



Grays Harbor Innovation Partnership Zone

A FACILITY OF THE  PORT OF GRAYS HARBOR

Business Plan 2015

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Grays Harbor Innovation Partnership Zone Business Plan

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Executive Summary

Emerging Industries and Economic Opportunity

In the rural community of Grays Harbor County, Washington, economic diversification efforts have resulted in the emergence of sustainable industry clusters representing food and seafood processing, agriculture, biofuels, high-tech wood fiber processing and bio-composites. The companies in these clusters share a common purpose to develop renewable, recycled and sustainable business practices and products. They are the pioneers of today creating industry and jobs for the future, and they are the foundation of the Grays Harbor Innovation Partnership Zone.

Mission

The mission of the Grays Harbor Innovation Partnership Zone (the Zone) is to promote and enhance opportunities for research, technology transfer, and economic growth in the Zone through strong and innovative partnerships and practices.

Primary objectives are to:

- Promote active collaboration and networking among research, education, public and industry partners;
- Foster an innovation-focused, entrepreneurial business environment;
- Grow the region as a leader in the development of sustainable industries, which share core values centered on social responsibility, the environment, economy and technology;
- Encourage and facilitate industrial symbiosis – diverse industrial partners sharing services, utilities, logistical infrastructure, and by-product resources;
- Encourage and facilitate existing Zone businesses to grow and expand;
- Recruit new innovation partners with particular attention on research institutions, sustainable industry clusters and start-up companies using emerging technologies.

Planning

The Port of Grays Harbor and Greater Grays Harbor, Inc. actively and regularly participate in planning studies to help focus economic development efforts for the Grays Harbor community. Several past and current planning efforts have been instrumental in the formation of this business plan for the Grays Harbor Innovation Partnership Zone:

- Port of Grays Harbor Industrial Properties Master Plan and Update
- Port of Grays Harbor R&D Lab Feasibility Study
- Satsop Business Park Master Plan
- Satsop Business Park Strategic Plan

- Pacific Mountain Workforce Development Council Innovation Zone Planning Grant and Report
- Port of Grays Harbor Research and Development Facility Phase 1 & 2 - Feasibility Study
- Port of Grays Harbor 2013 Economic Impact Study

Organization

Administration

The Port of Grays Harbor will fulfill the lead administrator role for the Grays Harbor Innovation Partnership Zone team. Also committed to administration of the Zone is Greater Grays Harbor, Inc. (GGHI), the local Associate Development Organization. GGHI is committed to providing marketing and recruitment of research partners and sustainable industries to the IPZ. GGHI may also act as conduit to funding sources for the development of public infrastructure within the IPZ to facilitate the growth of sustainable industry within Grays Harbor. These two partners have an excellent, long-standing working relationship and will guide administrative functions according to their core strengths.

Governance

The Grays Harbor Innovation Partnership Zone will be overseen by a partnership of public, non-profit and private organizations which have an extensive and successful history of collaboration.

The following key managing partners will actively participate in strategic planning and operations within the Zone: Grays Harbor College, Renewable Energy Group (REG) Grays Harbor (previously known as Imperium Grays Harbor), Paneltech, Wishkah River Distillery, and Hesco Armor, LLC, and Pacific Mountain Workforce Development Council.

Private Partners

The Zone's four private partners, REG Grays Harbor, Paneltech, Wishkah River Distillery, and Hesco Armor, LLC, are committed to the mission of the Zone. The companies are located on Port property, successfully compete in global markets, use and are reliant upon innovative, cutting-edge technologies, and require access to on-going research and development resources for their continued success. Innovation is the key element to their business models.

Boundaries

As a rural area, Grays Harbor has unique characteristics, and therefore careful consideration has been given to the objectives and benefits of the IPZ concept in establishing a recommended boundary for the Grays Harbor Innovation Partnership Zone.

The Zone's geographic boundaries match those of the Port of Grays Harbor Foreign Trade Zone No. 173 (FTZ), sites 1 and 7 which contain strategic, large, publicly-owned industrial

business parks with developing sustainable industry clusters of innovative and globally competitive manufacturers:

- Site 1 – includes 367 acres in the main Port Industrial area owned and operated by the Port of Grays Harbor. This industrial park is located on the border of Aberdeen and Hoquiam, and includes a deep-water shipping marine terminal complex, rail and truck access.
- Site 7 – includes 440 acres at the Satsop Business Park also owned and operated by the by the Port of Grays Harbor since 2013. Satsop offers unique industrial utilities, cooling tower capacity, and large data network for its tenants.

Strategically setting the Zone (IPZ) boundaries to match those of the Port FTZ will provide the best opportunity for achieving objectives of the Zone due to the following attributes:

- Existing industrial parks and public infrastructure with room to grow at both the Satsop Business Park and Port of Grays Harbor Industrial Park;
- Unique infrastructure individually supported at each Park, but available to all Zone residents for optimal efficiency and collaboration;
- Existing innovative, entrepreneurial, globally competitive businesses with research & development activity as a core focus of their business model, located in regional clusters within the Zone;
- Existing training and research facilities within the Zone and commitment to expand such facilities to address emerging technology development and workforce training needs;
- On-going collaboration among key private industry clusters, public entities and education organizations based within the Zone boundaries;
- Existing partnerships with resident and non-resident institutional research entities in Grays Harbor Innovation Partnership Zone projects;
- Opportunity for long-term collaboration between training, research and industrial entities for innovation, including both technology and product development;
- Committed local partners to Innovation Partnership Zone operation and success.

The key element to successful rural economic development is local collaboration resulting in planned development and shared use of infrastructure, services and assets. The assets and services found in the business parks of the Zone complement one another and are equally important to the Zone's successful focus on innovation, research, training and industrial development in Grays Harbor. By concentrating the Zone within the boundaries of the Port of Grays Harbor Foreign Trade Zone No. 173, the Grays Harbor community will build on past economic diversification successes and create a new emphasis to promote innovation, research and training through active collaboration and outreach by public and private sector participants.

Facilities and Services

Coastal Innovation Zone, a Research and Development Business Incubator

In 2010, with funding support from a Washington Innovation Partnership Zone grant and a Small Business Administration grant, the Port of Grays Harbor completed Phase 1 of the Coastal Innovation Zone, a research and development business incubator located within the Grays Harbor IPZ in the Port Industrial Park. The facility included research lab space, office and warehouse space for start-up business, and room to build out additional facilities.

The original business plan for the Coastal Innovation Zone was developed to be flexible to accommodate growth and changing demand, while immediately fostering an environment for innovation, collaboration, research and commercialization. The research space may be utilized by a single proprietary use, shared use and/or project specific use. While the building did include ample common collaboration space to foster networking and collaboration by the center's residents and IPZ cluster businesses, it is now completely occupied by Zone partners, Wishkah River Distillery and Hesco Armor, LLC.

Satsop Business Park

With the Coastal Innovation Zone at capacity, Satsop Business Park provides an array of opportunities for expanding the success of the Grays Harbor Innovation Zone. The Satsop Business Park offers ready-to-occupy office and warehouse space along, as well as 600 acres of developable, mixed-use property.

Workforce Development

The Pacific Mountain Workforce Development Council (PMWDC) serves a five-county area including Grays Harbor, Pacific, Lewis, Mason and Thurston Counties. The Council is recognized for its ability to build coalitions, and for its progressive focus and projects focusing on innovation and next generation job skills and workforce training.

Market Analysis and Economic Impact

Resident Innovative Industries

In the Grays Harbor Innovation Partnership Zone, resident innovative industry clusters focus on sustainable, renewable and recycled product development. These businesses have in common a high demand for trained, highly skilled workers, as well as accessible and economical research facilities. They share like-minded social, environmental and sustainability core values. They require similar logistical and utility infrastructure to successfully compete in global markets. In addition, these businesses have found unexpected synergies by networking within the Zone and are keenly interested in collaboration. These companies are already globally competitive and involved with emerging, highly technical sustainable manufacturing.

Key Private Sector Partners

Expansion of Existing R&D Based, Next Generation Industries

In particular, two sustainable industry, globally competitive companies located in close proximity to one another on Port property have discovered a great opportunity for collaboration:

- Renewable Energy Group (REG) Grays Harbor, formerly known as Imperium Renewables, operates one of the largest biodiesel processing plants, with capacity to produce 100 million gallons per year, in the IPZ. The company produces biodiesel by using **methanol** and vegetable based feedstock. Their by-product is **glycerol**.
- Paneltech is a leader in the development and production of petroleum-free phenolic resins and strong, rigid, bio-composites made from these resins and recycled paper. It produces a green-certified bio-composite used in a wide range of construction. Paneltech is currently researching the potential use of **glycerol** in their manufacturing process.
- In addition, a by-product of Paneltech's process is **methanol** – a raw material used by REG. Paneltech is not presently recovering methanol from its processing, but a project to do so is in progress.

Besides this unique synergy, the companies also share the need for on-going research and innovation to maintain their globally competitive position and expand through technology and new product development.

Promoting the collaboration of these and similar companies is a continuing priority of the Zone.

Probability for Expanding Next Generation, Sustainable Industry Clusters

Initial studies show that increasing collaboration, networking, and the research and development capabilities within the Grays Harbor Innovation Partnership Zone will have two additional effects on the Grays Harbor economy: link urban research institutions with the rurally based R&D occurring at the public and private level in Grays Harbor; and provide business development opportunities for products developed within the IPZ.

Linking Rural R&D with Urban Research Institutions

The first is a formalized link between the urban research institutions and the rural commercially viable research and development activities. Grays Harbor College will continue to provide the conduit through which the private users of R&D facilities can access educational research resources at the State's universities and colleges. This has already been successfully demonstrated with the Satsop Business Park/Grays Harbor College partnership to manage the 1200 acre forest and wilderness area at the Park. GH College forestry staff and students, guided by studies conducted by the University of

Washington and Columbia Pacific Resource & Conservation Development Council, have developed a Forest Management Plan that incorporates best forestry practices as it relates to commercial thinning, timber management, wetland enhancement and protection and new product development.

While the Grays Harbor Innovation Partnership Zone continues to pursue opportunities to foster relationships with research Universities, our rural location continues to affect our progress. Grays Harbor College, however, continues to thrive and grow their STEM programs so much that they just constructed a \$40 million state-of-the art building dedicated to these disciplines. The GHIPZ will continue to look for opportunities to connect Grays Harbor College's programs with business's needs.

Furthermore, the GHIPZ's private partners continue to satisfy their research needs by collaborating with various research institutions throughout North America.

The Zone is intent on promoting these links which are vital to Grays Harbor IPZ research and commercialization activities.

Generating New Products and Attracting New Companies

The second economic benefit of the research and development element of the IPZ is the ability to develop new products that can spin-off to new business opportunities for the existing private partners as well as new start-up businesses.

Properties and facilities are available at both the Port Industrial Park and Satsop Business Park for larger scale commercialization, incubator resident expansion, recruitment, and Zone tenant expansion.

By linking to institutional research, providing Zone research capacity, incubator space and services, and the property for expansion, the Grays Harbor Innovation Partnership Zone is positioned to grow an innovative culture that will attract further research and business to the region.

Strategy and Implementation

Collaboration and Outreach

The public and private partners identified earlier in the business plan are committed to the following steps to promote commercialization, innovation, and collaboration within the Zone:

- Seek Washington State re-designation of Innovation Partnership Zone for the Grays Harbor IPZ.
- Engage in quarterly planning and strategy meetings to ensure Zone objectives are achieved, business plan updated, and new opportunities incorporated in the Zone's

activities. Primary focus will be techniques to promote collaboration, enhance industry clusters, and stimulate institutional research interest.

- Incorporate the incentives of operating within a federal Foreign Trade Zone for businesses locating within the IPZ.
- Communicate regularly with Zone partners and businesses to encourage collaboration, gain private sector input to improve Zone effectiveness, and identify new research requirements and opportunities. Examples of communication techniques will likely include press releases, newsletters, website updates, tenant and industry meetings or forums. This effort will focus on Zone partners, but will also incorporate linked companies based in the County but outside the Zone.
- Develop and implement recruitment program for researchers based outside of Grays Harbor to communicate activity and opportunity taking place within Zone and promote additional collaboration and links between technology development and private industry. Recruitment efforts will focus on established relationships GH College, REG Grays Harbor, Paneltech, Wishkah River Distillery and Hesco Armor, LLC have with the institutional research community.
- Develop marketing message for and incorporate Zone in all regional marketing materials, particularly as used by the Port and Greater Grays Harbor, Inc.
- Highlight the Zone on annual Grays Harbor Legislative Tour scheduled to broaden awareness of State and Federal participants including elected officials, agency staff and legislative staff.
- Implement and update communications and outreach program to promote and communicate the vision and attributes of the Zone utilizing local media and speaker forums targeting service organizations and trade or industry groups.

Project Development

- Communicate regularly with Zone partners and businesses to quickly identify and respond to evolving private sector development and research requirements. Response may include planning, financial planning and development activities. Existing business expansion will be a priority in the Zone, in addition to new business development.
- Seek both traditional and non-traditional funding partnerships for project development.

Performance Measures and Reporting

The Port of Grays Harbor, lead Zone administrator, is committed to routinely monitoring the progress of economic growth and innovation within the Zone. The Port and other Zone partners will work closely with Washington State Department of Commerce to communicate the status of Zone objectives, achievements resulting from Zone operation, and specific results from any public investment in the Zone.

Data will be collected to determine the following achievements within the Zone:

- Job Creation
- Innovation
- Private sector expansion
- New business recruitment
- Other private sector economic development, including cost savings, new product development and markets, and efficiency gains
- Networking opportunities and participation
- Commercialization Contacts and Recruitment

The results will be communicated to Commerce and used by the Zone partners to refine and adjust the Grays Harbor IPZ business plan.

Financial Requirements

Staffing

The Zone Administrator and public partners will continue to use existing staff to focus efforts on development, recruitment, data collection and performance reporting for the Zone. As Zone strategic planning and activities are launched, additional staff resources may be required. Dedicated staff is considered optimal to focus on day to day operations and achieve IPZ objectives, although new revenue resources are required to support such personnel.

Research and Development Facility Operation

The Port owns and operates the Research and Development Facility and during the first years of operation, the Port worked with tenants to manage the facility, and used lease revenues to maintain the facility. The Port continues to explore additional business models for shared space and building administration as facility use expands beyond the initial two tenants.

Conclusion

With a highly committed group of public, non-profit and private partners, the Grays Harbor Innovation Partnership Zone will actively seek to foster networking, collaboration and technology transfer opportunities between research, industry and training groups in order to promote economic expansion and growth for the betterment of the Grays Harbor community.

The Zone partners are enthusiastic about this opportunity, and appreciate Washington State's leadership to promote innovative economic development for our communities.