

Nikki R. Haley
Governor



Robert M. Hitt, III
Secretary

Nikki R. Haley

SOUTH CAROLINA

Robert M. Hitt, III

TO: State Budget & Control Board
Senate Finance Committee
House Ways & Means Committee

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

DATE: May 15, 2011

SUBJECT: 2010 Annual Report of Enterprise Zone Activity

On behalf of the Coordinating Council for Economic Development, I am pleased to submit the 2010 Coordinating Council for Economic Development 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, Coordinating Council for Economic Development
Jim Etter, Director, SC Department of Revenue
The Honorable Hugh E. Weathers, Commissioner, SC Department of Agriculture
Montez C. Martin, Jr., Chairman, State Board for Technical and Comprehensive Education
William E. Masters, Chairman, SC Research Authority
Peter Brown, Chairman, Jobs Economic Development Authority
O. L. Thompson, Chairman, Santee Cooper
Duane N. Parrish, Director, SC Department of Parks, Recreation and Tourism
William H. Stern, Chairman, State Ports Authority
John Finan, Director, SC Department of Employment and Workforce
Robert St. Onge, Secretary, SC Department of Transportation

Enclosure

**South Carolina
Coordinating Council for
Economic Development**

**2010 Annual Report of
Enterprise Zone Activity**

March 15, 2011

**SC Coordinating Council for Economic Development
2010 Annual Report of Enterprise Zone Activity**

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OVERVIEW OF THE COORDINATING COUNCIL FOR ECONOMIC DEVELOPMENT

The Coordinating Council for Economic Development 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 Set-Aside, Rural Infrastructure, Closing and Tourism Infrastructure Funds; and reviewing and approving all applications for Enterprise Zone Job Development Credit and Retraining 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, five-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, respond to issues 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 COORDINATING COUNCIL

SC Department of Commerce	*SC Department of Revenue
SC Department of Parks, Recreation and Tourism	*SC Department of Agriculture
SC Department of Employment and Workforce	*Santee Cooper
SC Research Authority	*State Ports Authority
State Board for Technical and Comprehensive Education	*Jobs Economic Development Authority
SC Department of Transportation	

**Denotes Enterprise Committee member*

2010 ADMINISTRATIVE CHANGES

Joe E. Taylor, Jr., who was appointed Secretary of Commerce by Governor Sanford in March 2006, acted as Chairperson of the Coordinating Council throughout 2010. Ray Stevens, Director of the SC Department of Revenue, chaired the Enterprise Committee of the Coordinating Council throughout 2010. The heads of several member agencies changed during 2010, and The Secretary of the Department of Transportation was added as a member.

Council membership after all changes in calendar year 2010 was as follows:

Joe E. Taylor, Jr.	Secretary of Commerce Chairman, Coordinating Council for Economic Development
Ray Stevens	Director, SC Department of Revenue Chairman, Coordinating Council Enterprise Committee
John Finan	Director, SC Department of Employment and Workforce
Hugh E. Weathers	Commissioner, SC Department of Agriculture
Montez C. Martin, Jr.	Chairman, State Board for Technical and Comprehensive Education
William E. Masters	Chairman, SC Research Authority
Peter Brown	Chairman, Jobs and Economic Development Authority
O.L. Thompson	Chairman, Santee Cooper
William H. Stern	Chairman, State Ports Authority
Chad Prosser	Director, SC Department of Parks, Recreation and Tourism
H. B. Limehouse, Jr.	Secretary, SC Department of Transportation

Coordinating Council staff:

Alan D. Young	Executive Director, Coordinating Council
Cynthia Turnipseed	Assistant to the Director and Staff Attorney
Marcella S. Forrest	Senior Program Manager, Enterprise Zone Program
Jackie Calvi	Senior Program Manager, CCED Grant Programs

To absorb the general funds reduction for the fiscal year beginning July 1, 2010, Proviso 89.87 of the Appropriation Act for FY 2010-11 gave agencies the ability to spend funds from an agency earmarked and restricted account designated as “special revenue funds.” The Council approved a transfer of \$200,000 from the Enterprise Zone administrative account to the agency budget.

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 "distressed," "least developed" and "under developed" 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 2010.

PERCENTAGE OF TAXABLE WAGES COMPANIES MAY CLAIM AS A JOB DEVELOPMENT CREDIT 2010	
Hourly Wage	Maximum % Claimed as JDC
\$8.74 - \$11.64 / hour	2%
\$11.65 - \$14.55 / hour	3%
\$14.56 - \$21.84 / hour	4%
\$21.85 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. Greatest benefit goes to companies locating or expanding in “distressed” and “least developed” counties. The difference between the maximum 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. The state’s 46 counties are divided into five classifications initially based on unemployment rates and per capita income levels. The five 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
Developed	55%
Moderately Developed	70%
Under Developed	85%
Least Developed & Distressed	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 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 Coordinating 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. Eligible businesses may not claim more than \$500 per calendar year, or \$2,000 over a five-year period, per production 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 COORDINATING COUNCIL

The Enterprise Zone Act (“Act”) gives the Coordinating Council authority to administer these incentives in a manner consistent with the Act. The Act charges the Coordinating 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.

2010 ACCOMPLISHMENTS

During calendar year 2010, 45 projects were approved for the Job Development Credit Program, and these projects have made initial commitments to create 6,951 new jobs and to invest \$2.1 billion in capital land, building or equipment. The projected 10-year net economic benefit is \$8.3 billion in value to the state, the locality and private citizens in the form of public revenues and wages.

Also in 2010, companies continued to apply for, and be approved for, 5-year retraining agreements. Having negotiated training plans with the technical college serving their area, 7 retraining plans were approved for the Enterprise Zone retraining credit. Under these 5-year plans, the 7 participating companies indicated that a total of 1,526 employees represent qualified “production employees” eligible for retraining credits.

Additionally, the Coordinating Council approved a transfer from Enterprise Zone funds to the agency budget in accordance with Proviso 89.87 of the Appropriation Act for FY 2010-11. The amount of the transfer was \$200,000.

**SUMMARY OF 2010 ENTERPRISE ZONE PROGRAM ACTIVITY
& APPLICATION FEES**

SOUTH CAROLINA ENTERPRISE PROGRAM 2010 PROJECT APPROVALS	
JOB DEVELOPMENT CREDITS:	
Number of Approved Projects	45
Projected Jobs	6,951
Projected Capital Investment	\$2,147,165,914
Net Economic Benefit (over 10 years)	\$8,330,134,371
RETRAINING CREDITS:	
Number of Retraining Agreements	7
Employees to be Retrained (over 5 years)	1,526

2010 ENTERPRISE ZONE APPLICATION FEES	
APPLICATION FEES RECEIVED:	
January 1 – December 31, 2010	\$281,250.00
EXPENDITURES:	
Personnel & Administration	\$513,656.30*
*In accordance with Proviso 89.87 of the Appropriation Act for FY 2010-11, the Coordinating Council approved \$200,000 in Enterprise Zone funds be transferred to the agency budget.	

SUMMARY OF 2010 ENTERPRISE ZONE PROGRAM ACTIVITY

2010 JOB DEVELOPMENT CREDIT PROJECTS - BY COUNTY CLASSIFICATION -			
COUNTY CLASSIFICATION	NUMBER OF PROJECTS	PROJECTED INVESTMENT	PROJECTED JOBS
Developed	10	\$791,018,416	3,241
Moderately Developed	15	\$1,085,526,021	2,100
Under Developed	5	\$78,665,877	466
Least Developed	4	\$92,226,100	229
Distressed	11	\$99,729,500	915
TOTALS	45	\$2,147,165,914.00	6,951

2010 JOB DEVELOPMENT CREDIT PROJECTS - BY PROJECT TYPE -				
PROJECT TYPE	NUMBER OF PROJECTS	NUMBER OF COMPANIES	PROJECTED INVESTMENT	PROJECTED JOBS
Expansion	15	15	\$349,223,998	1,549
New	30	24	\$1,797,941,916	5,402
TOTALS	45	39	\$2,147,165,914.00	6,951

**ENTERPRISE ZONE PROGRAM
PRELIMINARY REVITALIZATION AGREEMENTS
CALENDAR YEAR 2010 APPROVALS**

Note: Not all projects have been announced

PROJECT NUMBER	COUNTY	PROJECTED INVESTMENT	PROJECTED JOBS	PROJECTED 10-YEAR NET ECONOMIC BENEFIT	PROJECT TYPE
EZ10352528	Marlboro	\$60,000,000	94	\$110,788,065	Expansion
EZ10392505	Pickens	\$3,680,000	45	\$54,150,591	New
EZ10322582	Lexington	\$105,000,000	1,249	\$1,071,628,797	New
EZ10402569A	Richland	\$232,143,976	500	\$816,410,594	New
EZ10402569B	Richland	\$228,949,440	400	\$730,450,811	New
EZ10422532	Spartanburg	\$7,500,000	200	\$173,266,709	New
EZ10432539	Sumter	\$6,000,000	120	\$100,667,413	New
EZ10462570	York	\$8,376,021	176	\$222,251,211	Expansion
EZ10462589	York	\$9,970,000	60	\$46,467,567	New
EZ10132530	Chesterfield	\$3,876,100	91	\$135,660,812	Expansion
EZ10292580	Lancaster	\$3,096,000	80	\$170,443,259	Expansion
EZ09422501	Spartanburg	\$7,000,000	60	\$52,838,574	Expansion
EZ10242588	Greenwood	\$12,000,000	50	\$45,758,365	New
EZ10042595	Anderson	\$3,625,000	40	\$64,809,224	New
EZ10142577	Clarendon	\$5,410,000	143	\$131,734,662	New
EZ10362496	Newberry	\$15,007,000	204	\$191,539,360	Expansion
EZ10042495A	Anderson	\$250,000,000	200	\$403,128,523	New
EZ10042495B	Anderson	\$250,000,000	200	\$306,409,524	New
EZ10042495C	Anderson	\$250,000,000	200	\$340,032,378	New
EZ10042495D	Anderson	\$250,000,000	400	\$575,461,214	New
EZ10322537	Lexington	\$8,900,000	32	\$49,363,027	New
EZ10082538	Berkeley	\$500,000	87	\$133,978,140	Expansion
EZ10122568	Chester	\$45,000,000	40	\$69,800,093	Expansion
EZ09382502	Orangeburg	\$50,000,000	18	\$52,426,322	New
EZ10182509	Dorchester	\$47,000,000	190	\$162,974,125	New
EZ10432512	Sumter	\$8,978,877	57	\$41,903,904	Expansion
EZ10422507	Spartanburg	\$10,100,000	40	\$47,062,790	Expansion
EZ10402571	Richland	\$27,500,000	150	\$127,123,104	Expansion
EZ10292541A	Lancaster	\$1,225,000	30	\$37,985,438	New
EZ10292541B	Lancaster	\$2,070,000	53	\$59,511,407	New
EZ10292541C	Lancaster	\$2,440,000	60	\$47,918,026	New
EZ10292541D	Lancaster	\$4,421,500	60	\$47,271,506	New
EZ10452540	Williamsburg	\$7,040,000	75	\$46,442,592	Expansion
EZ10232583	Greenville	\$1,125,000	325	\$272,938,311	New
EZ10422534	Spartanburg	\$18,777,000	310	\$263,953,681	New

**ENTERPRISE ZONE PROGRAM
PRELIMINARY REVITALIZATION AGREEMENTS
CALENDAR YEAR 2010 APPROVALS
(CONTINUED)**

Note: Not all projects have been announced

PROJECT NUMBER	COUNTY	PROJECTED INVESTMENT	PROJECTED JOBS	PROJECTED 10-YEAR NET ECONOMIC BENEFIT	PROJECT TYPE
EZ10462526	York	\$2,678,000	45	\$80,374,070	New
EZ10182553	Dorchester	\$125,000,000	285	\$398,109,626	Expansion
EZ10232462	Greenville	\$14,000,000	70	\$106,633,136	New
EZ09232484	Greenville	\$1,400,000	40	\$40,498,364	Expansion
EZ10132544	Chesterfield	\$26,350,000	70	\$82,582,642	Expansion
EZ10292523	Lancaster	\$1,000,000	150	\$195,027,001	New
EZ09342504	Marion	\$5,277,000	70	\$59,298,606	New
EZ10462522	York	\$6,600,000	57	\$53,975,491	New
EZ10142563	Clarendon	\$7,750,000	100	\$61,666,822	New
EZ10462559	York	\$10,400,000	25	\$47,418,494	New

**ENTERPRISE ZONE PROGRAM
FINAL REVITALIZATION AGREEMENTS
CALENDAR YEAR 2010 APPROVALS**

COMPANY NAME	COUNTY	PROJECTED 10-YEAR NET ECONOMIC BENEFIT
Blue Ridge Log Cabins, LLC	Spartanburg	\$46,523,324
C.M. Steel, Inc.	York	\$74,967,498
Capsugel (Warner-Lambert)	Greenwood	\$95,563,269
CareCore National, LLC	Beaufort	\$128,619,900
Carolina Ingredients	York	\$34,791,690
DISH DBS Corporation	Spartanburg	\$176,929,809
Frigoglass North America Ltd Company	Spartanburg	\$56,578,196
Gildan Charleston 2010, LLC	Berkeley	\$67,762,539
GTE - Gas Turbine Efficiency	Spartanburg	\$79,205,721
Harsco Corporation	Lexington	\$34,530,505
ILJIN America Corporation	Spartanburg	\$92,945,874
ILJIN America Corporation	Spartanburg	\$67,187,471
Independent Pipe Products	Abbeville	\$28,672,328
Kaydon Corporation - Bearings Division	Sumter	\$39,754,304
Lear Operations Corporation	Spartanburg	\$102,406,867
Magna Exteriors and Interiors USA, Inc.	Spartanburg	\$89,845,732
Mankiewicz Coatings, LLC	Berkeley	\$35,921,857
MCA Media, LLC (MCA Sign Co)	Aiken	\$78,660,784
Mediterranean Shipping Co. (USA) Inc.	Charleston	\$90,836,119
Otis Spunkmeyer, Inc.	Lexington	\$65,768,433
Pegasus Steel, LLC	Berkeley	\$68,016,287
Radix Group International, Inc.	Lexington	\$233,046,098
RBUS, Inc.	Lancaster	\$181,234,117
Saint-Gobain Abrasives, Inc.	Greenville	\$40,498,364
Scientific Research Corporation	Charleston	\$513,686,167
Snak-Time Foods of NC, LLC	Cherokee	\$23,366,902
Sunbelt Rentals, Inc.	York	\$228,933,171
United Parcel Service	Greenville	\$137,420,785
United Tool & Mold, Inc.	Spartanburg	\$22,604,902

**ENTERPRISE ZONE PROGRAM
5-YEAR RETRAINING AGREEMENTS
CALENDAR YEAR 2010 APPROVALS**

COMPANY NAME	COUNTY	EMPLOYEES ELIGIBLE TO BE RETRAINED DURING 5-YEAR AGREEMENT
Confluence Watersports	Pickens	400
Covidien Healthcare - Seneca Facility	Oconee	425
Detyens Shipyards, Inc.	Charleston	25
Fabri-Kal Corporation	Greenville	150
Honeywell - Greer Plant	Greenville	392
Ulbrich Precision Flat Wire	Oconee	100
United Tool & Mold, Inc.	Pickens	34