

BUSINESS

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Sega Confirms Move to S.F. — Coup for City

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Silicon Valley stretched northward into San Francisco yesterday when three U.S. divisions of Japanese video-game giant Sega Enterprises formally announced their plans to move to the city.

The 350 current employees connected with the operations will move on January 4 from Redwood City to offices in the Townsend Center, formerly known as the Fashion Center, at 650 Townsend St. The companies expect the workforces to grow to a total 800 employees during the next several years.

"We believe the Silicon Valley environment has expanded from San Jose to north of (San Francisco)," said Bernard Stolar, president and chief operating officer for Sega of America.

San Francisco Mayor Willie Brown hailed the addition to the city's expanding lineup of high-tech firms.

Brown, who worked on luring Sega for two years, boasted of the city's attractions. He said Sega employees will be able to enjoy hip night clubs, great restaurants, a world-class symphony, ballet and opera, and a new Giants ballpark. "That won't happen in Redwood City," he bragged.

About 100 employees of Sega of America, Sega Entertainment and SegaSoft Networks cheered Brown's talk in the cavernous atrium of the Townsend Center, a six-story brick building erected in 1990. Sega

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will occupy 160,000 square feet of the building, joining fellow high-tech tenant Ziff-Davis, which occupies 140,000 square feet.

Sega, which has fallen behind Nintendo and Sony in the lucrative video-game market, laid off 30 percent of its workforce in January. But the company hopes that its forthcoming Dreamcast system will help it leapfrog its rivals.

Stolar said the new location will help the company's recruiting plans. "As we expand our company and build our next system, we're looking for the best and the brightest, and we believe those people are here in the city," he said.

Stolar said the firm never considered staying in Silicon Valley. In addition to San Francisco, he said the company had been looking at sites in Seattle and Southern California.

As part of the deal, Sega will not have

to pay payroll taxes for its first 18 months in the city. It also will enjoy a tax credit because the company will be in a district around Eighth and Townsend streets that is part of a state "enterprise zone."

Employees appeared enthusiastic about the change, though it may spur some adjustments. "I'm pretty excited, but I'm kind of worried about my commute," said Mike Calabro, 24, of San Jose, a graphic guru for the company.

On the other hand, Stolar said he and half the employees of the Sega operations currently live in San Francisco.