

# What could get in the way of technology's growth?What could get in the way of tech growth? - Wescom

Local tech's challenges

## What could get in the way of technology's growth?What could get in the way of tech growth?

With software startups and data centers and more, the High Desert's tech sector grew when others struggled

**By: Joseph Ditzler , The Bulletin**

When the roll-up doors on the Old Cigar building on NW Harriman Street in Bend get raised, sunshine floods the employees inside, sprawled like lazy cats on mismatched sofas and chairs.

But the mostly young software developers are not napping. They're focused squarely on laptops, working on the programs that power Manzama, an online service that searches, filters and delivers news to the desktops of lawyers and an expanding circle of other professionals in financial services and at pharmaceutical makers. The company that started in Bend in 2010 with two men is now 35 employees, half of them outside Bend, including Australia and the United Kingdom.

"As far as our decision to locate here in Bend, I think it's been a great decision," said Mark Hinkle, chief operating officer and co-founder of Manzama with CEO Peter Ozolin. "We've had very high retention. Especially if you know what's happening down in Silicon Valley or Seattle, that companies are really struggling, their people are constantly running after the next shiny object, you know, options and the promise of a big payday. We haven't had to worry about that as much."

Businesses in high technology kept the flame of economic life in Central Oregon burning during the Great Recession — but the recovery presents its own challenges.

The ability to attract talented software developers, a tight housing market, a location considered by some to be off the beaten track: Voices in the tech sector agreed these and other concerns are on their minds as the industry here matures. While Central Oregon has a trump card, a lifestyle that attracts prospective businesses and the talent they need, it needs to develop its own talent.

"It's definitely isolated here. In fact, I had somebody tell me, if you're serious about starting a business, you start it in Portland," said Brian Vierra, venture catalyst for Economic Development for Central Oregon. "And that's from an angel investor, but I think that's changing. You can start a business here, and it can be successful, and there are actually benefits to being here."

Funding is one benefit. In 2014, the Bend Venture Conference, the largest investment mechanism of its type in the Pacific Northwest, put more than \$1 million into startups.

That's a far cry from the first Bend Venture Conference, held in 2004, when no money was awarded. The annual event did not start awarding cash investments until 2006, when the winner got \$100,000.

About a half-dozen companies benefited from the \$1 million in investments last year. About \$400,000 of that came from the Cascade Angels Fund, which plans on investing again this year. Seven Peaks Ventures, like Cascade Angels a Bend-based fund, raised \$7 million to invest over three years, Vierra said.

"And then there's the Oregon Angel Fund, which has grown in just seven or eight years from under \$1 million to over \$8 million, and they deploy every year," he said. "You go three or four years back, you didn't have Cascade Angels, you didn't have Seven Peaks and Oregon Angel Fund was half the size it was. So things are moving quickly in that space, and the one area where we probably need more is venture capital."

Once established, firms like Manzama and Five Talent, a build-to-suit software company in the 1001 Tech Center at 1001 SW Emkay Drive, require fresh talent to grow. Bend has a small pool from which to draw and most firms refrain from cannibalizing one another, said Hinkle and others. So Central Oregon competes for new hires with firms in Silicon Valley, San Francisco, Portland and Seattle.

"The next challenge is, you know, salary expectations; a kid out of school ridiculously being offered \$150,000 and definitely north of \$100,000, when their skill set in any other market would say, hey, you're a \$70,000 person," said Preston Callicott, Five Talent CEO. "Well, the price point of these people is climbing because of supply and demand."

The Central Oregon lifestyle provides some compensation. But not every coder is a rock climber or snowboarder, so the lure has limited appeal. And once they arrive here, new hires are finding housing an issue, tech business leaders said. Rental vacancies are as rare as unicorns, and the median sales price of a home in Bend has risen from \$166,000 in November 2011 to \$325,000 in May.

"It's a huge problem," Hinkle said. "People have always found a way to make it work. It hasn't always been the best scenario."

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Biotech Opportunity and challenge here, too

Within the region's broader technology landscape lies a small but growing bioscience technology sector.

By some estimates, Bend has about 700 bioscience-related jobs, and Bend Research, a division of Capsugel, employs more than a third of them. Founded in 1973, Bend Research is the region's pioneering pharmaceutical research company. Over the years, its employees have started more than a dozen bioscience or related businesses, such as Suterra, Agere Pharmaceuticals, VR Analytical and others.

John Audette is the co-founder and CEO of Amplion Inc., a startup software company that sells drug-development researchers access to its biomarker database, biological molecules that are currently being used and tested. Amplion won the launch-stage competition at the 2014 Bend Venture Conference, along with an additional investment.

With core companies like Bend Research and other successful biotech companies in the area, Audette is optimistic about the role biotech will play in Central Oregon's economic future. That being said, Audette expects growth to be slow and steady rather than fast and furious. The region's lack of a major research center or research hospital is a big obstacle; "It's a challenge," he said. "Communities with a thriving biotech industry usually have a major research hospital."

It's a major barrier but one that can be overcome by leveraging other trends in the biotech industry, including outsourcing lab work and focusing more on biotech software startups.

The region has a group, the Bend Bioscience Consortium, that seeks to grow biotech businesses in the High Desert.

One idea discussed has been establishing a bioscience business incubator at OSU-Cascades, according to the Oregon Bioscience Association. Audette's in favor. "A four-year university "can't do anything but help an industry that requires educated workers, especially with the software side," he said. "The computer science part of the curriculum could be a boon to businesses already here or wanting to relocate."

— Jasmine Rockow, for The Bulletin

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