

ATTACHMENT E: INTERACTIVE MEDIA AND DIGITAL ARTS INNOVATION PARTNERSHIP ZONE BUSINESS PLAN

Mission: Foster a dynamic, entrepreneurial and supportive interactive media and digital arts business cluster in Redmond specifically, and in the Puget Sound and Washington State more broadly, to enhance Washington’s job creation, economic competitiveness and overall vibrancy and diversity and to foster innovation, research, workforce development and company growth in the region.

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 enterpriseSeattle would serve as the co-lead and co-administrators/managers for the IPZ. A steering committee composed of members from each of the partners (City of Redmond, enterpriseSeattle, UW Bothell, Microsoft, 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 enterprise Seattle 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.

For almost six years, enterpriseSeattle has put forward significant resources to develop the infrastructure of the Washington Interactive Network. The primary contact for managing this project for enterpriseSeattle will be the Washington Interactive Network (WIN) program, led by Kristina Hudson, Director of WIN. Kristina created the award-winning WIN program in 2004 and is recognized as an industry leader in the field of interactive media and economic development. She is the author of several published articles and has been interviewed by national

television. Over the last five years, she has helped to create over 2,500 jobs and over \$400 million in economic impact to our region.

Anticipated partner involvement and investment

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

City of Redmond will:

- Serve as the IPZ co-lead and co-administrator/manager, along with enterpriseSeattle, to manage the IPZ's relationship with the Department of Commerce and coordinate with the IPZ Steering Committee
- Foster relationships, highlight the strengths of the IPZ and its goals, promote the potential of the interactive media and digital arts industry through events/forums like Redmond's annual Digital Arts Festival;
- 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;
- 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

enterpriseSeattle will:

- 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
- Create and implement entrepreneurship education in the region specific to the interactive media industry;
- Provide continued support for workforce development through WIN's Interactive Media Education Alliance;
- 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;
- Provide a member, leadership and support on the IPZ Steering Committee

University of Washington, Bothell will:

- 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 a member, leadership and support on the IPZ Steering Committee

Redmond Economic Development Alliance will:

- Include and strongly support an Interactive Media and Digital Arts business cluster as part of Redmond's economic development strategy;
- 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

Microsoft Corporation will:

- Partner with Digipen, support the local Game Developer Conference, as well as events like Casual Connect;
- Host the annual Xbox Developer event for over 2,000 developers from across the US;
- Through the Studios organization, work with developers to create innovative new games and business models;
- Through Microsoft's dedicated team, partner with developers that Microsoft can't work with directly to bring their games to the Xbox platform and Xbox Live service; and
- Provide a member, leadership and support on the IPZ steering committee.

Digipen Institute of Technology will:

- Continue to 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

In order to sustain the momentum of this IPZ, a long-term strategic plan will be developed to ensure that the programs and initiatives have longevity. For several years, enterpriseSeattle has had a broad and deep commitment to the interactive media industry. Steps will be taken to ensure strong partnerships with industry, education, government, and non-profit organizations.

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 this region. Applications of Interactive Media in aerospace and other software applications have been prevalent in this region for some time. The application in medical research is a relatively new field and the University of Washington is a research leader in applying Interactive Media technology to medical advancements.

As shown in enterpriseSeattle's 2007 Interactive Media Economic Impact Study, 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. Companies like Microsoft Corporation, Nintendo of America, and AT&T Wireless provide a strong and enduring hi-tech presence in the community. Similarly, smaller interactive companies like Wild Tangent and Digital Double have located in Redmond.

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 – Windows, Windows Phone 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 FY11, with \$8.9 billion derived from entertainment and devices.¹

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 2011 Nintendo had \$15.4 billion in total net assets and recorded \$12.2 billion in world-wide sales.² 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.

Digital Double

Digital Double is a small company comprised of animators, motion capture technicians, programmers, and artists of all backgrounds. Its clientele includes Disney, Microsoft, MSN, Nickelodeon, T-Mobile and Vulcan.

- Human capital

Over the last five years, the interactive media industry has continued to grow despite the challenging national economy. 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.”³ 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.

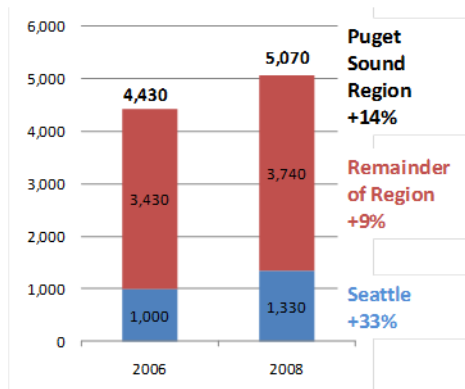
Exhibit 2: Jobs at Established IM Employers, Region-wide, 2006 – 2008

¹ Microsoft Corporation, Investor Relations presentation, Fourth Quarter 2011 FY Results, July 21, 2011.

² Nintendo, Annual Report 2011

³ Community Attributes, Interactive Media Competitiveness Study (Seattle, enterpriseSeattle, 2010) 6

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.”⁴

Approximately 1,350 multimedia artists are employed in the Seattle Region, the fourth most of any region in the nation in 2008. From the two-year period from 2006 to 2008, the Seattle MSA produced a 25% 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.

A trained workforce is one of six industry-selected competitiveness indicators measured in the January 2010 Interactive Media Competitiveness study conducted by the Washington Interactive Network/enterpriseSeattle. The comparison criteria also included educational opportunities, cost of living, and costs of doing business. Washington is ranked number 1 in the nation for employing engineers and number 6 for employing software engineers, but ranked 38th in producing enough undergraduate engineering students to meet demand and 42nd in graduate degree production in these fields.⁵ Industry executives attest that even with the exceptional talent in the Puget Sound area, recruiting employees is one of their biggest challenges because demand far outstrips the supply offered by the local population. We have a strong local talent pool, we just don't have enough of them.

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.

This fall the UW Bothell, through the Center for Serious Play, will offer a certificate program in “Game Design and Interactive Entertainment” and hopes to offer a new undergraduate major “Interactive Media Design”. Lake Washington Technical College has recently conducted a comprehensive curriculum review of their Associate of

⁴ Entertainment Software Association, Industry Facts, www.theesa.com/facts/index.asp (June 2011)

Applied Science degree program “Multimedia Design and Production, Digital Gaming and Media” which should also be ready to for fall 2011. The University of Washington Seattle boasts the Center for Game Science, the Center for Digital Art and Experimental Media, and offers a Master of Communication in Digital 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. 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 2009, Redmond was voted among the top 50 “Best Places to Raise Your Kids” nationally by Bloomberg Businessweek. Further, Money magazine has noted Redmond and its neighbors among the Best Places to Live. Approximately 62% of Redmond’s working age residents are employed in the tech industry.

- **Infrastructure**

In January of 2010, an Interactive Media Competitiveness Study was released by enterpriseSeattle. The goal of this study was to determine what regions were the top interactive media development regions in the United States, and which one, if any, was the dominant leader. The twelve competing regions analyzed include: Seattle, Atlanta, Austin, Boston, Chicago, Dallas, Los Angeles, Minneapolis, New York, Salt Lake City, San Francisco, San Jose.

Three cities rank in the top tier of the world’s leading regions in Interactive Media: Seattle, San Francisco, and San Jose. Of these top tier regions, this study finds the Seattle area the most competitive in the United States and the world for growth in the Interactive Media sector.⁶ These findings are based on industry-selected indicators of competitiveness: Number of firms, Computer and engineering talent, Multimedia and animation talent, Educational institutions, Cost of living, and Cost of Business.

It was found that the Seattle region ranks among the top tier regions in the nation in overall competitiveness in the Interactive Media sector, along with the Bay Area and Los Angeles, and international leaders such as Vancouver, Tokyo and Seoul. 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.

Long-term market growth for the technology

In the last two months, four of our local companies have been acquired by major publishers. One of which is Seattle-based PopCap Games which was sold to EA for \$1.3 Billion dollars. This is an indicator of our region’s strength and record of success in technology and content not only today, but also for tomorrow.

⁵ (US Department of Commerce 2004 State Science & Technology Indicators)

⁶ Community Attributes, Interactive Media Competitiveness Study (Seattle, enterpriseSeattle, 2010) 26

Interactive media is the newest form of entertainment and education. In 2010, consumers spent \$25.1 billion on interactive media content, hardware and accessories. To date, about 72% of American households use 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.

“While the world-wide economy has been hit hard in several industries in 2009 and 2010, the video game market still was able to record its best month ever in December 2009 with \$5.53 billion in sales in the US alone. Revenue from video games has now exceeded the movie industry by a solid amount for the past several years. Competition for market share is cutthroat and the consumer demands ever more complexity and lifelike graphics and animation.”⁷

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 creation of an IPZ will help market and brand the cluster initiatives that will be the key to our success in growing this industry. This branding will assist in attracting and integrating private and public partners to the cluster projects; will help create and expand relationships with education to help increase employment from our local schools; and will be responsible for strategic planning, cluster development, and economic impact studies and cluster analysis.

Due to the strong entrepreneurial nature of the interactive media industry, enterpriseSeattle created workshops to assist startups with technical and business assistance. In 2008, enterpriseSeattle began a Startup101 workshop series specifically targeted for the interactive media industry due to the unique business model of the sector. In the first two years, there were over 200 companies participating in the workshops. In 2011, all workshops to date have been filled to capacity with a 60 person audience. Evaluations and surveys are conducted after each workshop series and we have received top marks from almost every participant. “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.”⁸

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.

⁷ A Digital Dreamer, blog, <http://www.adigitaldreamer.com/articles/video-game-industry.htm>

⁸ Jon Kimmich, CEO, Software Illuminate, Startup 101 Evaluation Survey, (Seattle, Washington: enterpriseSeattle, 2010)

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.⁹ 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 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 enterpriseSeattle, 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.

⁹ Wadhwa, Vivek, Rissing, Ben, Saxenian, AnnaLee and Gereffi, Gary, Education, Entrepreneurship and Immigration: America's New Immigrant Entrepreneurs, Part II (June 11, 2007).

Plan for measuring and reporting

Tracking successes and industry growth is key to evaluating any new cluster initiative and has been a model that enterpriseSeattle has been using since 2006. One of the ways we plan to continue to closely monitor growth through economic impact studies and cluster analysis. The first study will be conducted immediately to give us a solid baseline of which to benchmark success. The next studies will be performed as we approach the 4 year mark to gauge the momentum of the activities.

Initially, the IPZ will focus on measuring and reporting on the activities that the IPZ partners engage in collectively. This 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.