Response to   
Oregon Innovation Council   
Request for Proposal for   
Key Industry Innovation Initiatives

Presented by

Oregon Film Portland Incubator Experiment (PIE)

Vince Porter, Executive Director Rick Turoczy, General Manager

[VincePorter@OregonFilm.org](mailto:VincePorter@OregonFilm.org) [rick@piepdx.com](mailto:rick@piepdx.com)

503.229.5832 503.616.3767

Introduction

The Portland Incubator Experiment (PIE) and the Oregon Governor's Office of Film & Television (Oregon Film) are pleased to have the opportunity to collaborate on this response to the Oregon Innovation Council’s (Oregon InC) Request For Proposals for new/existing initiatives to enhance the innovation capacity of Key Industries in Oregon.

We are providing this joint response to propose a means of fostering and accelerating the growth of startups within the High Technology cluster in Oregon, specifically the artists, engineers, and developers who focus on digital storytelling, transmedia, multimedia, video games, and special effects within the film and television industry, as well as the tangential technologies that target those markets.

Our proposal is based on learnings from nearly three years of developing, managing, and innovating around a startup incubator and accelerator program, as well as experience gained from collaboration among PIE, Oregon Film, and private industry.

Oregon Film and PIE are responding to the State’s RFP because it is our opinion that -- with our existing relationships, our experience with private industry partnerships, and our expertise in developing a mentor-rich learning environment -- PIE presents a model that can be efficiently replicated to support the needs of the creative industry on which Oregon Film focuses, expanding its impact on the High Tech cluster in Oregon.

And that opinion is bolstered by the feedback from potential industry partners, like Wieden+Kennedy, Oregon State University Open Source Lab, Oregon Media Production Association, the Portland Development Commission, the Software Association of Oregon, and Intel Corporation.

*“Wieden+Kennedy has been a proud member and supporter of Oregon's creative industry. It enhances our ability to deliver world-class communications that inspire and enable. But revolution is at hand: technology is radically changing the stories we can tell -- and build. PIE enabled W+K to engage and support the new creative class represented by Oregon's high-tech community, and we're excited to leverage that experience to turbocharge the entrepreneurial efforts of folks hungry to build the stories of the future. This proposal is an opportunity for Oregon to continue to push the envelope and set new creative standards for storytelling, next-generation story-building -- and whatever comes next.”*

- Renny Gleeson, Global Director of Interactive Strategy, Wieden+Kennedy

*"Oregon State University Open Source Lab has established itself as the premiere hosting facility for open-source projects in the United States. From Mozilla (Firefox) to Facebook, we have seen the benefits of leveraging Oregon's wealth of technical knowledge to create more jobs and revenue for the state. We stand by the ready to support PIE and Oregon Film in their pursuit to create this same kind of footprint for the Oregon creative community. And we look forward to lending our expertise, knowledge, and infrastructure to supporting this effort. This provides another opportunity for OSU OSL to fill the current technology gap by giving our students industry experience providing open-source cloud hosting services."*

- Curt Pederson, Open Source Lab Director, OSU Open Source Lab

*"PDC has enjoyed separate collaborations with both Oregon Film and PIE, and we’ve admired the significant impact each organization has had on its respective creative community, not just in Portland but in Oregon as a whole. PDC looks forward to supporting the new partnership they propose and its potential to help Oregon’s digital creative community create more high-wage jobs in our high-tech cluster."*

- Patrick Quinton, Executive Director, Portland Development Commission (PDC)

*"Oregon is home to a number of leading technology companies in areas such as mobile, social media, video, and open source web that are disrupting the ways in which digital content is delivered and consumed. But innovation in technology is only one half of the equation. Oregon is also home to leading advertising, design, and digital media companies that are constantly creating new ways to entertain and engage consumers of content. An accelerator program focused on content creators would have a tremendous impact as we seek to further identify and support opportunities for collaboration between Oregon’s technology and creative industries."*

- Skip Newberry, President, Software Association of Oregon

*"Oregon Media Production Association (OMPA) supports the development of an Oregon digital media incubator to develop content for the contemporary global information pipeline. Drawing on the success of such programs nationally, and developing on successful business incubator models locally, an Oregon initiative to cultivate story tellers who are versed in the platforms and practices of current and emerging modes of distribution will benefit our effort to employ more skilled labor in creative jobs for the 21st century. OMPA will continue to work with the Oregon Governor's Office of Film and Television to promote this program and others to grow jobs in Oregon as we have successfully done for over a decade."*

- Tom McFadden, Executive Director, Oregon Media Production Association

*“At Intel, we are excited about helping to create the potential for the 'next generation' media industry in Oregon. Since Intel’s first investments in Oregon in 1974, the Company has been growing the number of family-wage jobs while maintaining our presence as a worldwide proponent of innovation and diversification in the high tech Industry. We are often referred to as the anchor tenant in the region’s traditional high tech economy, and we are partnering with organizations like PIE to drive a truly innovative digital media cluster. When we are successful, we will enhance family-wage jobs today and fuel tomorrow’s technologies and creative possibilities.”*

- Jill Eiland, Northwest Region Corporate Affairs Manager, Intel Corporation

Background

Oregon has seen dramatic growth in the local film and video industry. The total amount of film, television, and television advertising production in 2011 was greater than $130 million, more than doubling the previous record in 2009. This success has largely been due to the state film incentives offered to lure traditional media companies to come to Oregon. This has resulted in an increase in high wage jobs for Oregonians, significant impact in the Oregon small business community, and development of a deeper film and video infrastructure in Oregon.

Less publicized is the recent development of Oregon's "next generation" media industry. Over the last three years, there has been consistent growth in Oregon's animation, visual effects, motion graphics, and digital media industries. More and more companies are moving to Oregon, as the barrier to compete with larger firms in larger film markets becomes less of an issue. The increase in work is driving a greater demand for locally available talent to fill the available jobs. As the film and video industry continues to adapt advanced technologies for to innovate new forms of digital media, this demand will only increase.

Oregon Film, the Governor's Office of Film & Television, has been helping productions find, secure, and utilize Oregon's magnificent locations since 1968. Its mission is to promote the development of the film, video, and multimedia industry in Oregon and to enhance the industry’s revenues, profile, and reputation within Oregon and among the industry internationally.

Thanks to the efforts of Oregon Film, Oregon’s in-state film and video industry has been growing steadily and out-of-state dollars are spread throughout the business communities in filming locations including hotels, restaurants, lumber yards, hardware stores, office supplies, antique stores, retail shops, and wages to Oregonians.

PIE began as a collaborative experiment between award-winning, global advertising firm Wieden+Kennedy and the Portland high-tech startup community. Now, PIE has evolved into an intensive three-month mentorship program designed to identify, recruit, capitalize, accelerate, and promote early stage high-tech startups which are highly efficient with investment capital, establish corporate headquarters in Oregon, create high paying jobs for Oregonians, and raise the visibility of the state on an international stage.

The PIE model has been tested, refined, and proven over a three-year period. During that time, the program has fostered the growth of companies that have attracted more than $50 million in venture capital and created more than 150 Oregon jobs with wages averaging nearly double the baseline of the average Oregon family wage of $40,486. In addition, PIE has had the opportunity to work with corporations like Intel, Target, Coca-Cola, and Google raising the visibility of both the State of Oregon and its innovative technology community to international acclaim.

Like the startups the program serves, PIE is extremely efficient with capital. All activity to date has been accomplished with minimal capital investment. This is thanks in part to the creative efforts of the PIE team to leverage volunteer resources, actively seek and secure in-kind contributions, and create and manage additional revenue-generating programs beyond its incubation activities.

PIE and Oregon Film see the potential for this model to do much more. We are currently exploring opportunities within the field of digital storytelling, multi-platform video games, and special effects for film and television.

Problem

Much like the high-tech industry of the last century, today’s leading-edge creative class at the frontlines of digital storytelling, video game, and film and television industries are hamstrung by highly proprietary development environments. Startup companies spend significant amounts of capital on intensive high-tech infrastructure to meet a bare minimum qualitative standard to garner competitive contracts and complete work. Further, those investments don't scale. Each new organization must spend time and effort “recreating the wheel” to bring their technology infrastructure and intellectual assets in-line with state-of-the-art consumer and industry expectations.

Standard infrastructure requirements begin with expensive investments such as ultra-high-speed Internet connectivity, robust multiprocessor computing devices, and massive storage facilities -- and go on from there. These aren't "nice-to-haves." These are basic needs for creative entrepreneurs to establish a footprint within this highly competitive industry. What’s more, these hardware, software, and connectivity needs are common across the industry. Every new company must invest in similar infrastructure.

Since it is often prohibitively expensive to underwrite or support on a one-off basis, would-be entrepreneurs are forced to choose between "less-bad" options:

1. remain tied to larger organizations with the resources and scale to purchase and continuously upgrade this technology, or
2. find means of creatively financing these efforts in ways that may not scale well and that may not always make the best long-term business sense for their operations.

With these limiting factors, the market stagnates, fewer jobs are created overall, and -- worst of all -- Oregon creative talent is forced to leave the state in order to find the professional environment that they require to successfully perform their creative endeavors and fulfill their creative vision.

Of particular concern, states like Washington and California are pouring funding and resources into efforts to actively recruit this creative class -- often from within Oregon. We believe there is an urgent and critical need to establish a viable alternative. Without immediate and thoughtful action, Oregon could lose its opportunity to establish a strong presence in this market and fall into the much maligned “flyover state” status between Washington and California, a moniker it continues to spend a significant amount of time, effort, and capital to eliminate in the high-tech, Web, and mobile startup world.

Solution

Oregon has the opportunity to take a leadership position in the creative application of technological innovation driving the motion picture industry, an industry that boasts the highest level of employment, the highest concentration of employment, and is the top paying industry for creatively driven occupation with an average annual salary within the industry of $83,250 (May 2011 Data from the Bureau of Labor Statistics). [Multimedia Artists and Animators." U.S. Bureau of Labor Statistics. U.S. Bureau of Labor Statistics, 27 Mar. 2012. Web. 20 June 2012. <http://www.bls.gov/oes/current/oes271014.htm>]

The entertainment industry, as a whole, has always advanced the combination of new technology and the abilities of creative visionaries to apply that technology in new and interesting ways. We propose lowering the "barrier to entry" for that technology so that more creatives have access to the tools required to express themselves and their visions -- here, in Oregon. We believe this effort will not only facilitate that creativity -- creating more high wage jobs in Oregon -- but that it will serve as the bedrock on which to build a strong and defensible position for Oregon in the entertainment industry for generations to come.

PIE and Oregon Film propose to form a base of operations for creative industry professionals that features state-of-the-art technology, bolstered by a network of mentors, advisors, and investors with the expertise that affords these creative startups an exponentially greater chance of succeeding. In other words, we propose to create a new accelerator entity by augmenting the already successful PIE model with the technical and physical infrastructure required to support this "next generation" creative class, all while leveraging a rich collaborative and collegial network of Oregon startups and global corporations.

We propose a two-year incubation cycle through PIE, featuring two distinct "classes" of participants with eight (8) companies participating in each class for a total of 16 companies. In addition to PIE curriculum, mentoring, and seed funding, participation includes access to office space, equipment, and creative infrastructure, as well as technologies that improve the innovation capacity of an the film and television, video game, and digital storytelling industries. This will enable Oregon's undercapitalized creatives to compete on the national and global stage. In addition, it establishes an infrastructure that can be leveraged by other entities in the state, which both supports the ongoing development and success of the industry, and provides a clear path to self-funding through project-based and rental- or lease-based revenue.

We propose to increase the number of companies Oregon can incubate by using shared resources to make the technology accessible to more companies. This both mitigates risk and increases the opportunity for cross-startup collaboration.

This program is about experimentation built on a foundation of experience. It is about a more efficient use of capital than currently exists. It is about the sharing of common resources to the benefit of all, rather than recreating the wheel each and every time. It is about explicitly breaking the proprietary and economic wall around the creative development process, enabling more people to enter the creative scene. We believe there has never been a better time to be a creative entrepreneur, and there has never been a better time to be a creative entrepreneur in Oregon.

This program will enable us to attract a level of talent with the skills to use this advanced technology, but who lack the capital to establish going concerns, enabling these knowledge workers to remain in Oregon as they create groundbreaking and innovative new ways of entertaining the world. They would be transferring that knowledge to their peers in a collaborative environment, as well as creating significant business opportunities for themselves.

New York, California, and Washington are already approaching Oregon companies to participate in these kinds of efforts out of state. Intel, for example, is working with University of Southern California (USC) as they create their new world-building lab; a cross-disciplinary effort driven by the film school to create a center of academic and practical expertise in the emerging possibilities of digital media. Working to extend the PIE model to digital storytelling/storybuilding is both an offensive and defensive move to ensure Oregon's role in that growth -- and a clear and timely opportunity to take the lead in this burgeoning industry.

Simply put, we refuse to accept “flyover state” status in another cluster.

PIE, Oregon Film, and our industry partners already plan to engage in this activity. We propose inviting the State of Oregon to help accelerate the activity. This will enable the State to use funding for strategic investment with Oregon companies, rather than "shotgun" investment hoping to attract companies to Oregon. What’s more, it will help mitigate investment risk by spreading smaller investments over a broad portfolio of potentially hundreds of projects rather than risking massive investment in a singular proprietary effort.

Immediate Effect

*“My experience with the Intel / OMPA Media Scholarship in 2011 has opened my eyes to the great possibilities within digital media and have already started working for the future. Intel partnered with me to file a US patent application based on my scholarship project, and has hired me as a contractor to support their ongoing research in the future of digital media. The PIE Digital Media proposal would allow me--and students focused on digital arts and technology--to actively pursue opportunities that would enable us to build long-term careers in Oregon; something that means so much to me.”*

- Jotham Porzio, graduate of the Southern Oregon University, Media Communications and Digital Art

*“For the last two year, Intel Labs, the Governor's Office of Film & Television, PIE, and Wieden+Kennedy have been working together to encourage exploration and development in digital storytelling. Our first collaboration* *resulted in scholarships for eight Oregon media arts students, from three Oregon schools. Most recently, we brought together digital media experts from Oregon and beyond to Hack the Future of Media, in a daylong storyboarding session focused on developing new interactive possibilities in professional entertainment.*

*“In Intel Labs we are continually pushing the boundaries of the possible. Working with the core team of Oregon Film, PIE, and W+K we are building the capability of converting our research insights and technical path finding into family wage jobs, and contributing to the growth and diversification of the vibrant entertainment industry in Oregon.”*

- Tawny Schlieski, Research Scientist, Intel Labs

For additional insights into the pilot project entitled "Narrative Hack"--a joint effort among PIE, Oregon Film, Wieden+Kennedy, and Intel, please view this video: https://vimeo.com/44539955

Long-term benefits

The long-term benefits of this type of community-based collaboration and acceleration extend far beyond the companies selected to participate in the program. For example, in just three years, PIE has influenced 700+ companies, including PIE participants, applicants, sponsors and mentors. This ever-growing and ongoing network of people associated with PIE have created a business- and startup-friendly community and have brought new attention to Oregon as a place to build business.

By adding hardware, infrastructure, and public-private collaboration, the PIE and Oregon Film program will enable the State to use incentive funds in more meaningful, creative, and prescriptive ways, supporting a series of companies for the cost of the infrastructure for a single company. What’s more, it will open up a variety of revenue streams that will enable the organization to easily cut its immediate “burn rate” and self-fund its growth beyond the two-year State funding.

The program has potential revenue streams through grants, equity stakes in accelerated companies, intellectual property (IP) licensing, brokering creative relationships and projects, matching sponsorships from private industry, rent and leasing of equipment, and engaging the broader PIE and Oregon Film ecosystem in collaborative projects for consultation and/or product development.

Just as importantly, supporting the PIE and Oregon Film project will continue to promote the State of Oregon as a desirable location for film and video, enabling the State to draw in more investment and take advantage of opportunities throughout the film and television industry. The “ripple effect” of this type of presence should not be taken lightly, given that a single project or film, today, often engages hundreds of other artisans and experts to manage and produce elements of the film, from screenwriting to special effects.

Another long-term benefit is the development of a second wave of innovation: those who create the technology to build digital stories. One of Oregon’s recent High Tech cluster successes and PIE alum, Urban Airship, is a direct result of this type of development. The company, which in three years has garnered more than $20 million in investment capital and employs nearly 70 Oregonians, sprung out of a direct need for technology by the very types of creative companies PIE and Oregon Film propose to accelerate, the video game industry.

Urban Airship started with a very simple idea. One of the cofounders recognized a tangential technology need while consulting with Subatomic Studios, an Oregon company that built one of the most popular video games of 2008, Field runners. Subatomic had no interest in building the technology, because it was outside of their core technical expertise. It was an enabling technology. Urban Airship took this need and created an entire company to take advantage of the opportunity in the market. Now, they serve customers worldwide, from ESPN to The Guardian and from HBO to Salesforce.com.

This is exactly the type of opportunity PIE and Oregon Film would like to create, time and time again.

Finally, the marketing and communications industry -- another creative sector for which Oregon is recognized -- gains the benefit of new and noteworthy clients and projects that will continue to enhance their ability to grow, hire, and attract talent to Oregon.

Proposed timeline

|  |  |
| --- | --- |
| **Year 1**  Months 1-6:   * Hire staff * Establish private and public partnerships * Secure space * Recruit mentors * Refine curriculum * Begin building technology infrastructure | **Year 2**  Months 18-21:   * Recruit second class for initial location * Secure space for second location * Recruit additional private and public partners * Recruit mentors * Promote program internationally * Establish sustaining sponsors for following year |
| Months 7-10:   * Recruit first class * Recruit additional private and public partners * Execute curriculum * Promote selected companies * Test existing infrastructure, augment and refine as necessary | Months 22-24:   * Report to the State of Oregon on progress and lessons learned * Report to sponsors on progress and lessons learned * Establish “alumni network” |
| Months 11-17:   * Report to the State of Oregon, sponsors on progress and lessons learned * Leverage success of first class to secure sponsors for operating expenses, in-kind technology, and infrastructure * Begin scouting for second Oregon location in Eugene, Bend, Ashland * Recruit second class * Refine curriculum and infrastructure as needed * Promote program nationally * Seek Federal grant money based on demonstrated progress |  |

Proposed budget

The budget for the Oregon Film and PIE project will be front-loaded with State dollars with the intent of securing 2x matching funding and in-kind support from private industry after the first year and the intent of securing 4x matching funding and in-kind support from private industry after the second year. The following budget is an allocation of State-provided dollars. It is not intended to be an all-inclusive accounting of costs associated with the project.

|  |  |
| --- | --- |
| **Year 1: $517,000.00**   * Rent and General Operations: $113,000.00 * Salaries and Benefits: $109,000.00 * Technology Infrastructure: $135,000.00 * Seed Capital for participating companies: $160,000.00 | **Year 2: $415,500.00**   * Rent and General Operations: $113,000.00 * Salaries and Benefits: $67,500.00 * Improvements to Technology Infrastructure: $75,000.00 * Seed Capital for participating companies: $160,000.00 |
| **TOTAL: $932,500.00** |  |

Metrics

|  |  |
| --- | --- |
| Number of individual businesses that will participate in and/or benefit from the initiative | 16 accelerated companies; 10 private partnerships; 5 public partnerships; 100 mentor relationships; 500+ influenced |
| Commercialization of new products | 16 project-based companies |
| Number of jobs created or retained in Oregon as a direct result of the initiative  (please specify industries in which jobs are located) | Estimated 80 direct jobs created, plus hundreds of tangential jobs |
| Increase in energy efficiency or other measure of reduction in environmental  footprint | N/A |
| Production cost savings to individual firms | $200,000 per accelerated company ($3.2 million) |
| Other (private/federal) funds leveraged by initiative | Year 1: $1 million; Year 2: $2 million |
| Other targets that demonstrate return on the state’s investment, as identified by the proposer | Film and television industry; tangential technology industry; High Tech cluster; marketing and communications industry; |