

**WINE BUSINESS INCUBATOR
FEASIBILITY STUDY
ADDENDUM**

HDR Technical Memorandum



Introduction

After discussion with Port of Kennewick representatives regarding the final report issued by HDR in August of 2008 this addendum was developed to cover two specific items the Port asked HDR to perform in relation to the initial final feasibility study. Those two items were:

1. A discussion of several sites in the Tri-Cities that are not currently owned by the Port of Kennewick which could be purchased for use as a location for the wine incubator facility, and
2. A revision of the original IMPLAN data to include jobs created if the facility used one of the available bays for ancillary wine support businesses such as laboratory analysis, marketing, bottle labeling or a similar activity. These ancillary support uses would be able to see a more rapid growth rate than a winery due to the already existing market in the region.

Section 1 - Other Possible Locations

One area that was explored after consulting with the Port of Kennewick was the potential for future development properties that the Port does not currently own, but that could be acquired for the development of the incubator facility. These sites were considered because they are being investigated by the Port for potential acquisition, and because they meet the needs for the incubator site.

There are three potential properties that the Port may be willing to consider as alternatives to the sites in the main report. Those sites are the Dickerson property, the Columbia Park Road property and property in downtown West Richland. These sites are additional sites that the Port would consider in developing the incubator.

- **Dickerson Property:** The Port of Kennewick currently owns the land but it is under a sales contract with Southridge Village LLC. The Port could potentially negotiate the re-purchase of between two and three acres of the property for a Wine Incubator Facility. This property is an excellent choice for the facility as it sits at the gateway into the Tri-Cities with access off both SH 395 and Interstate 82. The development of the property by Southridge LLC includes commercial and retail components which would fit well with an incubator and the site is close to high-end residential and the Canyon Lakes Golf Course.
- **Columbia Park Road Property:** This property is located within Benton County off of I-82 and sits at the border of the City of Richland. This property is not currently owned by the Port of Kennewick, but it could prove to be an ideal location for an incubator as there are three existing wineries in close proximity, as well as restaurants and other retail and commercial business. The property

south of the existing wineries is available for sale. The major negative to the development of this property would be that the Port would have to work with the City of Richland to get water and sewer provided to the site. Richland is currently investigating annexation of the area. Road access and utilities to the site would need to be provided, however, there is utilities and a road within close proximity.

- **Downtown in West Richland:** This property is located off Highway 225 and sits in the heart of downtown West Richland with Yakima River front property and near proximity to the West Richland golf course. This property would be the least desirable of those not currently owned by the Port as it would need the most redevelopment work to make it into a first class space.

Section 2 - Job Creation With Ancillary Support

Following the completion of the original report the Port of Kennewick asked HDR if it could run its IMPLAN model to predict job creation for the incubator facility if one of the bays were turned into an ancillary support bay to provide space for a business that can support the wine-making industry in the region as well as the start-up wineries in the incubator facility.

HDR approached the development of this IMPLAN run with the assumption that the business would stay in the facility for a minimum of five years, but that it would create jobs more quickly than a winery because of its ability to serve the broader Eastern Washington winery market. The types of ancillary support were not specifically identified in an effort to provide the Port with the maximum flexibility in putting potential clients into the facility, but some of the support used to develop the model included chemistry laboratory support, marketing support and labeling/bottling support. All of these areas were similar in terms of job creation per dollar level of income so HDR just created an IMPLAN run with the assumption that the job creation numbers with ancillary support in one of the bays would be similar.

For the purposes of this addendum a five-year job creation run was developed and the numbers, while similar to those in the original IMPLAN model included in the main report, showed some increased growth due to the ability of the ancillary support facility to obtain work from throughout the region.

Overall - with the modifications to the model – jobs created in the first five years of the facility with an ancillary support component looked like this.

Year	2010	2011	2012	2013	2014
Jobs	16	20	25	30	40

The inclusion of the ancillary support showed growth over the original model largely because of the ability of the support industry (whatever it was) to grow market share and jobs from the broader wine-making market in the region. The support business

would also be able to put more bodies into its space than the winemaking bays because the nature of the business would not require the storage of casks and case goods that winemaking requires.

In comparison to the job creation in the original IMPLAN run the facility would create or retain one more job in the first year of operation, two more positions in the second year of operation and three more in the third. In years four and five only two more positions would be created than in the original model due to the restrictive nature of the facility. This assumes that the support business does not leave the incubator facility until at least the fifth year. If the ancillary business grew quickly it may leave the facility and experience much higher growth, but for the purposes of the IMPLAN run the ancillary support stayed in the incubator facility until the end of the fifth year of operation.