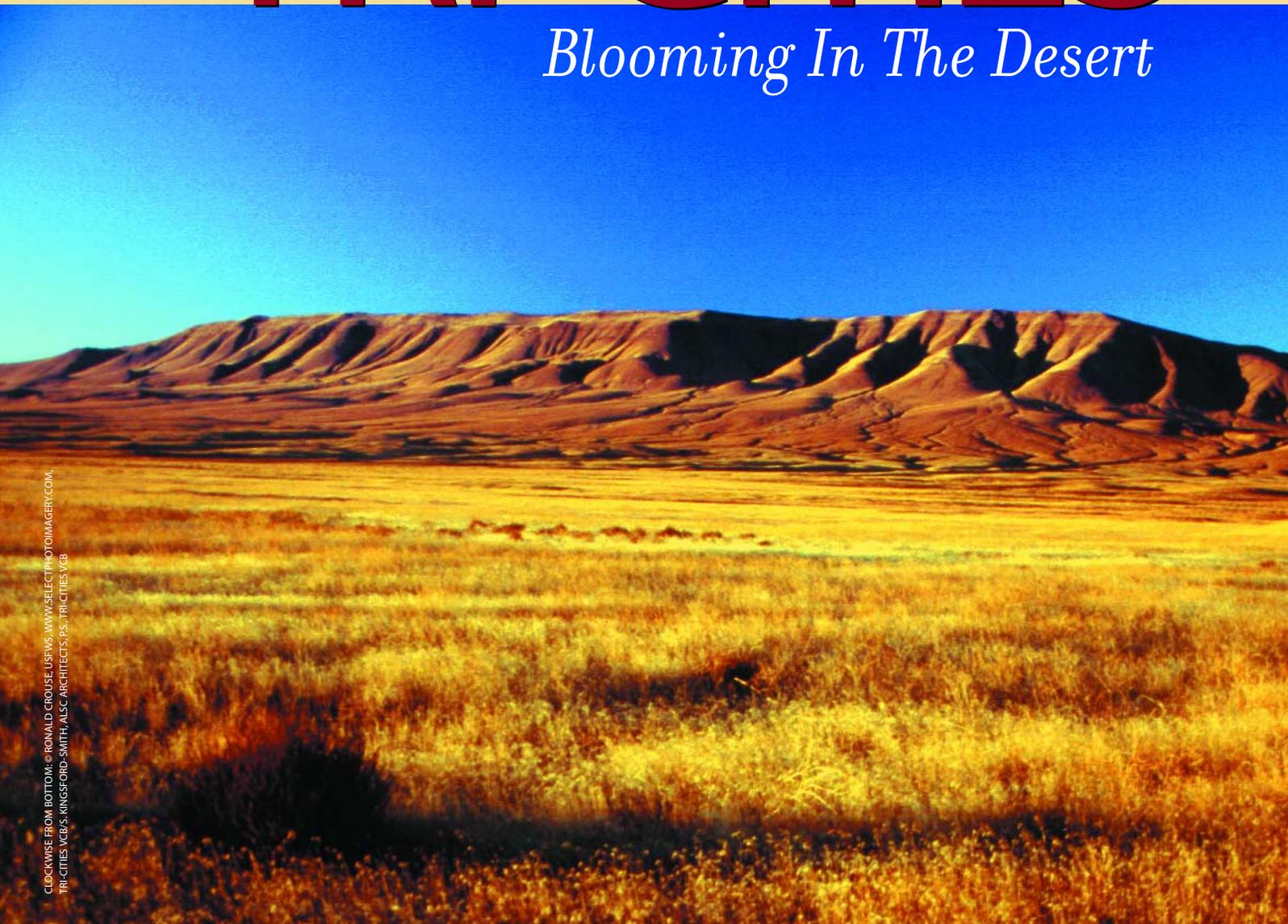




# THE TRI-CITIES

*Blooming In The Desert*



CLOCKWISE FROM BOTTOM: © RONALD GROUSE, USEWS, WWW.SELECTPHOTOIMAGERY.COM, TRI-CITIES VCB/S. KINGSFORD-SMITH, ALSC ARCHITECTS, P.S., TRI-CITIES VCB



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## REGIONAL REPORT

By Anne Sampson

# Room to Grow

*While enjoying strong growth, the Tri-Cities plans for a diversified economy in the mid-Columbia desert.*

**WASHINGTON** traveled a dreary path during the first few years of the millennium. Boeing's troubles and the dot-com crash sent economic indicators tumbling and left the state's business climate about as warm as a foggy night on the Puget Sound.

But even during the recession's darkest days, the Tri-Cities of Kennewick, Pasco, and Richland stood out as a dynamic economic force.

"The Tri-Cities has undergone a fairly significant amount of growth in the last few years," says Carl Adrian, president of the Tri-Cities Industrial Development Council (TRIDEC), the coordinating agency for economic development in the area. "There's obviously a boom of some kind going on."

The "government town" that once rode a roller coaster of federal dollars today posts annual employment gains, even as the federal contractors at Hanford reduce their workforce. Business is brisk in tourism-related industries, and hotel rooms in the community have increased by 54 percent in the last five years, with more under construction.

Local economic development agencies are banding together to tout the region's strengths: lots of land, cheap utilities, a highly skilled workforce, not to mention 300 days of sunshine a year. In fact, the area once noted for its divisive structure — three separate city governments, two different counties, three port authorities, and four chambers of commerce, for example — now works to market itself as one community.

After six decades of dependence on the Department of Energy for a hefty slice of its economic activity, the Tri-Cities is

preparing for that federal support to go away. The cities are testing their legs, and even though some major challenges lie ahead, community leaders say their communities are strong enough to meet them.

## BORN IN THE ATOMIC AGE

Many of those challenges are rooted in the area's history. The Tri-Cities sprang from the desert during World War II, when eastern Washington was chosen as the site of the plutonium production facility for the Manhattan Project.

Thousands of scientists and nuclear workers flocked to the area to produce the fuel for the nation's atomic arsenal. The defense mission kept money flowing into Hanford through the 1980s. By then, billions of gallons of nuclear waste

had been buried in underground tanks or discharged into the land, creating the nation's largest nuclear dumping ground along with an unsavory image for the Tri-Cities.

In 1989, Hanford's mission leaped from plutonium production to environmental cleanup, signaling the eventual exit of the community's economic foundation. Today, some 10,200 people work at Hanford, commanding an annual payroll of \$948 million.

While down from Hanford's peak employment in 1992 of about 14,200 employees, the government facility still drives the Tri-Cities' economy with a concentration rarely seen in today's diversified marketplace. Recent economic reports show that direct employment at Hanford, coupled with contractors and the natural job multiple, means nearly 50 percent of the Tri-Cities' economic activity is still tied in some way to Hanford.

The reservation's cleanup is slated to

**The Cable Bridge, which crosses the Columbia River between Pasco and Kennewick, has become a local Tri-Cities landmark. Built in 1978, the bridge's distinct design is modeled after a bridge in France.**

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## REGIONAL REPORT

continue for the next 30 years, keeping federal money flowing for at least that long, but certainly not at the levels the Tri-Cities has grown up on.

Three decades may seem like a comfortable cushion, but community leaders are focused on the end date. A host of adjustments lie ahead for the region, including the impact of a changing workforce.

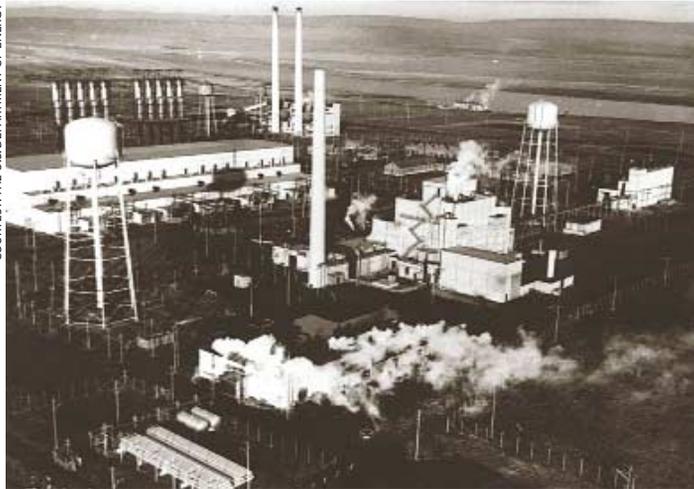
Hanford employment is shifting from highly educated engineers to building trades, and the effect of that concerns many people. In fact, says Washington Employment Security Department regional economist Dean Schau, the number of unemployed engineers in the area has jumped by 450 percent in the last year.



**Jim Henschel (left), project director for the vitrification plant and Joe Dougherty, plant construction manager, visit the project site at Hanford.**

“Hanford is not going anywhere,” points out Ed Aromi, president of CH2MHill, the national engineering firm charged with cleaning up 177 underground tanks storing 53 million gallons of waste materials. CH2MHill’s contract totals \$2.68 billion

COURTESY: THE U.S. DEPARTMENT OF ENERGY



**This year marks the 60th anniversary for Hanford’s B Reactor, the world’s first full-scale plutonium production reactor, pictured here soon after it was completed 1944. The facility was shut down in 1968.**

from October 1999 through September 2006. The company employs 1,370 people.

“We have a few decades of federal money coming,” Aromi says. “On the other hand, that doesn’t mean it will be stable. We have 5,000 to 10,000 people who are used to a 40-hour workweek, but that’s not what the building trades are used to.”

### CONTINUED STRONG GROWTH

Bechtel Hanford holds the \$5.6 billion federal contract to build a vitrification plant that will encase nuclear wastes inside glass logs, storing them in a stable condition for hundreds of years, well beyond their nuclear half-life.

That plant will be completed in 2007, and although it will operate past 2028, jobs there will be mostly trades. The Tri-Cities has already seen a shift in employment at the plant from engineers and designers to construction workers.

Historically, undulating priorities and uncertain Hanford budgets have sent the Tri-Cities’ economy skidding through wild peaks and valleys, com-

plete with jarring unemployment figures and building booms followed by busts. Not anymore. The area’s total employment continues to grow, jumping 4.5 percent from 2001 to 2002 and nearly 2 percent last year, even as Hanford contractors have cut 4,000 jobs since the mid ’90s.

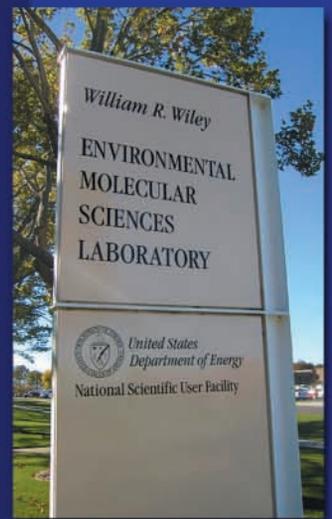
Today nonfarm employment in Benton and Franklin counties totals 83,800. More than 10,000 of those jobs are at Hanford. The Department of Energy’s primary contractor, Fluor Hanford, counts some 4,200 employees on its Tri-Cities payroll. In addition, 3,800 people work at the Pacific Northwest National Laboratory (PNNL) operated by Battelle. The lab supports the cleanup work at Hanford, but that accounts for less than 18 percent of its \$620 million annual budget, according to Gary Spanner, manager of Battelle’s economic development office.

Battelle scientists conduct research on projects ranging from systems biology and proteomics to technologies that can quickly identify soil pathogens. The lab



**Water enthusiasts canoe along the White Bluffs section of the Hanford Reach, a popular recreation destination that is now a national monument and protected by the federal government.**

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## REGIONAL REPORT

manages hundreds of research developments each year, maintaining a large portfolio of intellectual property available for licensing. Even if Hanford goes, Spanner points out, the lab stays.

### DIVERSIFYING THE ECONOMY

The Tri-Cities is leaping over its past as a one-company town. Carl Adrian, TRIDEC president, sees tremendous growth in the service sector, “from health services to air services to retail.” And that’s a good thing, he says. “Obviously, you need basic jobs. If you create the jobs that export a product or service, then you bring that money back into the community.”

Several sectors command attention. Adrian is enthusiastic about eastern Washington’s emerging recognition as a distribution center. When Ferguson Enterprises, one of the largest wholesale plumbing distributors in the country, located a 450,000-square-foot warehouse in Richland, “that put us on the map,” he says. Plenty of available land, cheap utilities, and good access to highways and railroads make the area an ideal location, he notes.



**A patio outside Bookwalter winery's tasting room offers a relaxed wine tasting experience (top). Bookwalter wine bottles come off the filling line (right). Winemaking and the tourism it attracts have become big business for the Tri-Cities.**



Another emerging sector is medical equipment manufacturing. In 2002 TRIDEC chairwoman Sandy Matheson and former PNNL director Lura Powell, who serves on the TRIDEC board, formed a medical-industry task force to explore ways to match the Tri-Cities’ intellectual resources with other firms in the same business.

“The medical industry is predicted to

grow to 30 percent of the nation’s gross national product over the next 50 years,” explains Matheson. “We have such an incredible asset with the laboratory here. They’re looking at medical technology, the very basic research side of it, and we’ve got people here who are interested in medical diagnostics. We feel that the talents of the workforce and the desire to continue living here make that

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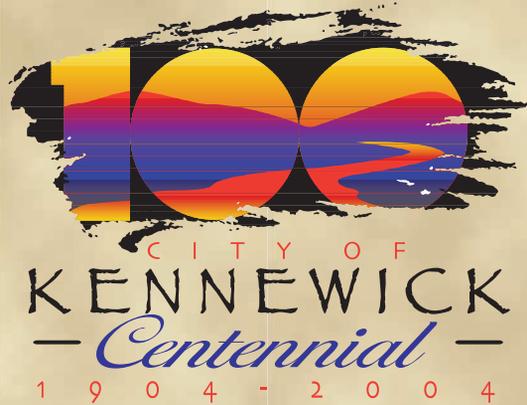
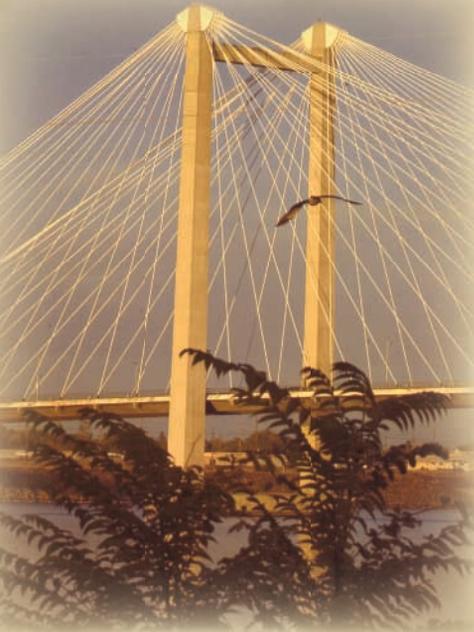
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## REGIONAL REPORT

a good focus.”

Indeed, health care stands out as a strong link in the local economy. Kennewick General Hospital, the area's publicly owned hospital, has suffered severe financial problems over the last few years, largely due to the challenges posed by tightening Medicare and Medicaid reimbursements, but the hospital is successfully straightening out its budgetary woes.

In the meantime, Kadlec Medical Center in Richland completed \$50 million of construction work in 2002.

The private not-for-profit hospital carries a payroll of \$60 million, and has seen the number of patients it serves grow by 33 percent over the last three years. CEO Rand Wortman plans to lead the center through more growth and expansion over the next several years.

### AGRIBUSINESS, WINE, AND TOURISM

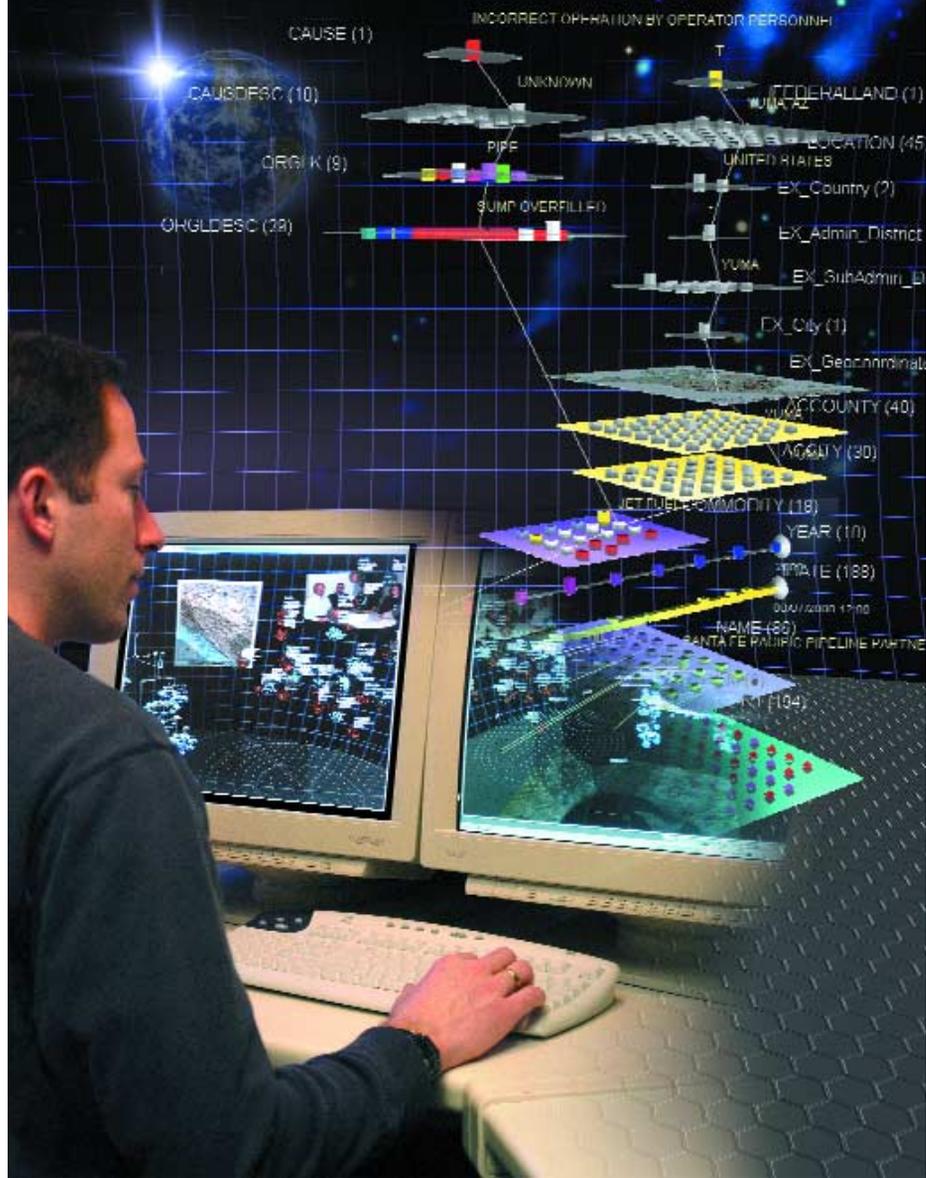
Agribusiness has deep roots in the Tri-Cities, and while it's hard to measure, regional economist Schau calls it the second-largest piece of the economy. But the industry is undergoing tumultuous changes.

“The day of the small family farm is history,” according to John Neill, vice president of Banner Bank, which operates four branches in the area.

Still, growers continue to claim a large piece of the economic pie as they move into a global marketplace. Farms and ranches of 3,000 and 4,000 acres or more feed the fresh-food market, as well as food-processing plants that employ more than 3,000 workers.

ConAgra Frozen Foods/Lamb Weston operates several plants in the area, along with Simplot, Reser's, Twin Cities Foods, and Iowa Beef Packers, making them the headliners in the value-added production show. Money-making crops here include potatoes, wheat, tree fruits, and, of course, grapes.

The wine industry employs more than 340 workers in the area, but its big boost to the economy is its appeal to tourists. The Columbia Valley comprises the largest appellation in Washington, which in turn has grown into the second-largest wine region in the United States. At least 87 wineries lie within an hour's drive of the Tri-Cities, with more opening every month. The Tri-Cities Visitor and Convention Bureau (TCVB) markets golf-



COURTESY PACIFIC NORTHWEST NATIONAL LABORATORY

**Research and development at Pacific Northwest National Laboratory is considered by many to be key to developing new industries in the Tri-Cities.**

and-wine packages all over the world.

Tourism is one of the Tri-Cities' fastest-growing industries, according to Kris Watkins, TCVB president and CEO. She reports that travel spending in the Tri-Cities has increased 68 percent since 1991, totaling \$247.3 million in 2002. Tourism-related jobs accounted for 3,660 workers that year, representing earnings of \$63.8 million, an increase since 1991 of 69 percent. Aggressive marketing of the area's natural assets, including the sunny weather, the waters of the Columbia River, and some 75 holes of golf per thousand residents, have fueled the growth.

Construction of new homes, especially in Pasco, zooms. In fact, with 730 new permits issued in 2002, Pasco ranked second in the state behind Seattle for housing starts, according to City Manager Gary Crutchfield. He expects 2003 permits to total 900.

Much of that growth, Crutchfield

acknowledges, stems from the lowest interest rates seen in years. But Pasco was well positioned to take advantage of that break. Between 1982 and 1988, he recalls, the city's total property values dropped 26 percent, creating a dire situation that city leaders addressed aggressively.

They worked with Franklin County to build the \$10 million Trade, Recreation and Agricultural Center along Interstate 82, with an eye to drawing rodeos, tourists, and business meetings. At the same time, when the city's sewer system demanded an overhaul, Pasco increased its monthly sewer rates from \$6 to \$30 and extended the city's infrastructure along the interstate. When developers marketing to first-time homebuyers went looking for land, Pasco stood out.

### STRONG AND STEADY

Economic development experts like TRIDEC's Adrian and Battelle's Spanner agree that the climate looks steady for at

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## REGIONAL REPORT



HORN RAPIDS GOLF COURSE

**The Horn Rapids Golf Club in Richland is known for its narrow fairways and small greens. It is one of 10 golf courses in the Tri-Cities area.**

least the next five years. That leaves time to focus community energy on a few soft spots, areas like education and a tough atmosphere for small business.

Michelle Mann, executive director of the Benton-Franklin Workforce Development Council, helps train workers in technology skills for jobs as diverse as construction, food processing, or health care. The demographics of the Tri-Cities have changed dramatically, she says, and that's creating a skills gap. "My biggest message is that the days of going to school and then getting a job and working for the rest of your life are over. Workers have to reeducate themselves often and continually."



TRI-CITIES VCB

**A boat from Columbia River Journeys takes passengers on a tour of the Hanford Reach, the last free-flowing section of the river.**

That's not necessarily an easy task in the Tri-Cities. Mann says the area's vocational programs and K-12 school districts coordinate well, but ongoing training falls through the cracks. Computer-skills classes, for example, are hard to find during evening hours. "We need to offer better short-term training, and offer it when people can access it," Mann explains.

But the education hole is deeper than computer training classes. "We need more and better education," asserts Port

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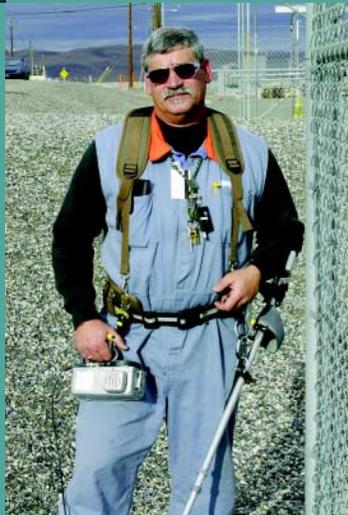
In 2003, HEHF was accredited by the Joint Commission on Accreditation of Healthcare Organizations (JCAHO) for the maximum three years. This is the second time HEHF has earned JCAHO's national recognition, based on achieving excellence in 340 criteria.

HEHF was selected by the Washington State Psychological Association (WSPA) as the first winner in its Psychologically Healthy Workplace competition in the Nonprofit Employer category.

WSPA specifically cited HEHF's extensive health and safety capabilities. In addition, HEHF was commended for its case management system resulting in quick return to work, as well as its research-based approach to treatment and prevention.

Last year, the Department of Energy (DOE) also recognized HEHF in a highly complimentary performance assessment. DOE cited new research surveillance and prevention tools, clinical leadership, outreach education, and a cost savings of \$884,000.

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**REGIONAL REPORT**

of Pasco director Jim Toomey. "It's a bare-bones, minimum need."

Columbia Basin College offers a variety of two-year degrees, and Washington State University operates a branch campus in Richland, where students can complete the last two years of a limited choice of degrees. Together, the two schools enroll around 7,000 students a year.

Both schools are working with business leaders to expand the region's educational offerings. Kadlec Medical Center and Columbia Basin College recently announced a joint effort to open a health-sciences facility in Richland, partly funded with \$2 million from Kadlec. At the same time, Battelle and Washington State University-Tri-Cities are collaborating on the new Bio-products, Sciences, and Engineering Laboratory, a \$21-million-plus facility to be built at the WSU-TC campus. The lab will serve both Battelle scientists and university students with research laboratories for bioproducts, enology/viticulture, and engineering.

But the lack of a university offering a full range of four-year degrees remains a glaring weakness. "That's definitely our biggest challenge," says TRIDEC's Matheson.

An informal organization of business leaders called the Three Rivers Roundtable recently formed a task force to ramp up the community's campaign for a university. Roundtable chairman Mike Schwenk says the group will have an action plan in place by summer.

"We want to be ready for legislative action when the Legislature's long session opens in the fall," he says.

In the meantime, economic diversification in the Tri-Cities continues. Reliance on Hanford still weighs heavily on the region's economic scale, but the area is slowly, inexorably growing away from it.

TRIDEC officials hope to maintain that steady progress, resulting 30 years from now in a metropolitan area that can stand on its own.

"We have a very special place to live," Matheson says. "We want to be sure we pursue industries that are complementary to us. We want to make sure our growth is smart growth."

*Anne Sampson is a Tri-Cities-based freelance writer.*

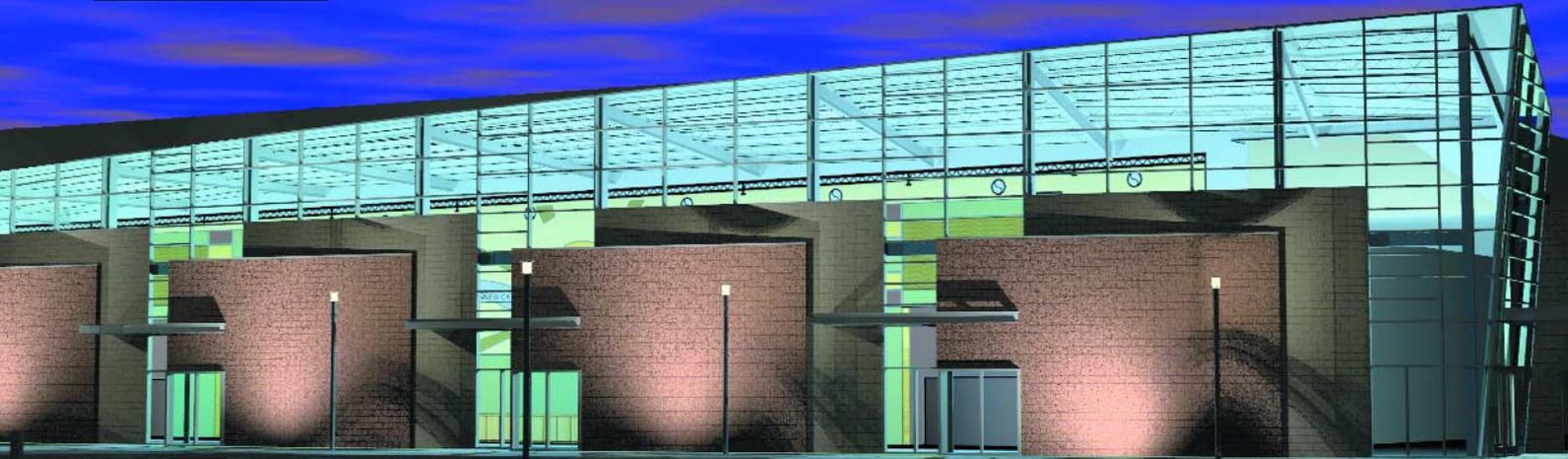
**Regional Report continued on page T21**

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# THREE RIVERS CONVENTION CENTER

*Tri-Cities tourism  
takes center stage  
with the completion  
of the new  
convention facility*



By Anne Sampson



ALSC ARCHITECTS, P.S.

## A Gathering Place

*Kennewick officials are planning for success as they enter the meetings business with the Three Rivers Convention Center.*

**IN** the late 1970s, developers scratched out a piece of desert at the western fringe of Kennewick where not much but sagebrush and a few hearty residents lived.

They built Columbia Center Mall amid the noise of skeptics who loudly wondered who would ever shop there.

Today, Columbia Center has become a regional shopping attraction, the largest venue in southeastern Washington. It lures shoppers from eastern Washington and northern Oregon, people who come to the Tri-Cities to buy clothing and furniture, eat at a growing selection of restaurants, or catch a movie at one of several multiscreen theaters.

The mall lies just to the west of the Vista District, a shopping and entertainment area that is home to the bulk of Kennewick's retail community. Businesses there include Lowe's Home Improvement, Target, Craft Warehouse, Ross Dress for Less, and Outback Steakhouse, among others. After more than a quarter of a century, the mall has become a major commercial success.

Now community leaders in Kennewick are preparing another venture into uncharted territory. They are launching eastern Washington's newest meeting facility with the Three Rivers Convention Center, a \$17 million, 75,000-square-foot meeting facility, that is scheduled to open in May 2004.

The facility will offer a 21,600-square-foot "Great Hall" that can accommodate groups of up to 2,100. The hall can be divided into four separate rooms for

break-out sessions and meals. The space can also accommodate up to 260 exhibits.

The center offers nine additional meeting rooms adjacent to the main hall that can accommodate 1,000 people, and a corporate boardroom. A lobby and prefunction area that measures more than 14,000 square feet will allow groups plenty of room to informally gather and talk.

The facility includes state-of-the-art audiovisual equipment and a Cyber café that offers business travelers Internet access, business services as well as food. While it is not directly modeled after any other facility some of its features were inspired by Boise's convention center.

### A CALCULATED GAMBLE

The new center represents something of a gamble for the city of Kennewick. But it is a calculated one.

There has been talk about the need for a meeting facility for some 15 or 20 years, according to Dean Strawn, president of the Public Facilities District (PFD) created to oversee the project. But the money to support such a venture was elusive. When the Legislature passed a bill in 2000 that returns a portion of sales taxes collected by the state to local communities, the picture came together.

"The community tried to figure out how we could build a convention center, and the city of Kennewick finally took the lead and decided to form a public facilities district," says Strawn. A volunteer board



Members of Kennewick's city council gather for the ceremonial ground-breaking for the 75,000 square-foot convention center.

was appointed by the city council, including representatives from other municipalities, and work started on a charter to build and operate the center.

The PFD floated \$17 million in bonds to finance the venture. Nearly 40 percent of its budget, both for construction and operations, comes from the 0.003 percent of locally collected sales taxes — around \$400,000 — that reverts back to communities under the provisions of the legislation passed in 2000.

For the next 25 years another \$750,000 a year will come from the city of Kennewick. In addition, the city leases more than 10 acres of land to the PFD at no cost. Other local bodies, including the Port of Benton and the city of Pasco, have also agreed to support the project with the money collected through their public facility districts.

### SPURRING ECONOMIC GROWTH

The convention center is expected to operate at a deficit for at least its first three years. That's not necessarily a negative, according to Ed Allen, treasurer for the PFD. He maintains that many centers in similar cities actually lose money. The benefit to the community comes through money spent by meeting attendees on shopping, dining, and entertainment.

"I feel very good about our financial package," Allen says. "When we started this project, I assumed that the interest rates would be going up, and instead they held steady or dropped a little." That allowed the board to include a few more amenities than it originally planned.

In addition, he says the community was able to structure the bonds so that the payments are lower in the early years than in the latter years. That allows Kennewick to build up its reserves.

"We've got a number of advantages," he says. "Our location is good. We generally have a better climate than most of the state."

Not to mention the area offers visitors wine touring and nearly year-round golf, he says.

Like the Columbia Center Mall 25 years ago, the convention center has faced its share of hurdles.

Allen acknowledges, "There's always a risk, but we didn't have any trouble selling our bonds, which is an indication that the financial markets think this is a manageable risk."

Members of the PFD board expect the center to be a major draw, bringing in millions of dollars to the Tri-Cities once the center begins operations.

Says Allen, "The assumption and the

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TRI-CITIES VCB

**Kris Watkins, president and CEO of the Tri-Cities Visitor and Convention Bureau, helps inaugurate the convention center project.**

hope is that the convention center will spur development in the entire area with hotels and restaurants and shops."

**TARGETING THE RIGHT MARKET**

While the Tri-Cities now finds itself in a highly competitive convention market — centers in Vancouver, Spokane, and Yakima, as well as Portland and Seattle, vie for the same business Kennewick hopes to attract — the PFD board, which wrote the charter and built the financial package for the convention center, is confident of its success. Unlike Boise's facility, the Three Rivers Convention Center was designed for future expansion.

Kim Shugart, the Tri-Cities Visitor and Convention Bureau employee who markets the Three Rivers Convention Center, maintains the target market is companies that are central to the region, or associations that are centered around the Pacific Northwest.

Shugart is focusing on groups with 350 to 500 attendees and a need for both meeting space and display areas. Many of those groups book their events up to three or even four years in advance, so the Three Rivers Convention Center's early years probably won't reflect its full potential. But she has booked one group already, the Washington Association of Cities, and is awaiting confirmation from another five.

Communities can expect each convention attendee to spend \$1,000 over three days while attending meetings, according to figures compiled by the Travel Industry Association of America. Shugart says that means "the convention center will produce more than \$1 million in economic impact in 2004-2005."

Kennewick is betting that the Tri-Cities has grown enough to play host to meetings and conventions from all over the Northwest.

If this gamble hits the jackpot, the entire Tri-Cities community will feel the payoff.

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By Anne Sampson



Local residents enjoy a bike ride along the Columbia River promenade. The Tri-Cities steady sunshine has helped the region's tourism industry bloom.

TRI-CITIES VCB

# Selling the Sun

*Desert tourism adds new vitality to the Tri-Cities economy.*

**WHAT** do you call an industry that markets a perpetually renewable resource, attracts buyers from any region of the world, costs nothing to ship, and brings millions of dollars to a community from outside its own population?

Kris Watkins, president and CEO of the Tri-Cities Visitor and Convention Bureau (TCVCB), calls it tourism. Others just might call it a money machine.

“Tourism offers one of the greatest economic opportunities of the new millennium,” Watkins says. “It can increase jobs, boost tax revenues, and improve a community’s quality of life.”

And it’s one of the hottest growth industries in the Tri-Cities. Since 1991, Benton and Franklin counties have seen 14 new hotels built with

## SPECIAL REPORT

1,300 new guest rooms. Taxes generated by visitor spending have almost doubled in that time — up 82.5 percent at the state level and an incredible 171 percent at the local level, representing \$4.6 million in tax revenue. Total travel spending increased 68 percent, from \$147.5 million in 1991 to \$247.3 million in 2002.

“We’ve worked hard to ensure tourism was identified and included as a key component of Tri-Cities economic diversification efforts,” Watkins says. “It’s paying off in new jobs, new entrepreneurial businesses, and a better quality of life in the Tri-Cities area.” So what draws people to the arid expanses of the mid-Columbia Valley? Watkins cites three things: water, wine, and heritage.

### ROLL ON, COLUMBIA

The Columbia River cuts a wide swath through the region, running from the north to create a watery border between Richland and Pasco, then veering off to the east past Kennewick, where it meets the Snake River before turning south.

The shoreline is dotted with riverfront parks and public boat launches. Watkins says 22 miles of bike paths also link the parks and cities along the river.

The Columbia River’s broad expanse makes it one of only five courses on the U.S. unlimited hydroplane racing tour, and the annual Budweiser Columbia Cup races draw as many as 60,000 people to the Tri-Cities each July. East of Pasco, state parks like Charbonneau and Sacajawea entice campers and boaters from across the Northwest, lured by the constant desert sun.

The rivers are also the starting point for



what Watkins calls “heritage” — the cultural and historic attractions of the area. President Clinton in 2000 created the Hanford Reach National Monument, a controversial move that many called a federal land grab. It put 195,000 acres of virgin shrub-steppe, including the last free-flowing stretch of the Columbia River, called the Hanford Reach, under federal control.

Some local residents feared they’d be denied access to the land and the river, although others heralded it as a welcome infusion of federal support to a potential tourist attraction. And indeed, in November 2003, ground was broken on the \$34 million Hanford Reach National Monument Interpretive Center at Columbia Point, at the south end of Richland. City officials had already launched an effort to develop an arts and entertainment district in that area, anchored by high-end condominiums, restaurants, hotels, and a golf course. The interpretive center, they say, is a welcome addition.

### WINE’S ALLURE

Many places that rely on tourism dollars, such as waterfront areas or ski resorts,

develop a seasonal market, and the Tri-Cities’ boasts of sun and water don’t attract much attention in the winter months. Instead, the area markets its wine industry throughout the year.

More than 87 wineries lie within an hour’s drive of the Tri-Cities, Watkins says. Besides being the second-largest wine-producing region in the U.S., Washington has also become internationally recognized as a leading producer of premium wines. Watkins and her staff have marketed that attraction heavily, combining it with golf packages (the Tri-Cities is home to more than 75 golf holes per capita, playable almost year-round) that have proven very attractive. The TCVCB reports that visitors in 2002 played more than 1,700 rounds of golf in the area as a result of its marketing efforts.

In fact, wine’s biggest impact on the local economy may be through tourism. The industry employs only 340 people, according to Washington state regional economist Dean Schau, “and you’re not going to diversify an economy on that.” But the wine industry statewide represents \$725.4 million in retail value, with a total economic impact on the state of \$2.4 billion.

The Columbia Valley produces some 59 percent of the grapes feeding that industry, and wine tourists stream through the area. Janet Flohr, sales manager at the Hampton Inn in Richland, attributes as much as 25 percent of her hotel’s annual business to wine and golf tourists.

Another key component in the region’s burgeoning tourism industry is sports marketing.

### A SPORTS DRAW

The city of Pasco in the mid ’90s built a baseball stadium to house a newly formed team in the Western Baseball League. After several years of disappointing attendance and revenues, the city ended its association with the Posse



**Vineyards, such as this one belonging to Preston Premium Wines of Pasco, have become an increasingly important part of the region’s economy. Nearly 90 wineries are located in the Tri-Cities area producing award-winning varieties of red, white and dessert wines.**



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**Either on the water or on the golf links, enjoying the area's ample sun is a way of life. (far left) Fishermen try their luck on the Columbia River. (center) The twelfth hole at Canyon Lakes Golf Course is said to have the largest green in the Northwest. (left) The Budweiser Columbia Cup races in late July attracts thousands of visitors and the sport's top competitors from around the United States.**

**TOURISM'S ECONOMIC MIGHT**

As an industry, tourism packs a larger economic punch than some other sectors, because it efficiently imports new money into an area, while at the same time creating local jobs and incomes. Here is a snapshot of tourism's gains in the Tri-Cities:

- Since 1991, travel spending in Benton and Franklin counties grew from \$147 million to \$247 million a year.
- Visitor spending accounted for \$22.3 million in local taxes collected in 2002. Since 1991, tourism-related earnings in the Tri-Cities jumped 69 percent, from \$37.8 million to \$63.8 million, and the number of tourism-related jobs rose 10 percent, from 3,320 to 3,660.
- In 2003, the Tri-Cities saw more than \$38.4 million worth of tourism-related construction, including the \$17 million convention center in Kennewick.
- The Tri-Cities Visitor & Convention Bureau claims responsibility for booking an estimated \$18 million worth of conventions and sports tournaments during 2002. The number of delegates attending conventions each year in the Tri-Cities grew from 43,845 in 1995 to 112,810 in 2002.

and entered into an agreement with the Colorado Rockies organization to host a Class A farm team, the Dust Devils. That group's success has also been spotty, with 2003 attendance averaging only 1,552 per game.

But sports tourism in the Tri-Cities draws more than spectators. With the construction of the stadium, the city set off on a course that has developed a lot of traffic.

When the Tri-Cities Youth Soccer Association approached Pasco officials about building a soccer complex adjacent to the baseball stadium, the city agreed.

Now youth teams from across the Pacific Northwest travel to Pasco for tournaments at the 19-field complex. Several years later the city added six lighted softball fields. Private investors built a health club and indoor soccer arena, making the stretch of the I-82 corridor between the Trade, Recreation, and Agricultural Center and the baseball stadium a regional sports and recreation center. The TCVCB created its Sports Marketing Council to promote the region, and Northwest youth teams fill local hotel rooms a good portion of the year.

**LIVING HISTORY**

The area's heritage, however, might be its biggest draw yet.

Sacajawea State Park, just east of the Tri-Cities, is one of the sites selected for the \$17 million Confluence Project, a public-private partnership that will place four original artworks by sculptor Maya Lin at Columbia River confluences along the Lewis and Clark Trail.

Watkins says the state had invested \$3 million in that effort at the close of 2003, along with another \$1.4 million in improvements to the Sacajawea State Park Interpretive Center, a move Watkins expects to enhance its attraction to Lewis and Clark tourists.

Last October, the TCVCB hosted its first Corps of Discovery Day at Sacajawea

State Park, with historic reenactments, river cruises, craft activities, and presentations by area tribes. A stunning 4,000 people showed up at the event, startling organizers who planned to entertain 1,500.

Heritage Day will be reprised on October 16, and Watkins expects even bigger crowds. More than a million history tourists are expected to traverse the Lewis and Clark Trail during the 2005 bicentennial of their exploration of North America. The same rivers that brought the explorers to Washington are expected to deliver plenty of visitors to the Tri-Cities over the next few years.

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# Life Beyond Hanford

*Entrepreneurs build markets in old and new sectors*

**EVEN** where technology rules, a city's economy rides on the strengths of its workforce. The Tri-Cities' population boasts an above-average education level, and its economy reflects the image of the national laboratory located there. But successful businesses operate no better than the people who run them and the Tri-Cities' evolving marketplace showcases a diverse and energetic population.

"This is an industrious place," says Tri-Cities Industrial Development Commission (TRIDEC) chairwoman Sandy Matheson. "The people who live here are committed to their community."

One of the area's biggest concerns is creating jobs for the great number of highly educated people who move there, and want to stay. Pacific Northwest National Laboratory (PNNL) director Dr. Leonard Peters points out that the community is home to some 700 Ph.D.s, many of them engaged in the cleanup work at Hanford. The family-friendly small-town atmosphere, the abundant recreational opportunities, and the warm sunny climate lead many of those degree holders to opt to stay in the Tri-Cities when their jobs with federal contractors end.

## A NEW GENERATION OF ENTREPRENEURS

So a logical direction for the area is research and development, says Gary Spanner of Battelle's economic development office. That is particularly true for industries that complement the work being done at the lab. Spanner's office has been working since 1995 to help ease the Tri-Cities' transition away from federal contracts.

"Thousands of jobs will go away at Hanford over the next 10 years," he points out. "We want to replace those with tech jobs."

Battelle commissioned a study that identified half a dozen electronics industries that would make good neighbors for the lab. Spanner says instrumentation holds a lot of promise.

Ideally, Battelle would like to see a more modern and comprehensive research-and-development park in the area, employing another 300 to 400 scientists outside the national lab.

In the meantime, as more and more technology professionals are cut loose from Hanford, a new generation of entrepreneurs is feeling its oats.

Spanner points to a chart showing more than 75 spin-off companies that have originated from Battelle. Today, he says, "it's safe to say there are more than 1,500 direct jobs in the Tri-Cities that had their origins at the laboratory."

Much of the Tri-Cities' economic roots, however, are deep in the land. Before there were nuclear reactors, there were farms.

Agriculture, according to Washington Employment Security Department regional economist Dean Schau, accounts for around \$150 million in personal income. Food processing represents another \$128 million payroll. This is big business, and it's getting bigger.

"Ten years ago, we'd see agriculture producers with 800 to 1,200 acres, and they could make a fairly comfortable living without suffering too much economic distress," says Dennis Loman, a member of LeMaster & Daniels, an accounting firm. His office employs about 40 CPAs, and Loman says 50 to 60 percent of their business is agriculture. "Now," he adds, "we see [farms of] 4,000 to 5,000 acres, or even more."

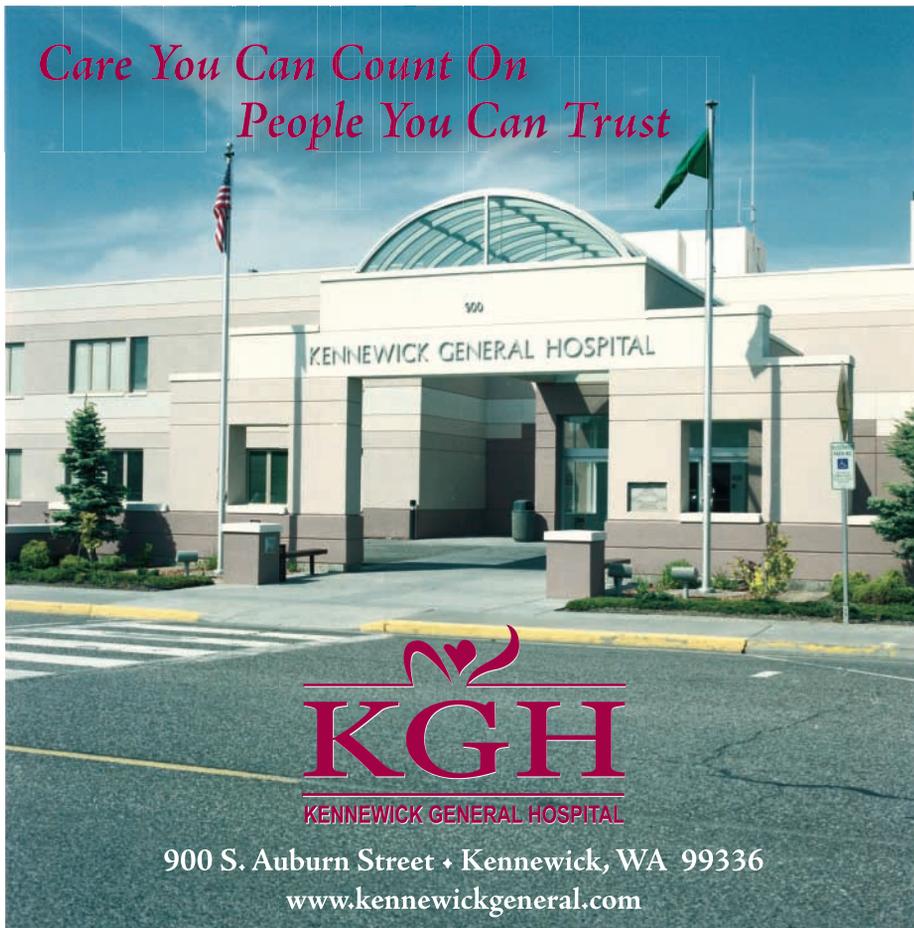
Land prices in the area have continued to climb — Loman cites instances of irrigated farmland selling for \$3,500 an acre — and the cost of farming has escalated along with them. Small growers often see more profit from selling their land than from farming it. The face of the industry is changing, but the consolidations, Loman says, allow larger operators to stay in business in the mid-Columbia Valley.



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## REGIONAL REPORT

### THE HISPANIC INFLUENCE

And the payroll at big farms feeds the economy. A natural by-product of the booming agricultural scene is an expanding Hispanic community, a group Port of Pasco director Jim Toomey calls “our biggest asset.” Hispanics account for 19 percent of the Tri-Cities’ population, and a whopping 52 percent in Pasco.

Dave Cortina publishes *La Voz*, the area’s Spanish-language newspaper, and serves as president of the Hispanic Chamber of Commerce.

The traditional status of Hispanics as low-income, migrant workers is evolving, he says, as second- and third-generation farm workers educate their children and put down roots in the community, moving into the ranks of the middle class.

“A majority of the downtown businesses in Pasco are Hispanic. And they’re buying their buildings; they’re not just renting,” Cortina says.

If his business’s history is any indication, the Hispanic population will become increasingly more influential. Cortina started publishing his newspaper in 1995 in Walla Walla, with initial ad revenues of \$1,200.

The company moved to Pasco in 1999, and has averaged \$360,000 in billings for the last few years. By 2008, Cortina says, “I should be doing a million dollars.”

Indeed, with purchasing power calculated at \$463 million, the area’s Hispanic community represents an important market, and some entrepreneurs in the region are starting to take notice. Dennis Gisi, CEO of Layd Ventures in Walla Walla, calls the Hispanic sector “a breakout market.”

His organization is seeking a charter for a new bank that will cater specifically to that group.

“Our information shows that Pasco is the second-fastest-growing community in the state,” Gisi says.

### ‘NOTHING BUT GROWTH’

Gisi is not alone.

Craig Gaylord opened Fiesta Foods grocery in a new 43,000-square-foot building in March 2002.

Gaylord is enthusiastic about the Tri-Cities and his move to central Washington. “We see nothing but growth there,” he says.

— Anne Sampson

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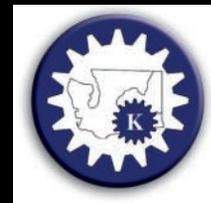
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# A Healthy Dose of Dollars

*Kadlec Medical Center expands its services to nurture a larger region.*

**FIFTY** million dollars in new construction completed in 2002. One of the largest employers in the Tri-Cities, with 1,250 employees and a payroll of \$60 million. A 33-percent increase in market share over the last three years. Another \$10.3 million budgeted for new construction in 2004.

Kadlec Medical Center in Richland claims each of those achievements. It's a visible growth factor in a growing economy, and CEO Rand Wortman says his hospital hasn't yet hit its target.

"We intend to be a regional medical center, serving a population base of 250,000 people," Wortman says. "We're pretty close right now."

In 1998 Kadlec's board of directors launched a building program that expanded the hospital's services, including a new support-services/administration building, a new open-heart surgery suite, a new 20-bed intensive care unit, and a new 26-bed emergency room, as well as improvements to the existing facility.

In 2002, the hospital also opened a new \$1 million 12-bed outpatient unit and an additional cardiac catheterization lab that cost about \$2 million. In the same year, Kadlec set out to build an outpatient

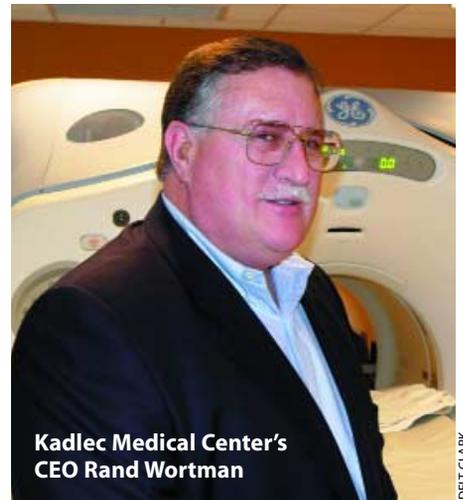
imaging center. The hospital joined with a group of physicians and invested about \$3 million to own a third of the new building, then developed a partnership with General Electric Corporation to lease equipment, making it GE's showcase in the Northwest for its latest technologies in medical imaging.

## AGGRESSIVE GROWTH

In 2004, the hospital will continue improvements to the administration building, add 19 more private rooms, and apply for a certificate of need to bring its number of approved beds to 173.

The growth is aggressive, but Wortman says it's carefully targeted. "We're consistently spending \$10 million to \$11 million a year that we're financing from operations," he points out.

The medical center's business, like that of every other economic sector in the



Kadlec Medical Center's CEO Rand Wortman

DELT CLARK

area, is heavily influenced by the federal dollars spent at Hanford. Kadlec enjoys good insurance reimbursements today, Wortman says, largely because of the good insurance policies offered by Hanford contractors.

But a future without federal employees doesn't necessarily mean a downturn for the hospital. Wortman is counting on several factors. Historically the Tri-Cities, with its mild weather, multiple recreational offerings, and sunny climate, has been the retirement choice of many Hanford employees, and that age group — baby boomers — tends to utilize a lot of medical services, he points out.

"If you want to bring in new money from outside the community, there's no better way to do that than through Medicare dollars," he says, although "that's a mixed blessing for a hospital" whose costs often exceed the income from Medicare.

So Wortman plans to increase Kadlec's business in other areas, as well. Women's and children's services, for example, will enable the hospital to build relationships with young families that will continue to be profitable for years.

The hospital has increased its market share in each of the last 10 quarters, and now claims 40 percent of patient admissions in the Tri-Cities.

Still, Wortman keeps an eye carefully trained on the future.

"Our strategy is to develop referrals regionally, so that as Hanford slows down we are less dependent on the Tri-Cities economy and more dependent on the region," he says. "Patients on Medicare and those from outlying communities won't be impacted by Hanford. I think we have an obligation to this community to plan well into the future." —A.S.

JIM HALL



Kadlec's \$50-million expansion project will give the medical center a state-of-the-art, all-digital outpatient imaging center.

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PHOTOS: MARY BRENNAN

# Tri-Cities: Building A Greater Economic Base

*Business and civic leaders are using Hanford's financial power to fuel greater economic diversity.*

**THE** Tri-Cities can thank Hanford for much of its growth during the last 60 years. But as the nuclear reservation moves forward in its long and complicated clean-up process, regional leaders are looking for ways to diversify the economy and build new industries for the future.

That was one of the main points shared by a large group of business and government leaders who gathered at the Pasco Red Lion Motor Inn in the fall of 2003 for a CEO Roundtable concerning the future of the Tri-Cities.

The following is an edited excerpt from the transcript of that far-reaching discussion.

What do you see as the main opportunities and challenges facing the Tri-Cities right now?

**Len Peters Battelle/PNNL:** The challenge for us, of course, is the obvious one and that is the transition of the Hanford area as we move from a cleanup scenario to one that is a post-cleanup scenario. We believe that it's very important that technology and technology-based economic development play an important part in that because it's critical that we have an environment that is conducive to recruiting and retaining highly educated people.

**Kevin Chalmers Bechtel National:** We have a huge, huge project in front of us here at Hanford. We have \$5.6 billion

worth of work. So, it's a huge impact on this economy. We plan to have \$2.3 billion of subcontracted services and the purchases.

**David Cortinas La Voz:** The Hispanic population spends \$4.63 million here in the Tri-Cities, so that means there's good agricultural jobs here for the majority of these people.

**Kris Johnson Tri-City Area Chamber of Commerce:** Small businesses make up 85 percent of our organization, close to 80 percent of our community. They faced major increases, just in the past couple years in U&I, L&I, minimum wage, health care. They're struggling to keep their doors open.

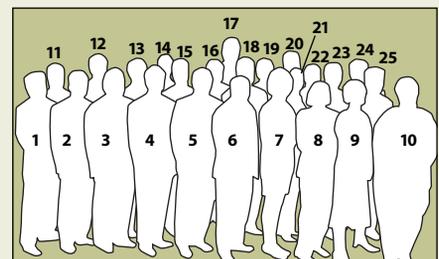
**Ed Aromi CH2M Hill:** We do spend a good deal of our resources in our community thinking about how to make sure that we have opportunities for our community after Hanford is gone. And it will be gone. But the current compliance plans are to have Hanford done in 2033, not '10 or '15 or '25. We've got time in front of us.

**Gary Spanner PNNL:** We have lots of technologies generated here in the Tri-Cities. In fact, nearly 50 patents were awarded last year in PNNL alone — and our recent analysis showed that the Tri-Cities, or at least Benton County, is the number two per capita in patent generation in the state.

**Tana Bader-Inglima Tri-Cities Visitor and Convention Bureau:** \$247 million

**First Row:** 1. **Jim Toomey**, Executive Director; Port of Pasco 2. **Bill Henderson**, President; Tri-Cities Enterprise Center 3. **David Cortinas**, Publisher Owner; La Voz Hispanic Newspaper 4. **Ed Aromi**, President; CH2M Hill 5. **Frank Armijo**, Director and General Manager; Lockheed Martin Information Technology 6. **Carl Adrian**, President; TRIDEC 7. **Carol Moser**, Council Member; Richland City Council 8. **Sandy Matheson**, Chair of the Board of Directors; TRIDEC 11. **Kathy Balcom**, Manager; KFFX Fox 11 TV 10. **Michelle Mann**, Executive Director; B-F Workforce Development Council

**Second Row:** 11. **Dennis Loman**, Partner; LeMaster & Daniels 12. **Kris Johnson**, Executive Director; Tri-City Area Chamber of Commerce 13. **Gary Spanner**, Manager of Economic Development; PNNL 14. **Jeff Bond**, Managing Editor; *Washington CEO* 15. **Kevin Chalmers**, Manager Acquisition Services; Bechtel National, Inc. 16. **Marvin J. Kinney**, Assistant Executive Director; Port of Benton 17. **John Sellers**, Executive Director; Tri-Cities Convention Center 18. **Gary Ballew**, Deputy Administrator; Benton County 19. **John Neill**, Executive Vice President; Banner Bank 20. **Jeff Clark**, Vice President, Human Resources; Kadlec Medical Center 21. **Tana Bader-Inglima**, VP of Marketing & Public Relations; Tri-City Visitor & Convention Bureau 22. **Len Peters**, Director; Battelle/PNNL 23. **Jerry Schneider**, Program Manager, Economic Diversification; Fluor Hanford 24. **John Darrington**, Manager; City of Richland 25. **Scott Fivash**, CEO & Editor in Chief; *Washington CEO*



[ *Agribusiness* ]

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## REGIONAL REPORT

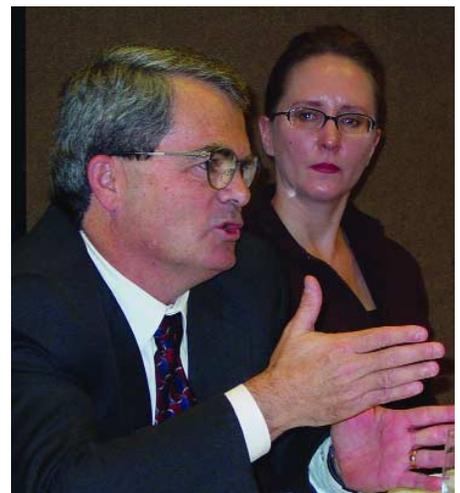
were infused into this economy in Benton-Franklin Counties alone through tourism spending. That's an incredible amount of money. In our wine industry, we've gone from about 14 [or] 15 wineries in the early '90s to more than 87 wineries within an hour's drive of this community. So, we are becoming the heart of Washington's wine country.

Can you give us an economic overview of the Tri-Cities area?

**John Neill Banner Bank:** We've been on a hell of a roll. We've probably had the strongest economy in the Pacific Northwest. But, that economy has been bolstered by government monies. I am concerned about that very, very heavy reliance (on Hanford). We have to continue to drive towards economic diversity.

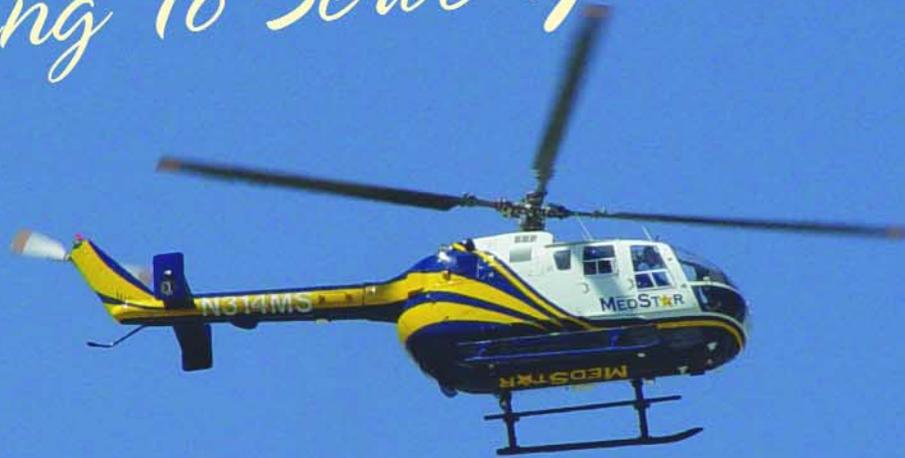
**Carl Adrian TRIDEC:** If you look at August '02 to August '03, we really have 1,200 more people employed in the Richland County area than we did a year ago. So the economy continues to grow. It's not growing as rapidly as it did in the previous [period] of 2001 to 2002. Then we had about a 4.5 percent growth. So the rate of growth is slowing. And I think what's happening, is there's some natural diversification going on. The real challenge is going to be replacing the income that may be lost from some of those jobs at Hanford.

What changes are happening at Hanford and how will it affect the local economy?



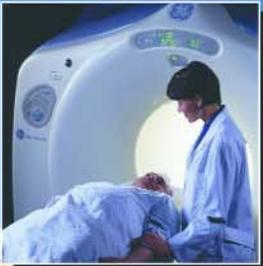
**Jim Toomey**, Port of Pasco; **Tana Bader-Inglima**, Tri-City Visitor & Convention Bureau

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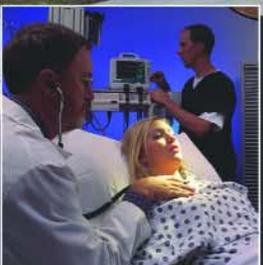
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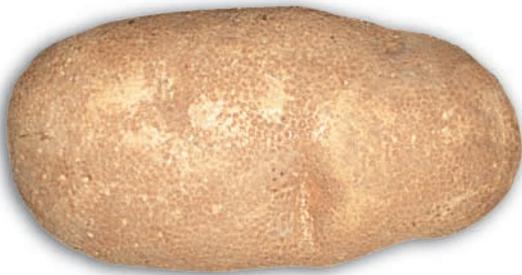
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## REGIONAL REPORT

**Ed Aromi CH2M Hill:** There will be change. But this community receives over \$2 billion in Federal funds on the reservation now. That's up from six years ago. And, while it may drop to \$1.5 [billion] there are plans and periods between now and well into the 2030s to be spending that kind of money here annually, until the end. The reality is that we've changed a lot. We don't have 10,000 employees in the base contractor workforce any more. But, instead, we spend a lot more money on small businesses than we ever did.

What about the image problem you sometimes face when you talk to people outside of the area?

**Carol Moser Richland City Council:** We see it as a negative. Many people have already pointed it out to us. Simply, there are a lot of businesses that are concerned about radioactivity and the negative image of having a business located near the Hanford site. We see this across the United States at other DOE communities. It's an image that they have to overcome as well. [We are] trying to rebrand ourselves . . . as the Three Rivers community.

What about PNNL's expansion? How do you see PNNL going forward in the future?

**Len Peters Battelle/PNNL:** Much of the research and development that is going on at the laboratory is really focused on national and international issues, as opposed to just Hanford issues. I believe that government-supported R&D has to really be supplemented and complimented by private sector R&D.

Our near-term plans and thinking right now are that there's probably going to be a 2 percent real growth in materials of R&D budget over the next five to eight years. That is real growth corrected for whatever the inflation rate is. And we look at those probably in terms of generating somewhere around 50 to 75 new jobs a year.

**Gary Ballew Benton County:** We expect that homeland security will be an area that will experience a lot of its growth – moving more away from the environment.

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What are some of the projects that Lockheed Martin is working on?

**Frank Armijo** Lockheed Martin: As Hanford has downsized some of their requirements, we have been able to offset [that with] what we call non-Hanford or commercial jobs here in the Tri-Cities. We're going to be deploying a software package that was actually developed for CH2M Hill to the U.S. Air Force worldwide, which is going to create by itself more than 50 IT related jobs here, software engineering jobs, in the Tri-Cities.

What is the situation right now with the agricultural industry?

**Dennis Lowman** LeMaster & Daniels: What I see in the agricultural industry is really more globalization, which is a driving force for consolidation among very large farming operations.

**Kathy Balcom** KFFX: My other hat is we own a 3,500-acre farm here in Pasco. Chile and Australia are shipping wines into this state at 50 cents on the dollar for what we can produce them for. So the whole industry is in grave jeopardy. The agricultural field needs to really focus on exporting and not importing product. There are several wineries in this area that are scaling way back.

What is happening to attract new business?

**Carl Adrian** TRIDEC: I look at TRIDEC as being one of the marketing arms for the community in terms of business attraction. We have had a list of target industries that we have marketed to in the past. During the coming year we're looking very strongly at food processing, administrative offices, technology-related businesses primarily as they might relate to PNNL, as well as logistics.



**John Neill**, Banner Bank; **Len Peters**, Battelle/PNNL

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