

# Business

## MARKETS

▼ 5.97 Dow 23,995.95  
 ▼ 14.59 Nasdaq 6,971.48  
 ▼ 0.38 S&P 500 2,596.26  
 ▼ 0.04 10-yr. T-note 2.69%  
 ▼ \$1.00 Oil \$51.59  
 ▲ \$2.40 Gold \$1,287.10  
 ▲ \$0.02 Silver \$15.58

Euro 0.8722 • Peso 19.1432

## STOCKS SLIGHTLY

**LOWER:** Stocks finished down slightly Friday as a drop in energy shares and mounting concerns about the ongoing government shutdown balanced out strength among carmakers following an optimistic earnings forecast from General Motors.

## BRIEFLY

### MORTGAGE RATES

**CONTINUE TO FALL:** U.S. long-term mortgage rates continued to fall this week, reaching their lowest levels in nine months. The decline in home borrowing rates in recent weeks has been a spur to prospective home buyers, reflected in a spike in applications for mortgages. Mortgage buyer Freddie Mac said the average rate on the benchmark 30-year, fixed-rate mortgage dipped to 4.45 percent this week from 4.51 percent last week. Rates remain far above last year's levels, however. The key 30-year rate averaged 3.99 percent a year ago. The average rate for 15-year fixed-rate loans fell to 3.89 percent from 3.99 percent last week.

### U.S. RESTAURANT

**PRICES JUMP:** Full-service restaurants, facing higher labor and food costs, raised prices the most in more than seven years in December, a Labor Department report released Friday shows. Full-service restaurant prices climbed 0.5 percent in December from the prior month, the biggest gain since March 2011, while limited-service restaurants posted a 0.4 percent price increase, the most in almost a year.

### AMAZON MAY DEVELOP

**STREAMING GAMES:** Amazon is planning to use its massive cloud computing service to jump into the streaming market for video game play, according to a new report from Information.com. The service, which could potentially bring top-notch titles to virtually anyone with a smartphone or streaming device, could make Amazon a major competitor in the space already in play by Microsoft and Google. The service is slated to launch next year, the report said.

### ACTIVISION FALLS

**AFTER BUNGIE SPLIT:** Shares in video game publisher Activision fell more than 11 percent in morning trading Friday, a day after an announcement that its eight-year partnership with game developer Bungie was ending. In the companies' joint announcement, Bungie said the separation process had started and that it would begin to self-publish its titles. The companies' most successful collaboration was its Destiny series, which Bungie will retain the rights to. Video game industry analyst NPD ranked Destiny 2 as the third-best-selling title in 2017. NPD hasn't yet released its 2018 rankings.

## DIGITS

# 800K

Number of federal employees (plus 4.1 million federal contractors) not getting paid because of the government shutdown. Federal employees started going without paychecks beginning Jan. 11.

U-T NEWS SERVICES

## FREE RIDE DOWNTOWN SHUTTLE IMPROVES SERVICE, RIDERSHIP

Transit option backed by Civic San Diego financing since 2016

BY JENNIFER VAN GROVE

Free rides should be easier to come by in downtown San Diego this year if the city's subsidized shuttle service continues down the road it traveled in 2018.

Free Ride Everywhere Downtown, or FRED as it's called, currently operates 22 all-electric vehicles that pick up and drop off passengers in the downtown region. It does so Uber-style, albeit at no cost to the rider. The cars have been cruising about the city's core since July 2014; they've even had the blessing and financial backing of downtown's planning agency Civic San Diego since August 2016. But only recently has FRED become a semi-reliable, app-based transit option for area workers and visitors.



NELVIN C. CEPEDA U-T

David Aragon, an operation manager and one of the drivers for FRED, waits at an apartment building for a pick up.

FRED is kicking off the new year by only showing its dreaded "no drivers available" response 33 percent of the time during peak hours, compared to as high as 50 percent of the time during those same periods a little more than a year ago, according to data shared with the Union-Tribune. That's because the service has improved

tremendously in the last 12 months with major updates to its mobile apps and more cars on the road, said Ben Verdugo, who is FRED's program manager at Civic.

"We started out the program with a big issue around supply and demand," he said. "Today, we

SEE FRED • C4

## SAN DIEGO TO TEST NYC STARTUP'S TECHNOLOGY TO HELP INVENTORY CURB MARKINGS

Coord to use augmented reality to track real estate along street

BY BRITTANY MEILING

The city of San Diego is teaming up with a startup out of New York City to use augmented reality technology to map out the city's streets. It's the first step in a plan that might one day lead to a smarter city better outfitted for things like bike-sharing, ride-hailing and other modern modes of transportation.

The startup, called Coord, will use an augmented reality technology to build an inventory of the city's painted curbs and parking signs, showing exactly where cars and trucks are allowed to park, load and unload goods, or pick up and drop off passengers.

The humble street curb has long been in high demand, with things like public buses,

SEE CURBS • C4



BELLS + WHISTLES

Brian Malarkey and Chris Puffer are expected to open Anmae restaurant by late spring. The restaurant will use a charcoal oven and grill for many dishes.

## A CONCEPT WITH ASIAN FLAVOR

Chef Malarkey, partner banking on \$5.5M Anmae restaurant becoming destination as Embarcadero develops

BY LORI WEISBERG

Still months away from opening his much anticipated, high-end Asian restaurant, chef Brian Malarkey is already convinced that its location near the downtown bayfront will one day become a din-

ing destination that will rival Little Italy.

Malarkey and business partner Chris Puffer, who are nearing the third anniversary of their well-regarded Little Italy restaurant, Herb & Wood, are banking on a cluster of developments, including Doug

Manchester's \$1.5 billion redevelopment of Navy waterfront property and the recently opened InterContinental Hotel, to reinvent the Embarcadero area as a culinary go-to neighborhood.

The duo's \$5.5 million Anmae restaurant, expected to open by late

spring, will be located in the ground floor of Bosa Development's luxury condo tower at Pacific Highway and Broadway, where unit prices in the 41-story Pacific Gate project started at more than \$1 million.

"A year ago, Nat Bosa wondered

SEE ANMAE • C4

## ROSWELL RAISES \$32 MILLION FOR NEW-FORM GENE SEQUENCING

San Diego startup working on cutting-edge nanotech as inexpensive process

BY BRITTANY MEILING

Roswell Biotechnologies, a life-science upstart in San Diego, has secured \$32 million from investors to develop an unusual new way to sequence DNA for cheap — a feat they hope will dramatically bring down the costs of medical research.

The company is applying cutting-edge ideas in nanotechnology to the world of gene sequencing, hoping to build a platform that can read DNA with unprecedented speed, accuracy and simplicity. Roswell is building a semiconductor chip that uses molecular building blocks to make electronic components. Because single molecules are the smallest stable structures possible, pulling this off shrinks electrical circuits and can pack more power into smaller spaces.

Roswell's technology — called the Electronic Nano Detection Sequencing, or ENDSeq — uses an enzyme that assembles DNA, called DNA polymerase, and inserts it into the electronics. As the

SEE ROSWELL • C4



LEILA NAVIDI AP

Members of the American Federation of Government Employees demonstrate Thursday in Minneapolis against the partial government shutdown.

## SHUTDOWN DISRUPTING ECONOMIC ASSESSMENT

BY CHRISTOPHER RUGABER

The partial shutdown of the U.S. government has begun to make it harder to assess the health of the economy by delaying or distorting key reports on growth, spending and hiring.

Government data on home construction and retail sales, for example, won't be released next week because staffers who compile those reports have been furloughed. The retail sales report provides a snapshot of consumer spend-

ing, which fuels more than two-thirds of the economy. With Macy's and Kohl's having said Thursday that their holiday sales were weaker than expected, a broader gauge of retail spending would have provided important clarity.

In addition, the next report on the economy's overall growth, set for Jan. 30, won't be released if the shutdown remains in effect. Even if the government has fully reopened by then, federal work-

SEE ECONOMY • C4

## BIG COMPANIES OFFER TO HELP EMPLOYEES, CLIENTS AMID SHUTDOWN

BY CÉCILE DAURAT

Federal workers are missing their first checks in a partial government shutdown that's poised to become the longest in U.S. history. Among staff who didn't get paid Friday are law enforcement officers, NASA engineers and office workers across the country.

Some large corporations are jumping in to give a financial break to those workers — who are also their customers.

Here's the rundown:

### Bank fees, loans

•Major banks including Bank of America and Wells Fargo are offering to waive fees or modify loans for affected workers. JPMorgan Chase & Co., the biggest U.S. lender, said Thursday it has been automatically waiving or refunding monthly service and overdraft fees for government employees with checking or savings accounts since Dec. 24.

•U.S. Bancorp said Friday it's created a new loan of up to \$6,000 available to federal government employees who are customers of the bank.

SEE ASSIST • C4

## CURBS

**FROM C1**  
package delivery trucks and other commercial vehicles hogging the street's edge. But increasingly, the curb is also home to scooters, bikes and car-share services thanks to smartphone-enabled transportation alternatives. In San Diego, Uber, Lyft and Fred are all fighting for bits of curb real estate to pick up and drop off passengers.

As Wired writer Aarian Marshall put it: "to see the future of cities, watch the curb."

City officials nationwide are paying more attention to their curbs, including San Diego's own government,

which posted a call for help in October to help the city build an inventory of its curb markings. The city said its current system for keeping track of curb markings is disjointed and incomplete.

"With no comprehensive inventory available to serve as a baseline, what is being tracked is simply being added to a blank canvas without a comprehensive approach to data collection," the city wrote in a call for contractors. "This leads to an inability for the city to fully understand what curb coloration and time limit parking assets have been/are legitimately installed by the city, when and by whom, and what may have been done illegally."

Without a tool like this, the city would have to employ surveyors to drive around and document curb markings. Erik Caldwell, the city's deputy chief operating officer for smart and sustainable communities, said the process is expensive, which is why they were looking for technology-assisted alternatives.

This new partnership came from a new economic development effort called the Startup in Residence program, which San Diego joined last year. First piloted by the city of San Francisco as an internal program in 2014, the program was later spun out into a nonprofit called City Innovate. Nearly 700 startups vied for a chance to

work with 22 governments — including San Diego's.

"This program is a unique opportunity for government agencies and startups to think creatively about how we can all work together to modernize government to benefit residents," said Jay Nath, co-executive director at City Innovate.

Coord will work with the city for 16 weeks through the program to see if their technology can solve San Diego's problems. At the end of the program, the startup will have the opportunity to score a paid contract with the city.

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U-T FILE

**Curbs are prime real estate in cities, with bus stops, ride-sharing services, delivery vehicles, scooters and bikes vying for space.**

## ECONOMY

**FROM C1**  
ers won't likely have had enough time to produce the scheduled report on the nation's gross domestic product.

Not all agencies are closed. Congress approved funding last year for the Labor Department, so the government's next monthly jobs report will be released as scheduled on Feb. 1. But it's unclear how long the department will be able to issue jobs reports — the most closely watched barometer of the economy — after that.

Though the economy remains healthy in most respects, there are rising concerns that growth could slow or even stall in coming months. The trade war between the United States and China, which has helped depress global growth, is likely slowing business investment. The stimulus from the Trump administration's tax cuts is expected to fade.

And borrowing costs have risen since the Federal Reserve raised short-term interest rates four times last year. Before rebounding this week, stock markets had

plummeted roughly 16 percent from their peak Oct. 2.

Many economists increasingly see the shutdown, should it persist, as a drag on the economy. Michael Feroli of J.P. Morgan has downgraded his forecast for growth in the first three months of 2019 because of the shutdown. He expects the economy to grow at a 2 percent annual rate, down from his previous estimate of 2.25 percent.

The shutdown is costing the economy about \$1.2 billion a week, according to Standard & Poor's. Some of that loss will be regained after federal workers eventually receive back pay for the time they missed. But many government contractors won't be made whole. And lost business — such as scheduled hotel stays from trips to national parks that won't be taken — may not be made up.

Fed officials are stressing their flexibility on rate hikes, emphasizing that they will be patient and their policy "data dependent." By this, the Fed means that the government's latest readings on hiring, inflation and growth will factor heavily in its rate decisions. Yet much of that data will be unavailable — to

the Fed or anyone else.

"For us, one of the biggest effects of the shutdown has been around data," Raphael Bostic, president of the Fed's Atlanta regional bank, said Wednesday. "We're worrying about that."

Even some reports that are released on schedule are likely to be distorted by the shutdown. For example, the January jobs report may show an artificially high unemployment rate and low employment figure. That's because up to 380,000 federal employees who aren't working or being paid during the shutdown — but who will return to work afterward — could be counted as unemployed for January.

If so, that would raise the unemployment rate by 0.2 percentage point, estimated Ben Herzon, an economist at Macroeconomic Advisers, a forecasting firm. And the monthly job count could decline by 380,000 if the shutdown continues through the end of January, Herzon said. That could push the monthly job figure into negative territory.

If all the federal workers eventually receive back pay, as occurred after previous shutdowns, then the Janu-

ary jobs report would later be revised to restore those 380,000 jobs, according to the Labor Department's Bureau of Labor Statistics.

Future jobs reports could be jeopardized, too, if the government remains shut down. The Census Bureau conducts the monthly surveys that the BLS uses to calculate the unemployment rate. Census is part of the Commerce Department, which remains closed during the shutdown.

The BLS wouldn't say whether data collection will continue beyond January if the shutdown continues.

Other economic reports have already been missed. They include a monthly report on factory orders that was scheduled for Monday. That report typically provides insights into how much U.S. companies are spending on large equipment.

Inflation data will also be affected: The consumer price index was released Friday morning as scheduled, because it was prepared by the Labor Department. But the Fed's preferred inflation gauge is published by Commerce's Bureau of Economic Analysis, which is closed.

And because the Agricul-

ture Department is closed, future reports on wholesale prices and import prices won't include farm-related data, the BLS said Thursday.

A report on the number of people seeking unemployment benefits, considered a nearly real-time reflection of layoffs, is still being published. But it could be distorted by the shutdown: Nearly 5,000 federal employees sought benefits two weeks ago, according to the latest data available, roughly five times the usual figure.

And only a portion of the government's report on productivity, or output per hour worked, will be released Feb. 6, the Labor Department said. That's because that report requires data on the growth of GDP, the broadest measure of the economy.

Even after the government fully reopens, weeks will likely be needed before all the postponed reports can be prepared and released.

"It may take some time to get a 'clean' read on the economy," economists at Bank of America Merrill Lynch said Thursday.

Rugaber writes for The Associated Press.

## ASSIST

### Auto loans, phone/web customers getting breaks

**FROM C1**  
**Car leases**

•Toyota Motor Corp. is offering extensions on car loans and leases of as much as two months, calling it a "broad outreach" to furloughed workers but also contractors and suppliers and businesses directly affected by the shutdown.

•JPMorgan is also extending payments on car loans and leases.

**Phone, web services**

•All the big U.S. carriers are pitching in with payment options, including AT&T, Sprint and T-Mobile US Inc.

Verizon Communications Inc., the largest wireless carrier in the country, told customers affected that the company is "here for you," with options to keep their services running such a "promise to pay" program that let them pay later.

•AT&T promised to adjust late fees and provide extensions as long as the shutdown is in effect.

•T-Mobile and Sprint, which are in the process of merging, also offer help in the form of payment deferrals, among other things.

On a lighter note, one company got creative and turned the shutdown into a business opportunity to give unpaid federal workers some love. Adam & Eve, a Hillsborough, N.C.-based seller of sex toys and erotica, is offering a special 50 percent discount for federal employees "just in time for Valentine's Day."

Daurat writes for Bloomberg News.

## ANIMAE • Style of cooking strays from Malarkey's usual fare

**FROM C1**  
if we would do well down there, but this is an up-and-coming neighborhood," said "Top Chef" alum Malarkey. "As soon as Manchester finishes his project, this area will rival Little Italy. In all reality, no one walks to Herb & Wood. You valet or take Uber. These are destination restaurants so we're banking that people will travel to Broadway and Pacific Highway."

Animae, which will also include an adjacent casual cafe open during the morning and afternoon hours, is Malarkey's and Puffer's most ambitious project yet.

Investors — the same ones who contributed to Herb & Wood — will help with financing the 9,300-square-foot project. There are, however, two new investors — Malarkey's mother and San Diego skateboarding phenom Tony Hawk. All the investors are also part of the yet-to-open Malarkey-Puffer venture, Herb & Sea, set to debut in Encinitas by the summer.

The Animae concept, an amalgam of Asian cuisines, strays from the sort of cooking Malarkey is known for. That's true as well of newly named executive chef and partner Joe Magnanelli, who has spent more than 12 years as executive chef with restaurateur Tracy Borkum's successful Urban Kitchen Group, which includes Cucina Urbana and Cucina Enoteca. Both concepts are known for their contemporary Italian American cuisine.

Malarkey insists that he

does have some background in Asian cooking, pointing to his long-closed Del Mar restaurant Burlap that he says featured "Asian cowboy" cuisine.

"Now this isn't going to be as whimsical and funny as that was. This will be more serious," Malarkey said of Animae. "We're calling this French Asian charcoal grill. We're taking the fundamentals of West Coast cooking, which has French roots, and playing with Asian flavors from Japan, Southeast Asia, China, the Hawaiian islands."

While acknowledging that Magnanelli's background is not in Asian cooking, Malarkey said he and Puffer were drawn to the chef because of his passion and the consistent quality coming out of the restaurant kitchens he has overseen.

Magnanelli, who is still working at the Cucina restaurants, said that as much as he's proud of what he has contributed to the dining group's success, he is ready for a new challenge.

"It's not that you get bored, but you want to try new things," said Magnanelli. "I don't want to feel stagnant or sedentary, I want to feel like I'm progressing. And I really like the idea of Asian food."

Typical of the style of high-heat cooking in some Japanese restaurants, Animae will be using a charcoal oven and grill for many of its dishes, Malarkey explained. While the menu is not set yet, it will likely include plenty of duck, whole fish, Wagyu beef and seafood crudo. Entree prices will average in the



BELLS + WHISTLES PHOTOS

**Animae's look will be elegant art deco with an Asian theme, with floor-to-ceiling windows.**



**The restaurant will be on the ground floor of the condo tower at Pacific Highway and Broadway.**

mid- to high \$30s, Puffer said.

Unlike other restaurants that Malarkey has developed, there will not be an open kitchen.

"We're going back to old school," he said. "We just want it to be more the experience of the food and the conversation, not the theater of the kitchen. It's more about the guests."

Similarly old school will be the return of "wall-to-wall" carpeting, which, along with velvet draperies and tufted velvet booths, will help silence the loud noise increasingly typical of today's dining venues, Puffer said.

The restaurant name Animae is partly a play on anime, which generally refers to Japanese-style animation known for colorful, vibrant graphics and characters.

While Puffer is a self-described anime geek and was partly inspired by that in the restaurant and cafe design, you'd be hard-pressed to see anime influences in the fine dining restaurant.

Instead, it is more elegant art deco, with its columns draped with jade green velvet and a curved, stepped-ceiling treatment above the 14-seat bar. The art deco theming is a nod, Puffer said, to 1920s-era Chinese American actress Anna

May Wong (note the phonetic similarity to Animae).

"The idea was to be a kind of place Anna May Wong would want to hang out in and have a cocktail after a performance," Puffer said.

The restaurant also includes a series of floor-to-ceiling windows that look out on Manchester's Pacific Gateway project, now under construction.

Early last year, Malarkey parted ways with the Hakkasan Group, a global hospitality firm that several years ago purchased a majority stake in the Herringbone and Searsucker restaurants that Malarkey helped develop.

He has said a number of times he doesn't want to repeat the same mistakes he made in the past in expanding too quickly.

"We learned from over-expansion in the early days from the 'fabric' restaurants and want to make sure we're locked and loaded before doing another project," said Malarkey. "These are two projects that are massive so while it's always fun to daydream, this is what we're focused on."

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## FRED

**FROM C1**  
run pretty lean, pretty efficiently."

As proof, Verdugo cited the service's much-improved rider numbers. At the beginning of 2018, the shuttle service was used by 12,500 people per month, on average. It closed the year with an average of 17,500 riders per month, marking 40 percent growth.

All told, FRED transported 194,600 riders in 2018 compared to 132,000 riders in 2017. At the same time, advertising revenue doubled from \$220,000 in 2017 to \$440,000 in 2018.

The achievements are notable given FRED's prior

reputation as an unreliable friend to downtown commuters.

FRED is part city project, part startup. It is the San Diego-specific offshoot of The Free Ride, which was started by co-founders James Mirras and Alex Esposito in 2011. The pair has planted its electric, open-air vehicles in 15 markets with varying schedules and business models. They continue to operate and update The Free Ride ride-hail apps, as well as handle marketing and advertising efforts in all of their markets. Civic, meanwhile, is responsible for running the program at the local level. And the agency helps cover the \$1.1 million annual operating costs using downtown park-

ing revenue. Civic San Diego has agreed to spend up to \$5.7 million over a five-year period on the program.

That makes glitches and supply constraints even more difficult to stomach, especially since the cost per rider comes out to a little less than \$6. For comparison, the operating expense per passenger on across MTS vehicles in 2017 was \$3.05, according to a report from the National Transit Database.

"We would like to see the service closer to \$4 per rider," Verdugo said, who added that forthcoming app updates should help reduce the city's subsidy.

One such enhancement is a pooling feature slated for release in March. The function

would allow FRED drivers to pick up multiple parties per trip in much the same way Uber and Lyft can with their carpool options. Currently, passengers who book a ride through the app have exclusive use of the vehicle from the time they're picked up to the time they're dropped off — unless their driver is hailed by a person on the street. It's an operational inefficiency that often leaves seats unfilled in the six-person cars.

The pooling feature would let The Free Ride double its business without doubling costs, Mirras said. He also believes co-founder Esposito, who handles sales, can help secure bigger, better sponsors for San Diego in the new year. But that doesn't mean the

ride-hail system will ever turn a profit, let alone break even.

"A lot of transit programs are heavily subsidized by public funds," Mirras said. "What's important here is that it's not tax dollars. I think it's a great use of funds that are available, and a great example of what those funds should be used for."

FRED operates downtown daily from 7 a.m. to 9 p.m., with hours extended through midnight on Friday and Saturday. Civic expects to add three vehicles to the fleet, for a total of 25 vehicles before the end of 2019.

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