



Nikki R. Haley
Governor

SOUTH CAROLINA
DEPARTMENT OF COMMERCE

Robert M. Hitt III
Secretary

**TO: Michael McInerney, Director of External Affairs
South Carolina Department of Commerce**

**FROM: Alan D. Young, Executive Director, Coordinating Council for
Economic Development
South Carolina Department of Commerce**

DATE: May 15, 2014

SUBJECT: 2013 Annual Report of Enterprise Zone Activity

On behalf of the South Carolina Coordinating Council for Economic Development, I am pleased to submit the 2013 Annual Report of Enterprise Zone Activity. In accordance with Sections 12-10-85(D) and 12-10-100(C) of the Enterprise Zone Act of 1995, this report details activities of the Enterprise Zone Programs managed by the South Carolina Department of Commerce's Grants Administration Division.

Please call me at 803-737-0448 should you have questions or need additional information.

cc: The Honorable Robert M. Hitt III, Secretary of Commerce
Chairman, SC Coordinating Council for Economic Development
William M. Blume, Jr., Director, SC Department of Revenue
Chairman, Coordinating Council Enterprise Committee
The Honorable Hugh E. Weathers, Commissioner, SC Department of Agriculture
Ralph A. Odom, Jr., Chairman, State Board for Technical and Comprehensive Education
Marco L. E. Cavazzoni, Chairman, SC Research Authority
Donald R. Tomlin, Jr., Chairman, Jobs Economic Development Authority
W. Leighton Lord III, Chairman, Santee Cooper
Duane N. Parrish, Director, SC Department of Parks, Recreation and Tourism
William H. Stern, Chairman, State Ports Authority
Cheryl M. Stanton, Director, SC Department of Employment and Workforce
Christy A. Hall, Acting Secretary, SC Department of Transportation

Enclosure

**South Carolina
Coordinating Council for
Economic Development**

**2013 Annual Report of
Enterprise Zone Activity**

May 2014

**South Carolina Coordinating Council for Economic Development
2013 Annual Report of Enterprise Zone Activity**

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OVERVIEW OF THE COORDINATING COUNCIL FOR ECONOMIC DEVELOPMENT

The Coordinating Council for Economic Development (“Council”) was established by the General Assembly in 1986 (SC Code 13-1-1710) for the purpose of enhancing economic growth and development in the State through strategic planning and coordination. As such, the Council is chaired by the Secretary of Commerce and the ten additional members are drawn from other state agencies involved in economic development.

COUNCIL RESPONSIBILITIES AND MEMBERSHIP

By statute, the full body of the Council is required to meet at least quarterly. Its responsibilities include: establishing guidelines and procedures for all Council programs; implementing the state’s strategy for economic development; reviewing and approving all applications for grants from the Economic Development Set-Aside, Rural Infrastructure, Governor’s Closing and Tourism Infrastructure Funds; and reviewing and approving all applications for Enterprise Zone Job Development Credit and Retraining incentives and all applications for International Trade Incentives. The Council also certifies economic development projects as representing “significant economic impact” on areas surrounding them for the purposes of qualifying for income tax apportionment and income tax moratoriums.

Following enactment of the Enterprise Zone legislation in 1995, the Council formed a specialized, 5-member subcommittee (“Enterprise Committee”) to handle the substantial volume of new activity and related policy decisions. This committee meets monthly to review and approve applications for Enterprise Zone incentives, review and approve applications for International Trade incentives, respond to issues relating to those programs; and recommend policies for adoption by the full Council at its quarterly meetings. Current membership of the Council is shown below.

AGENCY MEMBERS OF THE COUNCIL

SC Department of Commerce
Santee Cooper
SC Department of Transportation
SC Research Authority
Jobs Economic Development Authority
SC Department of Employment
and Workforce

*SC Department of Revenue
*SC Department of Agriculture
*SC Department of Parks, Recreation
and Tourism
*State Ports Authority
*State Board for Technical &
Comprehensive Education

**Denotes Enterprise Committee member*

2013 ADMINISTRATIVE CHANGES

Robert M. Hitt, III, who was appointed Secretary of Commerce by Governor Haley in January 2011, acted as Chairperson of the Council throughout 2013. William M. Blume, Jr., was appointed Director of the SC Department of Revenue effective January 1, 2013, and chaired the Enterprise Committee beginning February 2013. The heads of several member agencies changed during 2013.

Council membership after all changes in calendar year 2013 was as follows:

Robert M. Hitt III	Secretary of Commerce Chairman, Coordinating Council for Economic Development
William M. Blume, Jr.	Director, SC Department of Revenue Chairman, Coordinating Council Enterprise Committee
Cheryl M. Stanton	Director, SC Department of Employment and Workforce
Hugh E. Weathers	Commissioner, SC Department of Agriculture
Ralph A. Odom, Jr.	Chairman, State Board for Technical and Comprehensive Education
Marco L. E. Cavazzoni	Chairman, SC Research Authority
Donald R. Tomlin, Jr.	Chairman, Jobs and Economic Development Authority
W. Leighton Lord III	Chairman, Santee Cooper
William H. Stern	Chairman, State Ports Authority
Duane N. Parrish	Director, SC Department of Parks, Recreation and Tourism
Robert St. Onge	Secretary, SC Department of Transportation

Coordinating Council staff:

Alan D. Young	Executive Director, Coordinating Council
Cynthia Turnipseed	Legal Counsel, Coordinating Council
Marcella S. Forrest	Senior Program Manager, Enterprise Zone Program
Dale Culbreth	Senior Program Manager, CCED Grant Programs

ENTERPRISE ZONE PROGRAMS

The South Carolina General Assembly enacted the Enterprise Zone legislation in 1995. Since that time, the incentives contained in this legislation have created a significant competitive advantage for this state. They have also greatly enhanced South Carolina's ability to compete for and win high-quality, high-wage economic development projects. As Enterprise Zone incentives are most valuable to companies locating or expanding in "Tier IV" counties, Enterprise Zone incentives have also helped attract needed jobs and industry to the most rural areas of the state.

JOB DEVELOPMENT CREDIT

The most significant incentive created by the Enterprise Zone legislation is the Job Development Credit ("JDC"). The JDC acts like a rebate, refunding some or all of a company's qualifying and eligible expenditures. However, the JDC can only be claimed *after a company has proven that it has met an agreed level of new capital investment and net new job creation*. Companies must perform, in a manner consistent with their approval for the program, the level of job creation and the new capital investment on which the approval was based, before they can benefit from the program. Companies can take up to 5 years to complete their investment and job creation. At this point, they are "certified" by the Council to begin receiving JDC reimbursements.

After certification, the JDC can be claimed only *quarterly*. The reimbursement process is slow, designed to reimburse companies over a 10-year period for projects which entered into a preliminary revitalization agreement. (Should all eligible expenditures be recouped before 10 years, the process ends. In no case does the statute allow total JDCs received to exceed eligible expenditures.) Even over 10 years, many companies will recover only a small percentage of their total eligible expenditures. Generally eligible expenditures represent permanent capital investment that will stay in the state, regardless of what the company may do in the future and regardless of whether the company recoups these expenditures in the form of JDC reimbursement.

It is important to note that the statute does *not* allow reimbursement for moveable personal property, such as machinery and equipment and/or furniture and fixtures, with the exception of pollution control equipment. These items typically represent the majority of an economic development project's total capital costs, and as a result, the state and locality gain much more than simply the eligible capital investment. In order to benefit from any reimbursement in the future, the company must *meet* and maintain a level of total capital investment typically *2 to 8 times greater* than the reimbursable amount. In this way, the Enterprise Zone JDC has proven extremely effective in stimulating a guaranteed increase in capital investment and a related increase in local tax base for counties all across South Carolina.

ANNUALLY ADJUSTED JOB DEVELOPMENT CREDIT FACTORS

The amount a company can claim as a JDC depends on three factors: 1) wage levels for qualified new jobs, 2) development status of the county where the project locates or expands, and 3) maximum eligible expenditures. In no case can a company receive more than the total cost of its eligible expenditures.

1) Wage Levels

The maximum value of the JDC depends on the hourly pay rate for new positions. Because the statute was designed to encourage higher paying jobs, the higher the pay rate, the greater the benefit to the company. A company with positions that all pay \$25 per hour will be able to claim a JDC equal to 5% of the taxable wages for those positions. Conversely, a lower paying employer may qualify to claim only 2 or 3% of taxable wages for his positions. The Budget and Control Board adjusts the scale each year. The scale below shows the scale for calendar year 2013.

PERCENTAGE OF TAXABLE WAGES COMPANIES MAY CLAIM AS A JOB DEVELOPMENT CREDIT 2013	
Hourly Wage	Maximum % Claimed as JDC
\$9.32 - \$12.41 / hour	2%
\$12.42 - \$15.51 / hour	3%
\$15.52 - \$23.28 / hour	4%
\$23.29 and over	5%

2) County Development Status & Contributions to the Rural Infrastructure Fund

Of the maximum, companies can actually claim 55% to 100%, depending on the status of the county at the time of approval for the program. The greatest benefit goes to companies locating or expanding in a Tier IV county. The difference between the maximum amount and the amount the company can claim goes to the Rural Infrastructure Fund (“RIF”). As the Enterprise Program has matured, the RIF has begun to represent a significant source of assistance to rural counties, both for infrastructure and product development activities related to economic development preparedness, and for roads, water/sewer, site preparation and other activities necessary to secure new business locations or expansions.

For the purposes of determining development status, the classifications correspond to those established for the Jobs Tax Credit corporate income tax credit. Effective January 1, 2011, the state’s 46 counties were divided into four classifications based on unemployment rates and per capita income levels. The four classifications and the Job Development Credit percentages that can be claimed in each category are shown below.

**COUNTY CLASSIFICATIONS FOR THE
JOB DEVELOPMENT CREDIT**

County Classification	Allowable Credit as % of Total JDC
Tier I	55%
Tier II	70%
Tier III	85%
Tier IV	100%

JOB RETRAINING CREDIT

South Carolina's existing industry must remain competitive and profitable in order to avoid a loss of jobs to other states and countries. To assist with this, the Enterprise Act of 1995 also provided a retraining incentive for existing industry. This "retraining credit" allows eligible businesses to claim a credit against withholding tax for the cost of retraining existing production or technology employees, provided the training is necessary for the company to remain competitive or to introduce new technologies.

The Enterprise Zone legislation requires that retraining be approved and performed by the technical college serving the designated site. The technical college may provide the retraining program directly or contract with other training entities to accomplish the training outcomes.

The Council defines production employees as employees who are directly engaged in the actual making of tangible personal property or who are directly involved in manufacturing, processing operations or distribution. A technology employee is also defined as an employee at a technology intensive facility who is directly engaged in the design, development and introduction of new products or innovative manufacturing processes, or both, through the systematic application of scientific and technical knowledge at a technology intensive facility. Eligible businesses may not claim more than \$500 per calendar year, or \$2,000 over a five-year period, per production or technology employee. Furthermore, a company must match – on a dollar for dollar basis – the employee's withholding share claimed for the training. Finally, companies may not claim ***both*** the Job Development Credit and the Retraining Credit on the same position.

RESPONSIBILITIES OF THE COUNCIL

The Enterprise Zone Act (“Act”) gives the Council authority to administer Enterprise Zone incentives in a manner consistent with the Act. The Act charges the Council with establishing criteria for approval of qualifying businesses, conducting an adequate cost/benefit analysis with respect to proposed projects and incentives proposed to be granted, and preparing a public document that summarizes each revitalization agreement concluded during the prior calendar year. Per Section 12-10-100(C), this report shall list each revitalization agreement, the results of each cost/benefit analysis and receipts and expenditures of application fees.

2013 ACCOMPLISHMENTS

During calendar year 2013, 52 projects were approved for the Job Development Credit Program, and these projects have made initial commitments to create 8,053 new jobs and to invest \$1.8 billion in capital land, building or equipment. The projected 10-year net economic benefit is \$9.5 billion in value to the state, the locality and private citizens in the form of public revenues and wages.

Also in 2013, companies continued to apply for, and be approved for, 5-year retraining agreements. Having negotiated training plans with the technical college serving their area, 11 retraining plans were approved for the Enterprise Zone retraining credit. Under these 5-year plans, the participating companies indicated that a total of 4,035 employees represent qualified “production employees” eligible for retraining credits.

SUMMARY OF 2013 ENTERPRISE ZONE PROGRAM ACTIVITY

SOUTH CAROLINA ENTERPRISE PROGRAM 2013 PROJECT APPROVALS	
JOB DEVELOPMENT CREDITS:	
Number of Approved Projects	52
Projected Jobs	8,053
Projected Capital Investment	\$1,825,562,070
Net Economic Benefit (over 10 years)	\$9,540,070,873
RETRAINING CREDITS:	
Number of Retraining Agreements	11
Employees to be Retrained (over 5 years)	4,035

2013 ENTERPRISE ZONE RECEIPTS & EXPENDITURES JANUARY 1, 2013 – DECEMBER 31, 2013	
RECEIPTS:	
Application Fees	\$176,000
Renewal Fees	\$109,250
EXPENDITURES:	
Personnel & Administration	\$281,594

Summary of 2013 Enterprise Zone Program Activity

2013 JOB DEVELOPMENT CREDIT PROJECTS BY COUNTY CLASSIFICATION			
COUNTY CLASSIFICATION	NUMBER OF PROJECTS	PROJECTED INVESTMENT	PROJECTED JOBS
Tier I	20	\$882,640,000	3,829
Tier II	15	\$371,820,619	1,651
Tier III	12	\$296,261,451	1,654
Tier IV	5	\$274,840,000	919
TOTALS	52	\$1,825,562,070	8,053

2013 JOB DEVELOPMENT CREDIT PROJECTS BY PROJECT TYPE				
PROJECT TYPE	NUMBER OF PROJECTS	NUMBER OF COMPANIES	PROJECTED INVESTMENT	PROJECTED JOBS
Expansion	24	24	\$ 925,179,503	3,907
New	28	28	\$ 900,382,567	4,146
TOTALS	52	52	\$1,825,562,070	8,053

**ENTERPRISE ZONE PROGRAM
PRELIMINARY REVITALIZATION AGREEMENTS
CALENDAR YEAR 2013 APPROVALS**

Note: Not all projects have been announced

PROJECT NUMBER	COUNTY	PROJECTED INVESTMENT	PROJECTED JOBS	PROJECTED 10-YEAR NET ECONOMIC BENEFIT	PROJECT TYPE
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**ENTERPRISE ZONE PROGRAM
PRELIMINARY REVITALIZATION AGREEMENTS
CALENDAR YEAR 2013 APPROVALS**

Note: Not all projects have been announced

PROJECT NUMBER	COUNTY	PROJECTED INVESTMENT	PROJECTED JOBS	PROJECTED 10-YEAR NET ECONOMIC BENEFIT	PROJECT TYPE
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**ENTERPRISE ZONE PROGRAM
FINAL REVITALIZATION AGREEMENTS
CALENDAR YEAR 2013**

COMPANY NAME	COUNTY	PROJECTED 10-YEAR NET ECONOMIC BENEFIT
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**ENTERPRISE ZONE PROGRAM
5-YEAR RETRAINING AGREEMENTS
CALENDAR YEAR 2013 APPROVALS**

COMPANY NAME	COUNTY	EMPLOYEES ELIGIBLE TO BE RETRAINED DURING 5-YEAR AGREEMENT
Argos Cement LLC	Dorchester	75
BorgWarner Inc.	Oconee	296
CompX National	Greenville	168
Domtar Paper Company	Marlboro	256
Giant Cement Holding, Inc.	Dorchester	92
Intertape Polymer Group	Richland	162
KapStone Charleston Kraft, LLC	Charleston	741
Kraft Foods Group (Louis Rich)	Newberry	2,000
MeadWestvaco	Charleston	135
Scout Boats, Inc.	Dorchester	110