

## **INTERACTIVE MEDIA AND DIGITAL ARTS INNOVATION PARTNERSHIP ZONE BUSINESS PLAN**

**Mission:** To make Redmond and the Puget Sound region to be the premier place for talent for Interactive Media and Digital Arts.

### **Goals**

1. Increase the number of interactive media and digital arts businesses locating in Redmond specifically, and on the Eastside, Puget Sound and Washington State more generally.
2. Leverage the area's unique combination of opportunities and expertise: established top two international interactive media and digital arts industry businesses located in Redmond; access to high-quality, internationally renowned educational institutions; relationships with start-up business development expertise, including both more formal commercialization programs and access to local entrepreneurs; and support for identifying appropriate start-up and incubator spaces.
3. Provide a supportive business environment that is reinforced by access to a trained workforce.
4. Provide a supportive educational and research climate that fosters development of skills, both technical and business, that create a steady flow of skilled workers and innovation.
5. Provide opportunities for current and emerging entrepreneurs to connect with potential funding and venture capital through relationships in the cluster.
6. Support research and commercialization of technologies related to interactive media and digital arts.

### **Leadership/Governance**

The leadership/governance model for this IPZ is straightforward. The City of Redmond and the Economic Development Council of Seattle and King County serve as the co-leads and co-administrators for the IPZ. A steering committee composed of members from each of the partners (City of Redmond, Economic Development Council of Seattle and King County, UW Bothell, Microsoft, Lake Washington Institute of Technology and DigiPen Institute of Technology) will support the mission and goals of the IPZ and coordinate with the co-leads and administrators of the IPZ consistent with the expectations defined below. We expect that additional partners will emerge over time and that the steering committee forum would be inclusive and supportive of the value that additional partners would bring to the IPZ's mission.

### **Description of your management team and roles**

The City of Redmond and Economic Development Council of Seattle and King County will serve as co-lead and co-administrators for the Interactive Media and Digital Arts Innovative Partnership Zone. Both parties will share equally in the administration of the IPZ.

## Anticipated partner involvement and investment

As a collective partnership, the Interactive Media and Digital Arts Innovation Partnership Zone partners

### **The City of Redmond shall:**

- Serve as the IPZ co-lead and co-administrator/manager, along with Economic Development Council of Seattle & King County, to manage the IPZ's relationship with the Washington State Department of Commerce and coordinate with the IPZ Steering Committee;
- Work together with the Washington State Department of Commerce to identify opportunities to promote the IPZ to increase job growth, attract talent and increase opportunities for foreign investment in the interactive media and digital arts sectors;
- Bring industry partners together to share feedback with higher education institutions regarding skills and knowledge needed in the gaming workforce;
- Foster relationships, highlight the strengths of the IPZ and its goals, and promote the potential of the interactive media and digital arts;
- Identify and seek insights from similar interactive media and digital arts cluster development initiatives to increase our area's attractiveness and competitiveness;
- Provide focused and discrete assistance in working with local real estate brokers and property management companies to identify potential start-up and incubator spaces in Redmond;
- Develop, coordinate and provide IPZ marketing materials in collaboration with IPZ partners;
- Seek opportunities to collaborate with partners to identify internship opportunities and ways to incorporate interactive media and digital arts elements of the City's engagement initiatives;
- Support interactive media and digital arts entrepreneurship workshops in the community;
- Work to ensure a business friendly environment for interactive media businesses in the City of Redmond;
- Provide a member, leadership and support on the IPZ Steering Committee.

### **Economic Development Council of Seattle & King County shall:**

- Serve as the IPZ co-lead and co-administrator/manager, along with the City of Redmond, to manage the IPZ's relationship with the Department of Commerce and coordinate with the IPZ Steering Committee;

- Work together with the Washington State Department of Commerce to identify opportunities to promote the IPZ to increase job growth, attract talent and increase opportunities for foreign investment in the interactive media and digital arts sectors;
- Bring industry partners together to share feedback with higher education institutions regarding skills and knowledge needed in the gaming workforce;
- Identify and seek insights from similar interactive media and digital arts cluster development initiatives to increase our area's attractiveness and competitiveness;
- Provide continued access to financing education and opportunities through regional workshops and company introductions as appropriate;
- Provide industry expertise as needed for policy and tax reforms;
- Work toward creating a regional interactive media accelerator for entrepreneurs in this sector;
- Continue to work to highlight research that is currently being developed at the university level and to assist in the connection with industry; and
- Provide a member, leadership and support on the IPZ Steering Committee.

**University of Washington, Bothell shall:**

- Foster relationships, highlight the strengths of the IPZ and its goals, and promote the potential of the interactive media and digital arts industry through events/forums and research;
- Provide educational and research opportunities for the industry in the form of education programs, course work and the Center for Serious Play;
- Provide educational opportunities to prepare students to work in the industry as well as continuing education opportunities for industry employees.
- Provide a member, leadership and support on the IPZ Steering Committee

**OneRedmond shall:**

- Include and strongly support an Interactive Media and Digital Arts business cluster as part of Redmond's economic development strategy;
- Provide continued support for workforce development through WIN's Interactive Media Education Alliance

- Create and implement entrepreneurship education in the region specific to the interactive media industry;
- Work to ensure a business friendly environment for interactive media businesses in the City of Redmond; and
- Provide a member, leadership and support on the IPZ Steering Committee.

**Microsoft Corporation shall:**

- Provide a member, leadership and support on the IPZ steering committee
- Partner with local developers to bring their games to the Xbox platform and Xbox Live service through programs self-publishing programs such as ID@Xbox
- Host the annual Xbox Developer event for over 2,000 developers from across North America, in addition to other recurring community forums hosted by Xbox
- Partner with IPZ education participants where appropriate to help improve the flow of students into local developers, ensure curriculum is best aligned with local developer needs, etc.

**Lake Washington Institute of Technology shall:**

- Provide a member, leadership and support on the IPZ steering committee.
- Provide a stable source of a highly qualified workforce for the digital interactive technology field, specifically in computer science, IT applications development, multimedia and game design;
- Partner with software and game developers to ensure that relevant courses and programs continue to meet industry standards;
- Provide educational opportunities for existing industry personnel in the form of continuing education programs and courses;
- Support the regional gaming and interactive community through faculty and student involvement in events such as PAX, Power of Play and the Gaming Startup Weekend.

### **DigiPen Institute of Technology shall:**

- Provide a stable source of highly qualified manpower for the digital interactive technology field, specifically in computer science, computer engineering, interactive design, and production art;
- Provide educational opportunities for existing industry personnel in the form of continuing education programs and courses;
- Continue to offer unique K-12 programs that leverage game development and animation as a learning vehicle. These programs, offered in conjunction with Washington Office of Superintendent of Public Instruction, help find and develop the next generation of developers in this region.
- Provide a member, leadership and support on the IPZ steering committee.

### **Sustainability plan over the next four years**

To sustain the momentum of the IPZ, partners will continue to work together to ensure that the programs and initiatives implemented during the previous four years continue to evolve. Fostering and promoting interactive media and digital arts is a core part of the strategic implementation plans of both the City of Redmond and OneRedmond.

Each of the partners is committed to working together to leverage their individual strengths and the relationship as partners in the Innovation Partnership Zone over the next four years.

### **Strengths of the IPZ**

#### **- Technology**

Interactive media is the technology that is the foundation of future advancements in health sciences, education, military training, and homeland security. This is more than the intellectual property of entertainment, it has far reaching applications to other industries.

Research in new technologies continues to drive advancements and growth within the Interactive Media Cluster, particularly in the region. Applications of Interactive Media in aerospace and other software applications have been prevalent in this region for some time. For example, “new space” companies like Planetary Resources and SpaceX (both located in Redmond) recruit talent from the interactive media and digital arts industry to support their endeavors. Further, applications in medical research is a relatively new field and in which the University of Washington is a research leader in applying Interactive Media technology to medical advancements.

As shown in the Interactive Media Industry Assessment, this industry exhibits key characteristics of an industrial cluster such as driving innovation in the field and attracting talent and investment into the regional economy. This concentration of economic activity provides a deep talent pool and opportunities to cross-pollinate ideas within the industry. Indeed, anchored by Microsoft’s presence, the

concentration of computer scientists in this region is as significant as the concentration of tech companies.

Redmond is home to a wide range of interactive media and digital arts companies. Its location in the greater Puget Sound region and the plethora of talent both in the city and the surrounding area provides a strong locus of talent, innovation and jobs creation.

### **Microsoft Corporation**

Microsoft Corporation, headquartered in Redmond, is one of the world's premier technology companies. Microsoft has a significant investment in the gaming and entertainment space today with over 5,000 people working on Xbox, Xbox Live and gaming content and services for Windows and Windows Phone. Microsoft's Xbox game system is one of the top three premiere gaming platforms worldwide. Through Microsoft's work on various products, including Surface and Xbox, they create the opportunity for game developers to bring their content to hundreds of millions of consumers around the world. Further, Microsoft drives for innovations around natural user interface and deliver opportunities for growth by creating an installed base of connected consumers to Xbox Live. As a world-wide corporation, Microsoft earned \$ 69.9 billion in revenues in FY15, with \$9.7 billion derived from computing and gaming hardware.<sup>1</sup>

### **Nintendo of America**

Nintendo is a world-wide corporation specializing in gaming platforms and game development. It is among the top three premiere gaming systems worldwide, with its Wii and handheld Nintendo DS platforms. In FY 2015 Nintendo had \$9.5 billion in total net assets and recorded \$4.4 billion in world-wide sales.<sup>2</sup> Nintendo of America, Incorporated is headquartered in Redmond, WA.

### **WildTangent**

WildTangent operates a games service that allows consumers around the world to access downloadable, online and social games through one convenient Games App. Fueled by ... digital currency, WildCoins, and a proprietary ad platform, BrandBoost, the service delivers the most cost efficient way to play games. Consumers can rent games, purchase them or play for free courtesy of brand advertisers.

WildTangent also powers advertising for a growing portfolio of 3rd party game developers and publishers enabling brands to reach more than 100 million monthly players with scalable, engagement-based advertising that enhances gameplay for consumers. Partners include Digital Chocolate, Crowdstar, Playdom, Sony Online Entertainment and DreamWorks.

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<sup>1</sup> Microsoft Corporation, 2015 Annual Report

<sup>2</sup> Nintendo, Annual Report 2015, yen converted to US dollars

## Other IM and Digital Arts Companies in the Region

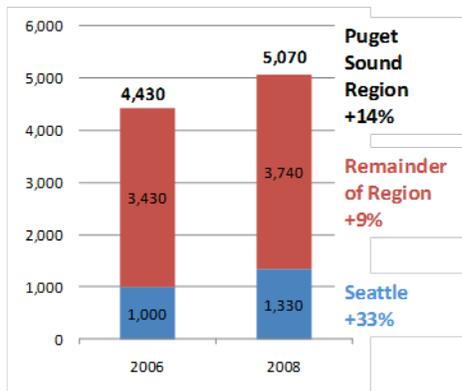
Both Valve and Bungie, located in the neighboring city of Bellevue, have become powerhouses in their own rights for the development and digital distribution of games. In addition, Amazon (Seattle) and Oculus (greater Seattle area) have emerged as significant new players with, respectively, their game distribution network and work on virtual reality devices.

### - Human capital

As shown in **Exhibit 2**, from 2006 to 2008, “jobs at approximately 70 of the established Interactive Media firms increased by 14% in the Puget Sound region. Jobs in Seattle grew 33% over this two year period.”<sup>3</sup> Of the established firms evaluated and surveyed, over 50% of the firms were hiring. Looking more closely at the specific jobs currently open, it was determined that 61% of the jobs are Programmers/Software Engineering positions; 17% are Artists and Graphic Designers, and 22% of the openings are Administrative and Project Managers.

### Exhibit 2: Jobs at Established IM Employers, Region-wide, 2006 – 2008

Source: PSRC, 2008



To reinforce our local statistics, recent studies by national interactive media organizations cite that “from 2005 to 2009, the industry's annual growth rate exceeded 10 percent. Over the same period, the entire U.S. economy grew at a rate of less than two percent. The industry also continues to grow as a source of employment. For the four-year period of 2005-09, direct employment for the industry grew at an annual rate of 8.6 percent.”<sup>4</sup>

<sup>3</sup> Community Attributes, Interactive Media Competitiveness Study (Seattle, enterpriseSeattle, 2010)

<sup>4</sup> Entertainment Software Association, Industry Facts, [www.theesa.com/facts/index.asp](http://www.theesa.com/facts/index.asp) (June 2011)

Over the last four years, the interactive media industry has continued to grow and evolve. In the Puget Sound region<sup>5</sup> overall, there are over 97,700 occupations associated with the industry, with direct employment of 17,400 workers in 2013 spanning over 330 companies.

Approximately 2360 multimedia artists are employed in the Seattle region. From the five-year period from 2008 to 2013, the Seattle MSA produced a 75% net increase in multimedia artist positions. Industry experts speak to various challenges with the artistic workforce, primarily at the nexus of creativity and technology. Technology specialties and artistic capabilities are rarely found in the same person. Artists may resist the industry's need to change tools or technological constraints on artistic expression.

The pace of change in this industry requires a coordinated and consistent effort to assess the skill needs of the industry and design educational offerings that will provide the type of employees needed to fuel rapid growth. More effective coordination among these skills providers will provide further incentive for these rapidly growing companies to locate their base of operations in Redmond, the Puget Sound Region and Washington State, where they will find a highly skilled, well trained and creative workforce.

The University of Washington Bothell offers a Bachelor program in Interactive Media Design. Lake Washington Institute of Technology offers a degree in Digital Gaming and Media. The University of Washington Seattle offers degrees in Digital Arts and Experimental Media and boasts the Center for Game Science, the Center for Digital Art and Experimental Media.

DigiPen Institute of Technology's world-renowned leadership in education and research in computer interactive technologies offers a unique opportunity to bring together researchers, students, industry leaders and the community. While headquartered in Redmond, DigiPen also has a significant international presence with campuses in Singapore and Bilbao, Spain. Building on a strong foundation rooted in academics and industry experience, DigiPen challenges their students to apply their knowledge towards the creation of real-world products for the ever-advancing demands of a technological society. Embracing teamwork and creative exploration, DigiPen's mission is to produce highly qualified leaders and originators who will instigate growth, productivity, innovation, and success in their professions and industries.

In 2015, Nerd Wallet identified Redmond as #2 in the nation as the Best Place to start a business. Further, Money Magazine has noted Redmond and its neighbors as among the "Best Places to Live" in the United States. Approximately 62% of Redmond's working age residents are employed in the tech industry.

#### - **Infrastructure**

In July 2014, an Interactive Media Industry Assessment was released by the Economic Development Council of Seattle and King County and the Washington Interactive Network. The study identified interactive media development regions in the United States. Competing regions that the greater Seattle

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<sup>5</sup> Interactive Media Industry Assessment, EDC Seattle and King County (July 2014)

area was benchmarked against includes: San Jose, San Francisco, Atlanta, Chicago, Dallas, Los Angeles, Washington D.C., Boston, Baltimore, Worcester, New York, Trenton and Boulder.

Among those areas, the Seattle area ranked fourth in jobs in the highest number of interactive media jobs per capita, and fifth with highest wages at an average of \$91,000. Each of the top four highest wage areas (San Jose, San Francisco, Washington, DC and Boston) each has a significantly higher cost of living than the Seattle region. Factors that will continue to push the Seattle region ahead of its competitors are the historic strength in wireless talent and technologies which are continuing to converge with the interactive media industry, and the lower cost of doing business for technology companies. The region's strong breadth and depth in multiple areas of game development, distribution, and the wireless sector makes it one of the most attractive and robust regions for interactive media development in the nation.

#### - **Engagement and learning**

IPZ partners have a worldwide reach. In addition to Microsoft's engagement on the worldwide stage, both DigiPen and the University of Washington Bothell have hosted international contingents that have both wanted to learn from the experiences from our IPZ, as well as share their approaches to cluster development in this and other areas of the technology sector. Additional partner efforts have included: outreach and support for new companies seeking to locate into the area; support for Washington Interactive Network workshops, conferences and focused business assistance for independent game developers to help take those businesses to the next level, active participation in industry conferences like the Game Developers Conference (GDC) held annually in San Francisco, Mobile World Conference in Barcelona, Spain and gamescom in Kologne, Germany.

#### **Long-term market growth for the technology**

Interactive media is the newest form of entertainment and education. In 2013, total Interactive media revenues are estimated to have been \$19.2 billion. Including multiplier effects, the total revenue impact of the Interactive Media and Digital Arts cluster is an estimated \$36.3 billion. As of 2010, about 72% of American households used interactive media products. Looking at the mobile sector, only 55% percent of interactive media consumers use the products on their phones or handheld device. There is still room for significant growth not only for new customer acquisition, but also for the expansion of genres to existing consumers. In addition, products can be localized for other markets around the world.

#### **Entrepreneurial climate in the proposed zone**

The region is fortunate to have an existing economic development program like WIN targeted at the interactive media cluster. However, there is a strong need to grow these efforts in order to remain competitive around the world. The existence of this IPZ helps market and brand the cluster initiatives that are a key to our success in growing this industry. This branding assists in attracting and integrating private and public partners to the cluster projects; helps create and expand relationships with education to help increase employment from our local schools; and is responsible for strategic planning, cluster development, and economic impact studies and cluster analysis.

Due to the strong entrepreneurial nature of the interactive media industry, Washington Interactive Network holds workshops to assist startups with technical and business assistance. "The Washington Interactive Network Startup series has done a great job of pooling the expertise of a variety of talented set of individuals in the Greater Seattle area to present a diverse series of discussions on the myriad of issues that confront new startups, as well as providing information relevant to companies as the grow within the community. From the nuts and bolts of financing, incorporation and taxes, thru production, sales, marketing and PR; the series delivers a consistently high level of useful, actionable insights into the Games industry in our area. In addition, the contacts, and referrals that come with participation in the program prove invaluable."<sup>6</sup>

Redmond has a supportive entrepreneurial climate. It is simultaneously home to two of the world's top three gaming platforms as well as to numerous small start-up companies. The community is relatively young, with a median age of 34.1 years and 50% of the population is between the ages of 20 and 50. Further, twenty-seven percent of the population is foreign born. These are important indicators of successful entrepreneurial engagement.

According to Michelle Hartman at American Public Media's Entrepreneurship Desk at Oregon Public Broadcasting, the age of the average successful tech company founder is 39, (Marketplace, Thursday, July 23, 2009). The significance of this age cohort is further reinforced by the WIN Interactive Media Competitiveness Study which quotes one industry leader as noting that the average game developer in my local studios is 38 years old and is now married with children.

Vivek Wadhwa, an academic, researcher, writer and entrepreneur, states that skilled immigrants are strong contributors to engineering and technology start-ups. When compared to state-wide averages, technology clusters in the greater Seattle area have 23.4 percent of immigrant-founded start-ups (compared to 11.3 percent statewide). Silicon Valley has 52.4 percent of start-ups founded by immigrants, in contrast to California's a state average of 38.8 percent.<sup>7</sup> Local entrepreneurs also offer opportunities for both established and budding entrepreneurs to meet, network, enhance both small business and entrepreneurship skills, and create vibrant synergies.

### Commercialization plan

The IPZ has significant potential to support commercial opportunities. The interactive media and digital arts industry, along with the rest of the high-tech industry, relies heavily on innovation. New ideas, concepts and strategies to deploy these innovative ideas form the foundation of new and enhanced commercial opportunities that are in turn affected by Intellectual Property rights concerns. While these

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<sup>6</sup> Jon Kimmich, CEO, Software Illuminate, Startup 101 Evaluation Survey, (Seattle, Washington: enterpriseSeattle, 2010)

<sup>7</sup> Wadhwa, Vivek, Rissing, Ben, Saxenian, AnnaLee and Gereffi, Gary, Education, Entrepreneurship and Immigration: America's New Immigrant Entrepreneurs, Part II (June 11, 2007).

choices are made independently by individual companies and entrepreneurs, the IPZ will offer a supportive forum through which the “right” connections can be made.

According to Economic Development Council of Seattle and King County, commercialization of technology is dependent on several key components. University-based technology needs to be connected tightly with industry from the beginning, and in most cases it needs to be licensed to a private company for scaling and mass market production. In this case, connection to private industry and funding sources is essential. Private-sector research needs to have the right company structure, the right mix of talent and experience, access to capital, and access to markets. The IPZ will assist companies with early stage education, industry executive referrals, and access to capital.

### Plan for measuring and reporting

One of the ways we plan to continue to closely monitor growth through economic impact studies and cluster analysis. The 2014 Interactive Media Industry Assessment provides a solid basis from which to benchmark success. The next studies will be performed as we approach the 4 year mark to gauge the momentum of the activities.

The IPZ will focus on measuring and reporting on the activities that the IPZ partners engage in collectively. These will include:

- An annual steering committee summit.
- Track the number of participants in workshops and other events that support the mission and goals of the IPZ.
- Economic impact study to track the company growth or the region
- Research and other opportunities that the IPZ partners work to support in further the collective IPZ goals.
- Estimating growth in jobs based on the employment in Interactive Media and Digital Arts firms in Redmond, as well as in the surrounding area, as data are available.