups has shot up over the past 18 months, according to Lantgen.

"We have always seen seed and Series A

rounds in Orange County," he said. "But now we're seeing later-round stages to more mature startups, where they've got a proof of concept, are generating revenue, and have reached a growth-inflection point."

Historically, startups in the county collectively received between 15 to 20 funding rounds per quarter, said Lantgen, who tracks that data.

"That has not changed," he said. "The amount of investment going into these companies has."

Venture capital funding rounds had yielded approximately \$150 million per quarter until last year, when they topped \$200 or \$300 million each quarter, Lantgen said. During the first three quarters of 2015, OC startups raised more than \$600 million from VCs compared to \$389 million in the same period last year, he said.

Lantgen said he expects the money to keep flowing this year.

"The clients that we are working with and talking to are saying that access to capital is still there," he said.

"It's still available, and a number of the businesses are looking to expand and hire more people."

The local startup scene isn't dependent en-

tirely on local money, either. Venture capital continues to flow to OC from Silicon Valley, New York, Boston and L.A. Lantgen said.

Challenges

Lucky 19's Guevara said she would like to see more funding, outreach and support specifically for female business owners and teens.

"I am excited to see more and more women and young entrepreneurs taking the reins of their own financial futures," she said. "They need more resources, training and funding opportunities to help them not only start up, but scale their businesses."

Sudek said OC ultimately needs to create more "collisions," pointing to the potential of University Research Park, 185 acres owned by UCI and built and leased out by **Irvine Company**. Applied Innovation and EvoNexus are some of the companies that have taken up residence there.

"We will attract more startups so we will have more density," Sudek said. "We need more density for everyone involved. More startups need more talent. It's definitely something where you don't work on one piece. You have to work on multiple pieces to make it a robust ecosystem." ■