

**Grays Harbor  
Sustainable Industries  
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, an economic diversification focus has resulted in the emergence of sustainable industry clusters representing food and seafood processing, agriculture, clean energy, 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, innovative partnerships and practices.

Primary objectives are to:

- Promote active collaboration and networking among research, education, public and industry partners;
- Plan and focus public investment to expand research space and other infrastructure needed by industry to be competitive and succeed;
- Foster an innovation-focused, entrepreneurial business environment;
- Maintain region as a national 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.

### **Public Support and Commitment**

Grays Harbor's competitive advantage is enhanced by the willingness and ability of the region's public entities to regularly collaborate on planning, education and recruitment efforts. The Zone will be administered by the Port of Grays Harbor, but all of the organizations listed below will be active Zone participants by promoting networking opportunities, marketing and recruitment, and strategically focusing public investment to best serve innovation and commercialization. These entities share a common goal to promote economic development for the Grays Harbor community, and are committed to the core mission of the Grays Harbor Innovation Partnership Zone:

- Port of Grays Harbor (lead Zone Administrator)
- Satsop Business Park
- Grays Harbor College
- Grays Harbor Economic Development Council
- Grays Harbor Chamber of Commerce

Recruiting smart, capable and well-trained human capital to the Zone is critical to research and commercialization success. The following agencies are partners in and fully committed to the core mission of the Zone:

- Grays Harbor College
- Regional Education and Training Center (@ Satsop Business Park)
- Pacific Mountain Workforce Development Council

In addition, a unique feature of the Zone will be participation of additional partners active in the Zone but headquartered in neighboring counties. In particular, the Pacific Northwest Center for Excellence for Clean Energy at Centralia College Center has been a leading partner in the Regional Education and Training Center (RETC). The Center for Excellence is now leading a Department of Energy funded Smart Grid Workforce Project, of which the RETC is a primary partner representing the Zone.

### **Planning**

Port of Grays Harbor, Satsop Business Park and Grays Harbor EDC 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
- Pacific Mountain Workforce Development Council Innovation Zone Planning Grant and Report
- Port of Grays Harbor Research and Development Facility Phase 1 & 2 - Feasibility 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 are the Satsop Business Park and the Grays Harbor Economic Development Council. These three partners have excellent, long-standing working relationships and will guide administrative functions according to their core strengths. For example, the Grays Harbor EDC will provide

confidential data collection and reporting capability, critical to understanding the status and performance of the Grays Harbor IPZ in achieving its mission and objectives, and for reporting to the State Legislature.

### **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.

Administrators: Port of Grays Harbor; Satsop Business Park; and Grays Harbor Economic Development Council.

Joining the Administrators, the following key managing partners will actively participate in strategic planning and operations within the Zone: Grays Harbor College; Regional Education and Training Center; and Pacific Mountain Workforce Development Council, Imperium Renewables and Paneltech Products.

### **Private Partners**

The Zone's two private partners are committed to the mission of the Zone, Imperium Renewables and Paneltech Products. 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**

Washington State's recommendation and vision for "Innovation Partnership Zones" is designation of limited geographic areas characterized by a concentration of research and industry involvement to maximize opportunity for collaboration, networking and technology transfer or commercialization.

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.

It is recommended that 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 owned and operated by the Grays Harbor Public Development Authority with additional 1,200 acres of managed

forest lands, a Grays Harbor College research and education project. Satsop offers unique industrial utilities, cooling tower capacity, and large data network for its residents.

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 owned by Port of Grays Harbor and Grays Harbor Public Development Authority (Satsop Business 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.
- Immediate identified need to expand linkages with non-profit and institutional research entities.
- Opportunity for long-term collaboration between training, research and industrial entities for innovation, including both technology and product development.
- Foreign Trade Zone No. 173 established by Port and approved by Federal Government, allowing beneficial federal tax treatment for importers and exporters located anywhere within the Zone.
- 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

### **Regional Education Training Center and Workforce Development**

Headquartered at Satsop Business Park, 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.

As lead agency, the PMWDC joined forces with the Satsop Business Park, Grays Harbor College, Grays Harbor EDC and the Centralia College Center of Excellence for Energy Technology to develop the Regional Education Training Center (RETC) at the Satsop Business Park in 2009. The initial facility development was funded from a Department of Labor Workforce Innovation in Regional Economic Development WIRED grant.

The Mission of the RETC is to create a sustainable, nimble and innovative center of learning that creates synergies with regional education, industry, and workforce partners to drive the transformation and development of a highly trained and effective workforce in the Pacific Mountain Region and beyond. The RETC works with industry, labor, education, governmental agencies, and community partners to create new and innovative workforce development programs. In an increasingly competitive global economy workforce development is critical to economic success and the RETC seeks to contribute to our local, state, and national workforce efforts.

The RETC is committed to innovative techniques and partnerships. Current strategic efforts include participating as a subcontractor and board member for the Department of Energy Smart Grid Workforce Grant awarded to the Pacific Northwest Center of Excellence for Clean Energy. The RETC is serving as the portal for new curriculum, best practices, and awareness of the new career opportunities emerging with Smart Grid implementation for this project.

### **Coastal Innovation Zone, a Research and Development Business Incubator**

With funding support from a Washington Innovation Partnership Zone grant and a Small Business Administration grant, the Port of Grays Harbor has 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 includes research lab space, office and warehouse space for start-up business, and room to build out additional facilities. A phased build out model was selected to maximize resource utilization and match available funding partnerships.

The research space may be utilized by a single proprietary use, shared use and/or project specific use. The building includes ample common collaboration space to foster networking and collaboration by the center's residents and IPZ cluster businesses.

Incubator operating guidelines are being developed with clear expectations of tenants. Services will be provided by local banks, the Grays Harbor Small Business Development Center, Grays Harbor Economic Development Council, as well as training providers.

The business plan for the facility is flexible to accommodate growth and changing demand, while immediately fostering an environment for innovation, collaboration, research and commercialization.

Planning also includes recruitment of institutional research activity at the facility. Preliminary discussions with Grays Harbor College and the State's major universities suggested internship programs as an early phase of involvement. Imperium and Paneltech have established relationships with research institutions and benefit greatly from this collaboration. They are already active partners in the commercialization process, and some of this collaboration is expected to move to and take place at the Grays Harbor facility.

## **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:

- Imperium Renewables has located and 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 Products 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 interested in 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 Imperium.

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 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 Development 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. This program will link with the private industries around the IPZ (Paneltech, Sierra Pacific Industries, etc.) to explore new product development opportunities.

Direct collaboration by private industry Zone partners with National lab and University researchers is a growing model for rural R&D activities. The regional distribution of Washington’s PNNL facilities as well as University campuses is not a deterrent to research collaboration. Networking is essential to target research requests and projects to facilities based on their core strengths. For example, Imperium collaborates with PNNL Tri-Cities for next generation biofuel technology development, and Paneltech is working with the University of Washington School of Forestry to research reuse opportunities for by-products left from pulp manufacturing process.

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 Through Research*



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.

The Coastal Innovation Zone R&D incubator (CIZ) and facilities at Satsop Business Park provide laboratory space for technology development in the Zone. The CIZ was developed with intentional space for start-ups and small scale commercialization. Incubator services are provided by a consortium of providers including the Grays Harbor College Small Business Development Center (SBDC), Grays Harbor College, Grays Harbor Economic Development Council, local banks and law firms, and entrepreneurial mentors.

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, Imperium Renewables and Paneltech Products have with the institutional research community.

- Develop marketing message for and incorporate Zone in all regional marketing materials, particularly as used by the Port, Satsop Business Park, and Grays Harbor EDC.
- 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.
- Continue to partner with North Olympic IPZ and PNNL Maritime Research Center for development of clean energy research, systems and economy.
- Continue to partner with Pacific Northwest Center for Excellence for Clean Energy on Smart Grid research, economy and workforce development programs.

### **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 communicating 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**

In the initial years, the Zone Administrator and public partners are expected 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 will own and operate the Research and Development Facility. During the first years of operation, the Port will work with tenants to manage the facility, and Port will use lease revenues to maintain the facility once constructed. The Port is exploring additional business models for shared space and building administration as facility use expands beyond the initial two tenants. Estimated initial annual operating costs are \$10,000 per year.

## **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.