

# Refinery, Sanford, Mine Lab Could Transform S.D.

## Medical research, scientific industries offer immense economic jolt

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South Dakota, for years an economic underdog with its low population and geographic remoteness, is licking its chops over three blockbuster projects that may present a new form of prosperity.

The Sanford Health System announcement in February, the Hyperion oil refinery proposal in June and the Homestake science lab decision expected soon all stand to redefine how the state thinks of itself and does business with others.

The operative word so far is potential. Expansion of the Sioux Falls-based Sanford system has begun, riding the donations of philanthropist T. Denny Sanford, including his recent \$400 million promise. But the other two are far from certain. Hyperion Resources, based in Texas, said the Elk Point area in South Dakota's southeast corner is on a list of potential sites for the nation's first oil refinery since 1976. And the Homestake lab proposal has been stuck in "any day now" mode while the National Science Foundation considers whether the abandoned Black Hills gold mine is the best place for subatomic research.

Still, to have three such projects on the table in less than six months, all with national or international consequences, is heady territory for a state that's routinely berated for its climate, brain drain and low wages.

"Just one of those has the potential to change the course of history for the state, let alone all three," said Dan Scott, president of the Sioux Falls Development Foundation.

The Hyperion project in Union County could create 4,500 jobs over four years for construction workers and then 1,800 long-term jobs when the refinery began running. That kind of activity would partly offset the decline of the Gateway computer plant in nearby North Sioux City.

"You always have to remember at one time Gateway had 6,000 employees, and now 1,300 to 1,500," said Bruce Odson, a newspaper publisher and president of the North Sioux City and Elk Point economic development groups.

### Ripple effect on jobs in southeastern S. Dakota

The difference might be in the type of work. Hyperion would employ engineers and quality control analysts beside highly skilled refinery workers.

"They talked about \$20 to \$30 an hour," said Odson, who owns and publishes the Southern Union County Leader Courier and Dakota Dunes-North Sioux City Times.

Don Frankenfeld, a businessman in Rapid City, said refinery work would be primary employment with a typical 3-to-1 multiplier effect in creating secondary jobs at gas stations, retail stores and other services.

"If it's 1,800 jobs, it probably means 5,400 jobs total," he said. "And with the population, it's roughly a doubling of that, meaning one job would equal two people."

They'd live in a 100-mile swath from the Sioux Falls area to Sioux City, Iowa, along Interstate 29. Many would have brief commutes from Beresford, Alcester and Vermillion, and many would move in from farm areas in Iowa, Nebraska and South Dakota.

"Picture the kids coming off the farm," said James Satterlee, a retired South Dakota State University economics professor and population analyst. "Opportunity is limited in the ag sector. Here's a chance to stay close to home and still hold down a pretty good job."

Elk Point would be about seven miles from the refinery, said Isabel Trobaugh, who's in her sixth term as the city's mayor. She said her community, now with 1,800 people, by and large is ready to cultivate its share of growth. Elk Point recently upgraded its water system and has room for 275 new houses. Its public school, now with 700 children in grades K-12, could fit in another 100. If it's another 200, the school would need to be expanded or replaced, she said.

The bigger concern is intangible.

"Elk Point is very, very quiet. People don't want their community to change," said the mayor, in office since 1996. Trobaugh, 73, moved with her husband 50 years ago from Sioux City to find work in Los Angeles, but grew weary of danger there capped by the Watts riot. "When you go to the grocery store and people have rifles in their grocery cart, that's not a good place to raise children," she said.

They moved back to the area in 1965, landing in Elk Point, a farm community with good soil and I-29 connections. Hyperion has promised a clean refinery, a point many residents question. Trobaugh thinks the proposal might have 85-15 support locally as long as Elk Point can retain its character.

"We hope we can do that and still grow," she said.

"People against it are looking at refineries built in '60s and '70s. I'm waiting to see what the 21st century refinery looks like," said Doyle Karpen, chairman of the Union County Commission.

With no U.S. refineries built the past 31 years, the Hyperion proposal could be a milestone in improving the nation's standing in the worldwide oil industry. Frankenfeld said it's not far-fetched that South Dakota would land such a project. Land is relatively cheap, and the market has changed. That the proposed TransCanada pipeline could run a few miles from the refinery might make the project more appealing, but that's not a make-or-break feature.

"The fundamental economics of that business have shifted dramatically the last 30 to 40 years," Frankenfeld said. "The end product is more valuable than it used to be. It's relatively less important that you're right near the source of raw petroleum."

The Sanford and Homestake projects present different merits. Sanford could help Sioux Falls become a national health center.

"You'd have to think about hundreds if not thousands of people bringing kids to Sioux Falls to be treated at that facility," Scott said.

Envisioning a tech corridor in the northern Black Hills

As with Hyperion offsetting Gateway losses, a Homestake lab would begin to fill a hole in the Black Hills economy since the gold mine closed in 2001. The mine had more than 3,000 workers in the 1970s. Mayor Tom Nelson is unsure just how much growth to expect. Lead had 8,392 people in 1910 and was the state's third largest city. It now has 3,000.

Just as legalization of statewide gambling in 1989 made nearby Deadwood a mecca for tourists, so the lab in Lead could push economic development and draw its own share of tourists, Nelson said. But he doesn't see the lab as a reversal of fortune; the area's economy already is growing.

"Property values are up, both commercial and residential, driven more as a tourist destination and summer home," Nelson said. "Many times instead of a family of four, now it's a family of two."

Lab promoters suggest Homestake could make western South Dakota a central point for worldwide scientific research, with its "dusel" plan, or deep underneath scientific engineering lab.

"It would be transformational," Frankenfeld said of Homestake. "The only thing comparable would be Los Alamos in New Mexico, a village that became one of the intellectual capitals of the world because of all the work done on atomic energy. The same potential exists with the 'dusel.'"

Homestake, at Lead in the northern Hills, would be a trigger point for a technology corridor tied together by better travel connections in the region, said Jim McKeon, president and chief executive officer of the Rapid City Area Chamber of Commerce.

The Heartland Expressway from Rapid City to Denver should be done by 2012, as part of a 3,100-mile route from Mexico to Saskatchewan. Improvements to the Dakota, Minnesota & Eastern line would link the area to rail connections to the Pacific Coast.

"The mine, when it comes, would be a great catalyst," McKeon said.

Mark Merchen, chairman of the Black Hills Vision board of directors, compared it to the Mount Rushmore monument as a tourist attraction in the southern Black Hills. Only in this case, it would be on a scientific scale that would boost research and technology at nearby Black Hills State University, the South Dakota School of Mines

and possibly Ellsworth Air Force Base.

"Carving Mount Rushmore was only a few jobs over several years, and now its impact is over \$300 million a year in Meade and Pennington counties. That's what we think Homestake can do," said Merchen, manager of economic development, legislative and public affairs at West River Electric in Rapid City and Wall.

"With a lab facility such as that, it's not just government research, but private spinoffs, too," said Richard Benda, South Dakota secretary of tourism and state development. "There will be research and jobs to support that research with grad students and interns for many of those projects."

Sanford, Hyperion and Homestake lead a short list of mega-developments in South Dakota's 118-year history - John Morrell's arrival in 1909, Mount Rushmore in 1941, Citibank in 1981, the rescue of Ellsworth from the federal base-closings list in 2005.

The state has a history of incremental growth apart from the mega-projects. Most of South Dakota's 425,000 jobs are in small business. Agriculture, the state's basic industry, is on the verge of long-term change with the rise of ethanol. The Internet might be turning space and distance into assets.

"Our geographic remoteness has been a detriment forever," said Frankenfeld, a forensic economist who provides legal testimony for clients. "All of a sudden it becomes an advantage. ... The Internet is a huge boon to South Dakota, and it's not even close to reaching its potential. A productive work force in Pukwana can provide services to New York, and it's less expensive than it would be in New York."

That doesn't negate the effect of larger projects, he said, but it shows opportunity for those with ideas and the wish to seek a profit on a smaller scale.

At the same time, the projects will change a statewide mind-set about economic prospects, promoters said. Sanford will create an average of 920 jobs a year, said Randy Stuefen of Stuefen Research, a Vermillion analyst hired to estimate the effect of the health system's project from now until 2016. Many of those are in construction, but an average of 760 a year are in medical fields.

"The grand hope for this is to keep a lot of the young people from our universities - to get South Dakotans to stay here not from sense of loyalty but because they see bright opportunity to do world-class research," Stuefen said.

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