

Innovation Partnership Zone (IPZ) Program



2020 Biennial Report to the Legislature pursuant to RCW
43.330.270(12)

Acknowledgments

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Executive Summary

Introduction

Every two years, the Washington State Department of Commerce (Commerce) submits a report on the state's Innovation Partnership Zones (IPZs) as required by [RCW 43.330.270\(12\)](#) as follows:

(12) The department must compile a biennial report on the innovation partnership zone program by December 1st of every even-numbered year. The report must provide information for each zone on its: Objectives; funding, tax incentives, and other support obtained from public sector sources; major activities; partnerships; performance measures; and outcomes achieved since the inception of the zone or since the previous biennial report. The department must submit the report to the governor and legislature beginning December 1, 2010.

This 2020 report summarizes the performance of IPZs, individually and collectively, and makes recommendations for improving the effectiveness of the program.

Background

In 2006, Governor Gregoire's Global Competitiveness Council issued a report outlining a 10-year plan that, in part, identified investing in research and innovation as a key strategy. In 2007, the Legislature enacted HB 1091, creating innovation partnership zones. The program originally received \$5 million in capital budget funding, distributed as competitive grants. In 2009, the funding increased by an additional \$1.5 million. In 2012, dedicated state funding hit a high mark at \$13.5 million. In the same year, the Legislature also made IPZs eligible for state Community Economic Revitalization Board (CERB) funds. By 2013, the program had 18 designated IPZs.

In the 2013-15 biennium, the Legislature eliminated dedicated funding for IPZs. However, the Legislature has maintained the administrative requirements including the process of (re)designation every two years and annual reporting. Several IPZs have expressed concern about the time and expense of meeting these administrative requirements.

For this reporting period (2018-19), there are 10 IPZs as compared to 14 in the prior (2016-18) reporting period.

Program Overview

By law, an IPZ must involve three types of institutions: research, industry cluster, and training. Administration of the IPZ must be done through one of several specified local government entities. An entity wishing to become an IPZ must apply to Commerce with statutorily specified information, including evidence of anticipated private investment, job creation, innovation, and commercialization.

Every two years, Commerce is required to (re)designate IPZs. Each IPZ must submit statutorily specified data to justify (re)designation. In addition, IPZs are required to provide data for Commerce's annual report.

The 10 IPZs currently in the program are:

- Auburn - Urban Center for Innovative Partnerships (2011- City of Auburn)
- Bellevue - 5G Open Innovation Zone
- Bothell – Bothell Biomedical Device IPZ, (2007 - City of Bothell)
- Issaquah – Sports Medicine Innovation Partnership Zone, (2015 - City of Issaquah)

- Skagit Valley – Value-Added Agriculture, (2013 - Economic Development Alliance of Skagit County)
- Snohomish – Aerospace Convergence Zone, (2007 - Economic Alliance Snohomish County)
- Tri Cities – Tri Cities Research District, (2007 - Port of Benton)
- Thurston – Thurston Craft Brewing and Distilling IPZ, (2015 - Thurston County)
- Vancouver Camas – Applied Digital Technology Accelerator, (2013 - City of Vancouver)
- Wenatchee – Central Washington Data Analytics Technology IPZ

Key Findings or Highlights

Though IPZs operate independently and involve different entities, they do share some similarities. Because IPZs do not receive dedicated state funding, most are underfunded, understaffed, and operate on relatively small budgets. To maintain their operations they rely on in-kind donations, private, or federal funding or grants.

Access to funding largely determines the operating model, and in some measure, the success of Washington's IPZs. IPZs in urban areas tend to focus more on using the designation as an economic development and branding tool, as well as to form partnerships and gain media exposure. This is almost certainly the case of the new 5G Open Innovation Zone. In contrast, rural IPZs focus their efforts on planning, infrastructure, recruitment and projects where they can collaborate with other agencies, institutions and organizations at the local level.

Given the lack of steady funding, many IPZs find it difficult to fully demonstrate the effectiveness of IPZs on their targeted clusters or geographic service areas. This report includes a summary of all of the IPZs except for the Aerospace Convergence Zone in Snohomish, which did not submit data for this reporting period.

Recommendations

Reinstate state funding or eliminate state designation and reporting requirements

The lack of state funding for the IPZ program has made it difficult for individual IPZs to manage the initial designation, re-designation, and reporting processes necessary to maintain standing. Cluster development, including active collaboration with research institutions, is a proven strategy for creating new products, services, jobs, and export opportunities. The state should re-commit to dedicated funding or reduce the administrative burdens imposed on IPZs.

Reimagine the IPZ program

The COVID-19 pandemic will require rebuilding the state's economy. Economists expect recovery to be slow and uneven. The impacts across sectors, regions and demographics vary significantly. Innovation and resilience will be vital components of any sustained recovery. IPZs foster innovation through close collaboration with researchers, startups, investors, educators and workforce. The Department of Commerce continues to work on securing funding for cluster acceleration activities and to support coordinated efforts on sector development, including working with the Economic Development Administration (EDA) and by requesting funding from the Legislature. A renewed state investment in IPZs will better position our regional economies to rapidly innovate and gain access to new markets. A key component of this strategy will be to fund research and re-invigorate close working relationships with higher education facilities to create more resilient supply chains.

Individual IPZ Reports

Auburn

Urban Center for Innovative Partnerships

IPZ Mission

The objective of the Auburn Urban Center for Innovative Partnerships is to support the vital economy of the city of Auburn, our local region and the state of Washington. Encouraging the adaption of warehouse districts to mixed use, market-affordable technology clusters and facilitating collaboration among private sector employers, research partners, with workforce development, the IPZ will implement a multi-phased plan across a variety of business sectors. These collaborative clusters will realize new businesses and products, expand existing knowledge-based middle-wage jobs while creating new higher-paying employment opportunities for the citizens of the city.

Partners

- Washington State University
- Green River Collage
- Auburn School District
- Auburn Area Chamber of Commerce
- Port of Seattle
- Forrest Concepts
- Impact Bioenergy (King County Exporting Small Business of the year 2019)
- Century Link
- 3 Phase Systems

What major accomplishment or activity have you completed since 2018, that you would like to tell your legislators?

Established a business incubator within our IPZ to accelerate business growth and success and decrease the likelihood of failure. The city of Auburn leased 1,556 square feet of commercial space to house the incubator.

What funds has your IPZ received since 2018?

2019: \$122,500

2020: \$132,500

What has been your IPZ's biggest challenge since 2018?

The biggest challenge has been to develop our line of communications with our industry clusters.

Outcomes:

- Dollar amount of public investments - \$7.14 million
- Dollar amount of private investments - \$134 million
- Jobs Created - 650
- Patents Approved - 95 (2019 and first half 2020)

"The Port of Seattle is pleased to partner with the City of Auburn's IPZ on this great project that will create new ideas, partnerships and jobs here in Auburn for our region."

Former Port of Seattle Commissioner Tom Albro

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Bellevue

5G IPZ

IPZ Mission:

Build a global 5G and edge developer ecosystem backed by leading enterprise application and infrastructure partners. Establish Washington as the leading ecosystem for 5G applications targeting enterprises.

Who are your partners?

- University of Washington
- Washington State University
- City of Bellevue
- Snohomish County
- Pacific Northwest National Laboratory
- T-Mobile
- Intel
- Amdocs
- Dell
- VMware
- F5 Networks
- Microsoft

What major accomplishment or activity have you completed since 2018, that you would like to tell your legislators?

The IPZ has worked with WSU to identify testbed locations to build future 5G networks. We are pursuing a possible campus 5G network partially funded by Intel and other partners.

What funds has your IPZ received since 2018?

2019: N/A

2020: N/A

What has been your IPZ's biggest challenge since 2018?

Standing up both efforts on limited staff and funding has challenged our resources.

Outcomes:

Dollar amount of public investments - N/A

Dollar amount of private investments - \$2.6 million (for 5G Lab)

Jobs Created - N/A

Patents Approved - None at this time

"Fostering a strong developer ecosystem helps further accelerate adoption of 5G solutions by both enterprises and the telecom industry, and the lab is an effective way to make this a reality."

- Caroline Chan, Vice President, Data Platforms Group and general manager, Network Business Incubation Division at Intel

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Bothell

Biomedical Device Innovation Zone

IPZ Mission

The Bothell Innovation Partnership Zone supports the growth of Washington State's biomedical research, development and manufacturing industry.

Who are your partners?

- City of Bothell
- Lake Washington Institute of Technology
- University of Washington Bothell
- Economic Alliance Snohomish County
- Life Science Washington
- EKOS Corporation/Boston Scientific

What major accomplishment or activity have you completed since 2018, that you would like to tell your legislators?

Hosted the 12th annual Washington State Medical Device Summit (Sept. 19, 2019) and attracted 150 attendees at Lynnwood Convention Center. The afternoon event featured Dr. Josh Makower, a recognized innovator and leader in the field of medical devices.

What funds has your IPZ received since 2018?

2019: Net income from Summit - \$7,000

2020: \$500 sponsorship

What has been your IPZ's biggest challenge since 2018?

Lack of staff and funding stream to support operations and the Mercury Medical Device Incubator.

2020 Outcomes:

Dollar amount of public investments - \$0

Dollar amount of private investments - \$45,000 Summit revenue

2019 Washington State Medical Device Summit - 160 attendees

Quarterly Medical Device Executive Roundtables - 50 attendees

Boston Scientific values our association with the Biomedical Device Innovation Zone. The Summits and Roundtables are a great way for device companies of all types to network and grow.

- Lori Melkerson, Vice President of Operations, Boston Scientific

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Issaquah

Sports Medicine IPZ

IPZ Mission

Issaquah will be on the leading edge of sports medicine to provide high-quality and innovative services, which will further incentivize research and innovation.

Who are your partners?

- City of Issaquah
- Swedish Hospital
- Proliance Sports Medicine
- Virginia Mason
- Issaquah Family Chiropractic
- City MD
- Issaquah School District
- King County Workforce Center
- UW-Washington
- Bellevue College
- Issaquah Chamber of Commerce

What major accomplishment or activity have you completed since 2018, that you would like to tell your Legislators?

The Sports Medicine IPZ Committee hosted a Sports Combine at Lake Sammamish State Park that showcased sports medicine businesses and activities. The event on July 13, 2019 drew almost 1,000 people and 71 exhibitor booths to highlight the sports medicine industry cluster in Issaquah.

What funds has your IPZ received since 2018?

2019: \$110,000

2020: \$9,000* planned, resources pivoted to support broader business community

What has been your IPZ's biggest challenge since 2018?

Turnover of key stakeholders that results in reduced momentum.

Outcomes:

Dollar amount of public investments - \$110,000

Dollar amount of private investments - \$20,000

Jobs Created - Estimated 25

Patents Approved - 0

"The Sports Medicine Combine was the first event of its kind to bring providers and services together to highlight the depth of opportunity for our community to find avenues toward health and wellness. Issaquah continues to evolve and invent new ways to engage community."

Reid M. Kuether, MPT, OCS
PHENIX Physical Therapy & Personal
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Skagit Valley

Value-Added Agriculture

IPZ Mission

The Skagit Valley Value-Added Agriculture IPZ nurtures partnerships to enhance the agricultural industry, promoting innovative approaches that combine research and technology producing new jobs and a robust economy centered on the valley's rich agricultural resources and heritage.

Who are your partners?

- Local farmers and entrepreneurs
- Washington State University
- The Northwest Agriculture Business Center
- The Port of Skagit
- City of Mount Vernon
- Skagit County
- Skagit Valley College
- The Economic Development Alliance of Skagit County
- NWIRC
- Skagit Farmers Supply

What major accomplishment or activity have you completed since 2018, that you would like to tell your legislators?

The Genuine Skagit Valley program, designed to increase consumer awareness and consumption of Skagit Valley agricultural related products and services, launched in 2019.

What funds has your IPZ received since 2018?

2019: \$0

2020: \$0

What has been your IPZ's biggest challenge since 2018?

Without dedicated funding or a legal structure, it is a challenge keeping the collaborators engaged.

Outcomes: Genuine Skagit Valley

Dollar amount of public investments - \$240,000

Dollar amount of private investments - \$1 million

Jobs Created - 1 FTE direct, 9 indirect

Patents Approved - 0

“The goal of the IPZ is to commercialize WSU research with the private sector while developing a trained workforce for these enterprises. New business activity will support the viability of Skagit Valley agriculture while creating quality jobs for our residents.”

David Bauermeister, executive director of Northwest Agriculture Business Center

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Tri-Cities

Research District

IPZ Mission

The mission of the Tri-Cities Research District and its partners is to provide access to the technical, labor, and capital resources needed by technology companies to develop, commercialize, and market their products globally.

Who are your partners?

- PNN
- WSU
- Tri-Cities
- Columbia Basin College
- City of Richland
- WorkSource Development
- TRIDEC
- Energy Northwest
- Port of Benton
- City of Pasco
- Employment Security Department
- Various private company partners

What major accomplishment or activity have you completed since 2018, that you would like to tell your legislators?

- PNNL partnership with state of Washington on the new Grid Storage Launchpad
- Development, launch and deployment of FUSE Fund, local small business equity fund using EDAi6 dollars to set up
- Sale of development buildings for private renovation for lab and startup space.

What funds has your IPZ received since 2018?

2019: \$0

2020: \$0

What has been your IPZ's biggest challenge since 2018?

Funds to support marketing and building infrastructure projects

Outcomes:

Dollar amount of public investments - \$192 million

Dollar amount of private investments - \$1 million

Jobs Created - Approximately 100

Patents Approved - 106 domestic; 41 foreign

"We count on the port and the Tri-Cities Research District to help this area thrive. Housing, commercial properties, and businesses help PNNL not only attract researchers, but also keeps them happy and wanting to stay. "

David Bauermeister, executive director of Northwest Agriculture Business Center

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Thurston County

Craft Brewing, Distilling and Cider IPZ

IPZ Mission

Ensure a world-class source for craft brewed beers, ciders, and distilled spirits, made from locally grown ingredients by independent expert producers, and distributed nationally and internationally.

Who are your partners?

- City of Tumwater
- South Puget Sound Community College
- Thurston EDC's Center for Business and Innovation
- WSU School of Food Science
- Sandstone Distillery
- Fish Brewing Company
- Top Rung Brewing Company
- City of Lacey
- City of Olympia
- Pacific Mountain Workforce Development Council

What major accomplishment or activity have you completed since 2018, that you would like to tell your legislators?

The food hub is now operating and ground is broken on the SW Washington Ag Business and Innovation Park. The SPSCC Center for Craft Brewing and Distilling is fully ready to support all aspects of learning for craft brewing and distilling students. At the start of this effort, there were no craft beverage producers in Tumwater. Now, the list includes five fully operating breweries, one under construction, and another in the design phase.

What funds has your IPZ received since 2018?

2019: \$0

2020: \$0

What has been your IPZ's biggest challenge since 2018?

Sourcing of local foodstuffs will remain a high priority goal to ensure that the system incorporates locally sourced raw materials.

Outcomes:

- Launched the Agriculture Innovation and Business Park
- Created, conceived and constructed the new Craft Brewing and Distilling Center
- Created the food systems hub for delivery of foodstuffs
- Developed and launched new curriculum at SPSCC
- Dollar amount of public investments - \$20 million
- Dollar amount of private investments - \$35 million
- Jobs Created - 25
- Patents Approved - 0

"The IPZ designation has allowed us to convene the critical partners that have developed this dynamic and vibrant element of our local economy. We have grown the sector exponentially in the last several years. No singular entity could have done that -- the IPZ was the catalyst for that growth."

John Doan, City Manager, City of Tumwater

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Vancouver/Camas

Applied Digital Technology Accelerator IPZ

IPZ Mission

To grow and support tech companies located in downtown Vancouver and East Vancouver/Camas Employment Center by cultivating partnerships between private business, education, and local governments and agencies.

Who are your partners?

- City of Vancouver
- City of Camas
- Columbia River Economic Development Council
- Clark College WSU Vancouver
- Greater Portland, Inc.
- Workforce SW Washington

What major accomplishment or activity have you completed since 2018, that you would like to tell your legislators?

Hosted the 3rd Annual Downtown Tech Tour on Sept. 17, 2019. The event provided an opportunity for job seekers, tech enthusiasts and students to learn about job opportunities in Clark County's growing tech community to interact with eight local tech companies in downtown Vancouver.

What funds has your IPZ received since 2018?

2019: \$0

2020: \$0

What has been your IPZ's biggest challenge since 2018?

Lack of dedicated funding.

Outcomes:

Dollar amount of public investments - \$0

Dollar amount of private investments - Not Reported

Jobs Created - Not Reported

Patents Approved - 0

“The tech industry in Southwest Washington and Portland is expected to add another 10,000 jobs in the next five years or so. Part of the Tech Tour is to introduce them to the community.”

Julia Maglione, spokesperson for the Vancouver Tech Tour

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Wenatchee

Data Analytics Technology

IPZ Mission

Create new opportunities for innovation and partnership in data analytics technology by building relationships between public and private entities in across several industries that will result in new research and new products for global markets.

Who are your partners?

- North Central Workforce Development Council
- Van Doren Sales
- Washington State University
- Wenatchee Valley College
- Port of Douglas County
- Wenatchee Downtown Association
- Wenatchee Valley Chamber of Commerce
- Our Valley Our Future
- Port of Chelan County
- City of Wenatchee
- City of East Wenatchee
- North Central Washington Economic Development District

What major accomplishment or activity have you completed since 2018, that you would like to tell your legislators?

Sabey opened a new 135,000-square-foot data center in late 2019, and Microsoft just purchased 111 acres for a major data center campus with three buildings that will be approximately 235,000 square feet each. Both facilities will feature 100% green power. Douglas County PUD also purchased 40 acres in 2019 and began permitting and building its renewable hydrogen facility.

What funds has your IPZ received since 2018?

No direct funding given to the IPZ.

What has been your IPZ's biggest challenge since 2018?

Maintaining momentum during COVID-19

Outcomes:

Dollar amount of public investments - \$120K in 2019-2020

Dollar amount of private investments - Sabey and Microsoft have invested approximately \$3 million so far in data center development.

Jobs Created - Unmeasured due to COVID-19

Patents Approved - Unmeasured due to COVID-19

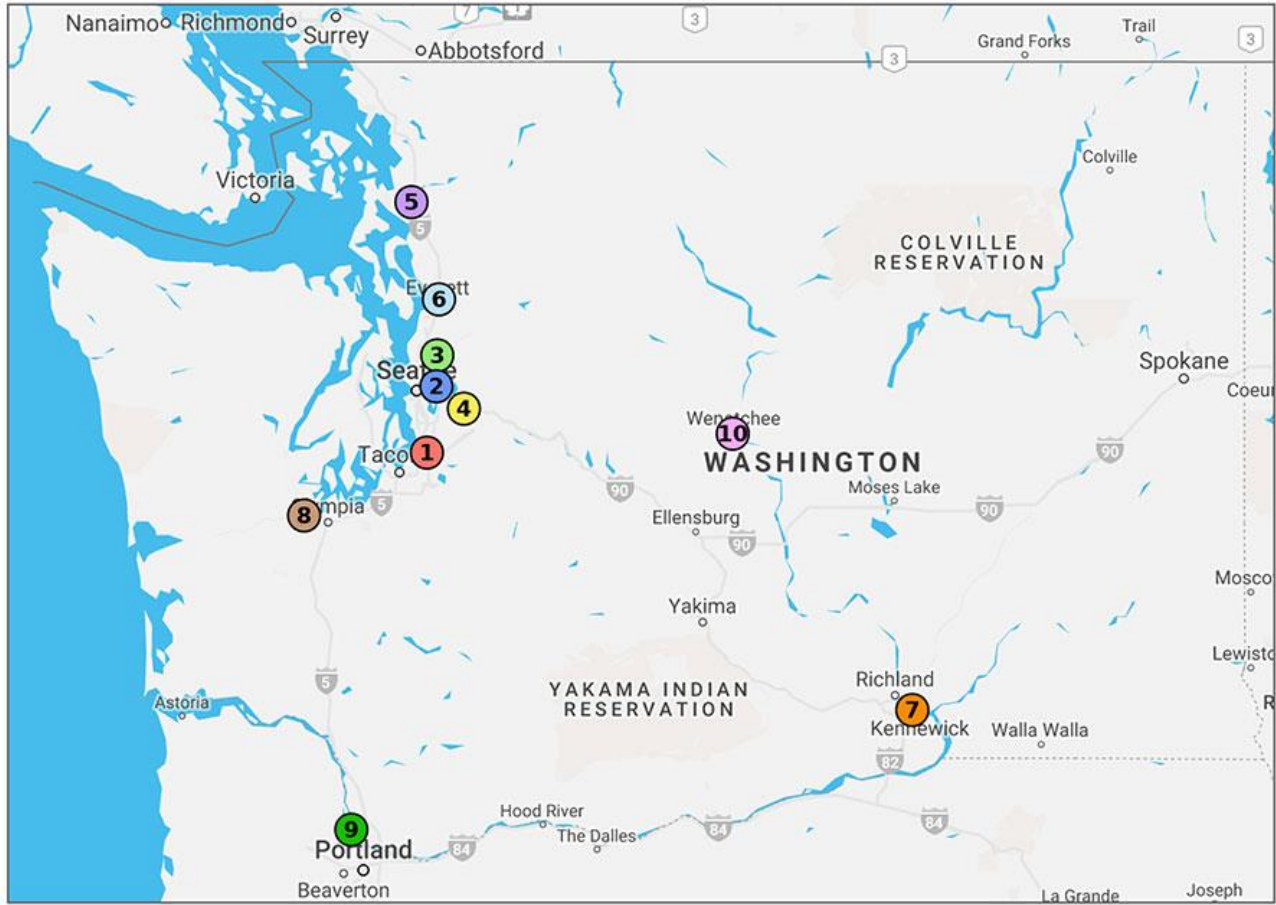
““The successes within the IPZ are due to the continued dedication of our partners. The Hydropower Research Institute, for example, has worked hard to bring on new federal partners that provide more than 40% of the nation's hydroelectric power. The Chelan County PUD now has access to data from 164 plants nationwide to help manage maintenance of equipment assets. The potential financial benefits are significant.”

- Stacy Luckensmeyer, Business and Industry Liaison, Wenatchee Valley College

Appendix A: Innovation Partnership Zone Map

WASHINGTON STATE

INNOVATION PARTNERSHIP ZONES



- | | | | | | |
|---|-----------------|--|----|------------------------|---|
| 1 | Auburn | Urban Center for Innovative Partnerships | 6 | Snohomish | Aerospace Convergence Zone |
| 2 | Bellevue | 5G Open Innovation Zone | 7 | Tri-Cities | Tri-Cities Research District |
| 3 | Bothell | Bothell Biomedical Device | 8 | Thurston | Thurston Craft Brewing & Distilling |
| 4 | Issaquah | Sports Medicine | 9 | Vancouver/Camas | Applied Digital Technology Accelerator |
| 5 | Skagit | Value-added Agriculture | 10 | Wenatchee | Central Washington Data Analysis Technology |