

BUSINESS INCENTIVES PRACTICE

MAJOR INCENTIVE PROGRAMS SOUTH DAKOTA

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The Business Incentives Practice (“BIP”) strategically assists companies through the process of securing optimal incentive packages for projects considering an expansion, consolidation, or relocation. BIP leverages a project’s unique strengths and benefits to identify, negotiate, and implement all feasible economic development or government incentives (“Incentives”) opportunities. Moreover, BIP provides ongoing support and administration for a project to address any issues that may arise. By engaging BIP to work in parallel to the site selection team, businesses can have assurance that the optimal level of Incentives is secured and realized.

SERVICES

BIP’s mission is to develop a strategy that enhances business performance, while reducing a project’s up-front capital and ongoing operational costs through the procurement of Incentives. Many businesses are not aware they may be entitled to Incentives benefits for certain expansion, consolidation, and relocation activities. BIP identifies said opportunities through a multifaceted methodology that begins with careful analysis of project-specific data. The process continues with a detailed due diligence on all aspects of site-specific Incentives opportunities and concludes with the negotiation, implementation, and administration of Incentives.

RESULTS

BIP has successfully secured Incentives packages for a broad range of clients globally. The BIP team maintains a robust incentives database and along with its vast experience it facilitates the best possible results for a project. Since its inception, BIP professionals have negotiated in excess of \$3.0 billion in savings for its clients.



KEY PROJECT TYPES

BIP enables its clients to identify, negotiate, and quantify the myriad of incentives available through the federal, state, and municipal governments, as well as utilities service providers. BIP clients represent all industry sectors, ranging in size from Fortune 100 corporations to private owners, occupiers and developers. Almost any type of corporate location initiative can benefit from the use of C&W’s Business Incentives Practice:

- Corporate Headquarters Facilities
- Manufacturing Facilities
- R&D Centers
- Warehouse and Distribution Facilities
- Call Centers
- Data Centers
- Back-Office Centers
- Mixed-Use Developments

SOUTH DAKOTA’S RECENTLY AWARDED INCENTIVES (USD M)

COMPANY	INVESTMENT	JOBS	INCENTIVES
Polaris Industries	\$10.0	14	\$0.1
WM3D Properties	\$0.8	63	\$0.5
MDS Manufacturing	\$2.3	40	\$0.6
Agile Manufacturing	\$4.0	25	\$0.7
South Dakota Pulse Processors	\$0.8	27	\$0.4
Marmen Energy	\$52.7	250	\$5.0
Eagle Creek	\$5.3	200	\$2.1
Northland Laboratories	\$0.2	22	\$0.1
Black Hills Fiberglass	\$3.5	40	\$1.0
Yelroc Neuro	\$0.5	11	\$0.2
MW Properties	\$2.9	17	\$0.7
Link Snacks	\$7.1	75	\$0.5

OVERVIEW OF MAJOR SOUTH DAKOTA INCENTIVE PROGRAMS

REDI FUND LOANS

The REDI (Revolving Economic Development and Initiative) Fund is designed to help promote job growth in South Dakota. This low-interest loan fund is available to start-up firms, businesses that are expanding or relocating and local economic development corporations. The REDI Fund provides up to 45 percent of a project's total cost. Companies should secure interim (construction) financing, matching funds for permanent financing and be able to provide a 10 percent minimum equity contribution before applying to the Board of Economic Development for a REDI Fund loan.

Costs eligible for participation include:

- The purchase of land and the associated site improvements
- Construction, acquisition, or renovation of buildings
- The purchase and installation of machinery and equipment

The REDI loan program offers fixed rate interest which is currently 2%. Loans may be amortized up to 20 years on land and buildings and up to 10 years on equipment, with a balloon payment due after five years.

REINVESTMENT PAYMENT PROGRAM

The Board of Economic Development may provide reinvestment payments to assist companies in offsetting the upfront costs associated with relocating or expanding operations and/or upgrading equipment in South Dakota. The program allows for project owners to receive a reinvestment payment, not to exceed the South Dakota sales and use tax paid on project costs, for new or expanded facilities with project costs in excess of \$20,000,000 or for equipment upgrades with project costs in excess of \$2,000,000.

Companies pursuing new or expanded facilities with a total project cost in excess of \$20,000,000 or equipment upgrades with a total project cost in excess of \$2,000,000 are eligible to apply to the Board of Economic Development for a reinvestment payment under this program. One of the key criteria considered by the board when approving or denying an application is the likelihood the project would have occurred without the reinvestment payment. Reinvestment payments are intended for projects that would not have occurred without the payment. The following projects are not eligible for a reinvestment payment:

- Buildings or structures used predominantly for the sale of products at retail, other than the sale of electricity at retail, to individual consumers;
- Buildings or structures used predominantly for residential housing or transient lodging;
- Buildings or structures used predominantly to provide health care services;

South Dakota shows an average deal value of \$0.41 million with 85 new jobs created per deal

- Buildings or structures used predominantly for the transportation or transmission of natural gas, oil, or crude oil by means of a pipeline; or
- Buildings or structures that are not subject ad valorem real property taxation or equivalent taxes measured by gross receipts.

SOUTH DAKOTA JOBS GRANT PROGRAM

The Board of Economic Development may provide grants to assist companies in offsetting the upfront costs associated with relocating or expanding operations and/or upgrading equipment in South Dakota. The program allows for project owners to receive a South Dakota Jobs Grant for new or expanded facilities with project costs less than \$20,000,000 or for equipment upgrades with project costs less than \$2,000,000.

Companies pursuing new or expanded facilities with a total project cost of less than \$20,000,000 or equipment upgrades with a total project cost of less than \$2,000,000 are eligible to apply to the Board of Economic Development for a South Dakota Jobs Grant under this program. One of the key criteria considered by the board when approving or denying an application is the likelihood the project would have occurred without the South Dakota Jobs Grant. South Dakota Jobs Grants are intended for projects that would not have occurred without the grant. The following projects are not eligible for a South Dakota Jobs Grant:

- Buildings or structures used predominantly for the sale of products at retail, other than the sale of electricity at retail, to individual consumers;
- Buildings or structures used predominantly for residential housing or transient lodging;
- Buildings or structures used predominantly to provide

health care services;

- Buildings or structures used predominantly for the transportation or transmission of natural gas, oil, or crude oil by means of a pipeline; or
- Buildings or structures that are not subject ad valorem real property taxation or equivalent taxes measured by gross receipts.

ENERGY ONE INVENTIVE

The Heartland Energy ONE Incentive is designed to facilitate significant new business development and the expansion of existing businesses. The program is designed for new retail loads with an approximate demand of one megawatt or larger.

The Energy ONE Incentive provides a special energy-only rate which is fixed for three years to provide consistent and predictable pricing for the qualifying retail customer.

Large users of electricity typically pay a separate demand charge to have energy capacity available to them at all times. It may be difficult for a new business to estimate what their monthly demand will be. The Energy ONE Incentive eliminates that concern for their first three years of operation, allowing the business to establish use patterns and better plan for the future.

WORKFORCE DEVELOPMENT

South Dakota's Workforce Development Program funds support three types of training: new employee training, current employee retraining, and current employee upgrade training. The program is designed as a 50/50 match-funding source. Every Workforce Development dollar must be matched with private sector contributions - either financial or in-kind.

OTHER SOUTH DAKOTA INCENTIVE PROGRAMS

- Ethanol Incentive Bill
- Agricultural Processing and Export (APEX)
- Microloan SD
- Microloan Express Program
- Small Business Administration (SBA) 504
- Community Development Block Grant
- South Dakota WORKS
- Ethanol Infrastructure Incentive Program
- Economic Development Partnership Program

For more information, contact:

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