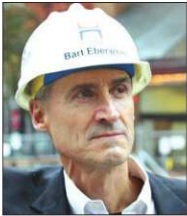




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PORTLAND BUSINESS JOURNAL

PORTLAND, OREGON

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Business-to-business agency Dunthorpe Marketing helps clients take the lead from start to finish.

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Wave energy battle heats up

State will issue critical report by year's end

BY ANDY GIEGERICH
BUSINESS JOURNAL STAFF WRITER

Anxiety is building as the state of Oregon prepares for a crucial ruling that could determine the future of wave energy.

The state is expected to approve a final plan by the end

FAST FACT

STATE RESEARCH indicates that 98 percent of the sea floor under Oregon's purview is either environmentally protected or reserved for commercial and sport fishers.

of the year that dictates where companies can build wave energy facilities.

The pending ruling pits ma-

rine power companies that have already invested millions in wave energy against Oregon's \$130 million commercial fishing industry, which includes seafood companies and well-backed environmental lobbies.

The budding wave energy industry and fishing and environmental groups are jostling for space off Oregon's coast that



CATHY CHENEY | PORTLAND BUSINESS JOURNAL
Jason Busch of Wave Energy Trust: location is key.

SEE WAVE, PAGE 28



CATHY CHENEY | PORTLAND BUSINESS JOURNAL

From left, Vancouver City Manager Eric Holmes, broker George Diamond and developer Barry Cain envision big things.

Waterfront dreams

An ambitious Vancouver development clears a significant hurdle

BY WENDY CULVERWELL
BUSINESS JOURNAL STAFF WRITER

The Vancouver, Wash., waterfront was awash in sunlight. But it was the keyhole view of the Columbia River through a railroad underpass that had Eric Holmes smiling.

For the first time in 104 years, visitors could stand to the north of the track and view the river to the south.

Holmes, Vancouver's city manager, was ecstatic with the visible evidence of progress at

the former mill site that someday will become the Columbia Waterfront, a \$1.5 billion community of mid-rise residences, parks, offices, restaurants and retailers, all linked to downtown through that underpass and another under construction.

The underpass, which will carry Esther Street from downtown to the waterfront, was a significant hurdle. It is the most visible sign of progress yet.

SEE VANCOUVER, PAGE 28

Leatherman seeks big ideas

Subsidiary FreeRangePDX has the freedom to devise new products

BY ERIK SIEMERS
BUSINESS JOURNAL STAFF WRITER

Leatherman Tool Group Inc. has launched a new subsidiary built to manufacture one thing: Big ideas.

FreeRangePDX is a three-person division tucked inside Portland's Eastbank Commerce Center tasked with dreaming up new product lines capable of generating around \$60 million in annual revenue.

Anna Martens, Leatherman's director of innovation and leader of the new division, called it a "physically removed product ideation think tank."

But in simpler terms it's an idea factory, separate both physically and symbolically from the Portland-based hand-held tool manufacturer's headquarters in a maneuver that gives it the freedom to stretch beyond Leatherman's boundaries.

FreeRangePDX isn't just being given a long leash. The whole collar has been removed.



CATHY CHENEY | PORTLAND BUSINESS JOURNAL
Mike Aveni, left, and Leatherman's Anna Martens are working on the facility.

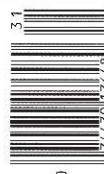
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WAVE: Fishing, marine energy advocates await report

FROM PAGE 1

wave energy advocates want for their facilities.

Jason Busch, the executive director of Portland-based nonprofit Wave Energy Trust — which advocates for the wave energy industry — said questions over the sea mapping will likely lead to negotiations between his group and fishing and environmental lobbyists over where wave energy equipment can be installed.

"We need to minimize our impacts while finding sites that actually work for us," he said. "Putting us in the equivalent of ocean wilderness that's a long way from the road with no substation nearby doesn't work."

Fishing industry interests worry that the devices would encroach on rich fishing and crabbing areas.

A SOURCE OF RENEWABLE POWER

At stake is the \$15 million-plus that state and private businesses have already poured into the industry since 2006.

The Oregon Innovation Council, which backs research and business development through state general fund money, has steered nearly \$10 million toward the Oregon Wave Energy Trust and other industry efforts. Princeton, N.J.-based Ocean Power Technologies has spent between \$5 million and \$6 million on a wave energy device that will be installed near Reedsport.

Oregon is considered a national leader in wave energy development partly because the state has a 363-mile shoreline along the Pacific Coast. Oregon also wants to develop the industry because ocean energy can help the state reach goals requiring utilities to draw on renewable energy for 25 percent of their power by 2025.

Portland-based researcher ECONorthwest projected that a built-out wave power industry could eventually deliver \$2.4 billion worth of revenue and 3,000 jobs to the state.

Yet the industry felt tremors when Scottish company Aquamarine Power closed



COURTESY OF OPT

The Scottish wave energy company Ocean Power Technologies plans to install a device like this one — produced by Clackamas-based Oregon Iron Works — off the coast of Reedsport. Industry supporters worry that there aren't enough sites for marine energy facilities in Oregon's ocean waters.

its Newport office last November because of uncertainties over Oregon's commitment to the sector.

As a result, a first draft of the territorial sea map released last spring stunned wave energy backers. The map, produced by Oregon State University, indicated that only 2 percent of Oregon's territorial waters — within three miles of the coast — aren't superseded by fishing and environmental protections.

"To conclude that there's not enough space out there (for wave energy stations) is premature," said Belinda Batten, director of OSU's Northwest National Marine Renewable Energy Center. "The maps out there now catalogue what's out there, and our job is to now figure out where marine energy should go."

Among other hurdles, the marine energy sector must grapple with Oregon's crabbing

industry, which counts 433 vessels along the coast and generates \$40.3 million in yearly revenue.

"Everyone's picking out their own real estate where there aren't conflicts with other groups," said Nick Edwards, a Charleston-based crabber and shrimper who's worked with the Oregon Wave Energy Trust on the issue. "We need the areas with the muddy bottoms. The state wants to protect the hard ground."

John Holloway, co-chairman of the Oregon Anglers political committee's ocean team, said his group will soon meet with the Wave Energy Trust and other marine power representatives. He worries that the federal government's Energy Regulatory Commission will use its power of condemnation to procure space for wave energy stations.

Several wave energy companies had applied in 2007 with the Commission to develop energy production facilities off the Oregon coast.

"Obviously, these are all issues we'll pay attention to," added Shawn Miller, a lobbyist for the 9,000-member Coastal Conservation Association, which represents sport fishers. "We're concerned about how new developments in the ocean will affect the fish population."

Busch pointed out that the fishing groups have similar ocean floor needs to those in his industry. Sandy bottoms work well because they don't offer rocky reefs. Flat-bottom areas, which are also optimal marine energy grounds, provide active crabbing environments.

DISCUSSIONS ONGOING

State business leaders are closely tracking the topic.

"This is a critical issue given the bets we've placed as a state on wave energy being part of our energy future in the long term," said Ryan Deckert, president of the Oregon Business Association and Oregon Inc.'s vice-chairman. "We need to resolve this issue in a way that allows the industry's research and other good work to continue."

With more discussions regarding the mapping scheduled through rest of the year, industry supporters remain confident that they can reserve more ocean-floor space for marine energy facilities.

"It's always a challenge when you're working with different industry groups and state departments and the governor's office," said Dave Van't Hof, a Lane Powell PC attorney and a Wave Energy Trust founding board member. "I'm optimistic, but we need to come up with a policy that's, in the long term, cost-competitive."

When the mapping plan is completed, it will include input from tribes and several state agencies.

"It'll be difficult to strike a balance among all of those groups," said Kimball Ferris, a Portland-based Miller Nash LLP attorney who's providing counsel to the Wave Energy Trust. "This is critical for wave energy in Oregon. We have a blank slate we can write on, and this is a chance to do it right."

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FAST FACT

OREGON HAS spent more than \$5 million to "map" the sea floor extending three miles from the state's coast. Part of the money comes from unused New Carissa removal settlement funds. Another \$4 million came from the National Oceanic and Atmospheric Administration.

VANCOUVER: Development will transform city's waterfront

FROM PAGE 1

Project construction could start by 2014. Though it will take years to complete — private developers will be needed for building projects — it will completely transform Vancouver's waterfront into a high-end destination.

Plans call for 21 urban blocks dotted with 3,300 residential units, more than 1 million square feet of office space, 250,000 square feet of retail space and a 200-room hotel.

SIMILAR TO SOUTH WATERFRONT

Columbia Waterfront has been called Vancouver's future Pearl District, but Portland's South Waterfront offers a better comparison.

Both center on river sites with industrial pasts close to downtown neighborhoods, but with significant physical barriers. At South Waterfront, Interstate 5 was the challenge. The Portland Aerial Tram was one of the solutions.

In Vancouver, the railroad tracks are the challenge. The access project is the solution.

As with South Waterfront, the Vancouver site has almost no infrastructure or buildings. Vancouver officials and Tualatin-based Gramor Development conceived of turning the 32-acre site into an extension of the city some seven years ago when Boise Cascade moved to shut down an unprofitable paper mill.

The paper mill buildings are largely gone,



leaving a blank slate for the developers and architects to imagine a thriving community.

A LONG TIME COMING

Holmes, who has been with the city since 2007, negotiated the development agreement that guides Gramor's vision.

Five years ago, the city hadn't allocated a dime to the waterfront. Today, he said public commitments to the access project top \$30 million as the community embraces the economic benefits of a pristine waterfront development.

The city wins because it reclaims its river city status along with the prospect of a gleaming Class A development to lure prospective

businesses. Holmes wants the development to woo a major corporate headquarters to Vancouver on the order of 400,000 to 500,000 square feet.

It's been a long time coming. Gramor hoped to be underway a year ago but was delayed by the recession, said President Barry Cain, who leads a team of five investors that bought the property for \$19 million in 2008.

The railroad tracks atop an elevated berm presented a major obstacle, serving as a barrier between the city and river.

To clear it, Burlington Northern Inc. and local, state and federal governments are spending \$44 million to restore waterfront access with a series of railroad improvements and new streets.

The access project wraps up in 2013. Construction of the parks and initial commercial structures should begin soon after.

Cain called the opportunity too irresistible to pass up.

"You get to change the face of a city," he said.

THE WOW FACTOR

With the access project in full swing, the other pieces are coming into focus.

The state of Washington contributed \$1 million toward the \$14 million needed to develop the park and associated trails. The Gramor team is donating 10 acres along the property's one-half mile of waterfront. Cain estimates its value at \$7 million.

Cain said there's more to the waterfront than the river.

It is a straight shot to Portland International Airport, has its own on ramp to Interstate 5 and is near Vancouver's Amtrak station. Washington's tax structure — there is no state income tax — favors business, he said.

Real Estate Investment Group is marketing the waterfront to partner developers. No development agreements have been signed.

Principal George Diamond, an investor in the project, said active marketing will begin when the infrastructure takes shape.

The project is one of the region's most-watched developments.

"It's a 'wow' project to say the least," said Dick Loffelmacher, a retail broker with CBRE Inc. and veteran of the Vancouver development community.

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