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# ANNUAL BUSINESS RETENTION & EXPANSION REPORT

Brookings Economic  
Development Corporation

Prepared By:  
Nathan Doll, Research and Data Analyst  
Matty Kerr, Business Development Specialist

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# ABSTRACT

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The Brookings Economic Development Corporation's (BEDC) Business Retention & Expansion (BR&E) program plays a critical role in fostering a thriving local economy by addressing key challenges and opportunities identified through the 2024 Business Visits and Brookings Area Business Survey. This report highlights three primary trends: workforce development and retention, property taxes and business costs, and infrastructure needs for business expansion. Workforce challenges, particularly in attracting and retaining skilled labor, mirror national trends and emphasize the importance of education, housing, and childcare solutions. Property tax concerns underscore the need for transparent advocacy to maintain Brookings' competitive tax climate. Additionally, businesses seeking expansion face hurdles with rising costs, property availability, and infrastructure readiness. BEDC responds with proactive measures, including partnerships with educational institutions, streamlined property resources, and advocacy for strategic infrastructure investments. These efforts ensure Brookings remains a competitive, attractive, and sustainable environment for business growth and economic development.

# INTRODUCTION

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The Business Retention & Expansion program within the Brookings Economic Development Corporation aims to promote business success and a healthy business climate in the community and county. Through business visits, engagement in events like roundtables and industry clusters, as well as data collection, BR&E program works with businesses to gather information and trends to help drive business development initiatives, resources, and growth.

In 2024, BEDC staff held 45 one-on-one conversations with local businesses and collected 101 responses through the 2024 Brookings Area Business Survey to better understand their current successes, challenges, and perspectives on operating in the Brookings community. These discussions provide valuable insights into the dynamics of shaping the local business environment and connect them to actionable steps BEDC can take. This year-end report combines insights gathered from local businesses and connects them to actionable steps BEDC can take, along with aligning local trends to broader national economic themes providing context for how Brookings compares to other communities.

While BEDC does not always have the capacity to resolve these issues directly, its role as an advocate for the business community ensures local concerns are elevated to decision-makers and stakeholders. BEDC's collective approach prioritizes advocacy, collaboration, and strategic resource allocation to help address these issues.

Earlier this year, the focus was on identifying businesses interested in expansion, as well as understanding the barriers they face. This report goes further by assessing how the BEDC responds, where the business community sees opportunities for growth, and what challenges remain. By addressing workforce development, property taxes, and infrastructure for business expansion, this report outlines what businesses are telling us and what BEDC is doing to support them.

To uphold trust and encourage candid participation, all information shared by businesses is anonymized and presented in aggregate form to ensure confidentiality.



# TOP TRENDS: A COLLECTIVE PERSPECTIVE

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Through our 2024 Business Visits and survey results, three critical trends emerged as priorities for Brookings businesses:



## **Workforce Development and Retention**







## **Property Taxes and Business Costs**



## **Business Expansion and Infrastructure Needs**

Each of these areas reflects not only local concerns but also issues observed in regional and national economic landscapes. The following sections provide a look at each trend, integrating what businesses have reported, how BEDC is responding, and how Brookings compares nationally.



# WORKFORCE DEVELOPMENT AND RETENTION

Workforce challenges remain the top priority for Brookings businesses. Of the surveyed businesses, 52% stated challenges hiring skilled labor and 33% with unskilled labor, highlighting workforce development as a challenge. Employers across manufacturing, healthcare, retail, and services sectors reported higher difficulty in finding skilled labor. They also emphasize that retaining young professionals is equally challenging, particularly given competition from nearby regions like Sioux Falls, SD or Minneapolis, MN.

Local businesses cite specific workforce barriers, including a lack of industry-aligned training programs, mismatched skills among job seekers, and limitations in housing and childcare options that make it harder to attract or retain workers. These concerns mirror national workforce trends, as the U.S. Chamber of Commerce reports that nearly 44% of small businesses struggle to find workers with the right skill sets. In the November edition of Small Business Economics Trends, 36 percent (seasonally adjusted) of all owners reported job openings they could not fill in the current period, up 1 point from October. Thirty percent have openings for skilled workers (down 1 point) and 13 percent have openings for unskilled labor (down 1 point). The difficulty in filling open positions is particularly found in transportation, construction, and professional services industries. Labor force participation rates remain below pre-pandemic levels, exacerbating shortages, particularly in rural and mid-sized communities.

## Workforce Development and Retention Cont.

In response to these concerns, BEDC has prioritized partnerships and advocacy efforts aimed at bridging the workforce gap. Collaborations with institutions like Lake Area Technical Institute (LATI) and South Dakota State University (SDSU) have been key to aligning workforce training programs with business needs. BEDC has previously supported expanding internship pipelines to connect students with local employers early, ensuring they see Brookings as a long-term place to live and work. These partnerships will be a priority for the BEDC in 2025.

BEDC also recognizes that workforce retention relies on more than education alone. Promoting Brookings' quality of life—including its housing affordability, childcare accessibility, and community amenities—is vital to retaining talent. Advocacy for workforce housing developments, combined with early childcare initiatives, ensures that Brookings is positioned as both a desirable and practical location for young professionals and families.

# PROPERTY TAXES AND BUSINESS COSTS

While workforce concerns dominate conversations, businesses also consistently discuss property taxes and both their impact on operating costs as well as the affordability for employees living in the community. Businesses in Brookings largely acknowledge that property tax rates are stable, but the topic remains a sensitive one. Some survey respondents noted concerns over the general affordability of property, particularly in comparison to tax structures in neighboring states.

## Property Taxes and Business Costs Cont.

Property taxes are a national issue for businesses. The 2024 Business Survey provided the option for respondents to comment on the tax climate of Brookings. 17% of comments reflected a concern for the large increases in property taxes over recent years, while another 9% stated that although business costs were rising, Brookings and South Dakota are continuing to outperform other communities. The concern is also a reflection of both business property taxes along with homeowner property taxes which effects both themselves and their employees.

According to XOA Tax, South Dakota's median effective property tax rates are 1.08% with the national median at 0.99%.<sup>3</sup> Brookings County sits at 1.38% and Minnehaha County at 1.42%. While real property taxes are often unpopular with the public, a well-designed property tax typically aligns with the benefit principle—the concept in public finance that taxes should correspond to the benefits received—and is generally more transparent than many other types of taxes.

Brookings benefits from South Dakota's competitive tax policies, which lack a state income tax and maintain reasonable property rates. The Tax Foundation ranks South Dakota 4th in the lowest state by effective tax rate (8.4%) for state-local tax burdens for 2022. This tax burden measures state and local taxes paid by a state's residents divided by the state's share of net national product. This rating includes all taxes reported by the Census Bureau's State and Local Government Finance division including property taxes, general sales taxes, individual and corporate income taxes.

While BEDC does not directly influence tax rates, it plays a critical role in ensuring businesses have clarity and confidence in the tax environment. BEDC has worked to communicate tax-related concerns to city and county leaders, providing data that demonstrates Brookings' competitiveness compared to peer communities. The BEDC has a paid lobbyist to support economic development policies during the South Dakota Legislative Session and advocates for the curbing of rapid rising property taxes. By advocating for continued tax stability and promoting transparency, BEDC helps businesses understand how property tax revenues contribute to infrastructure, education, and quality-of-life initiatives.



# BUSINESS EXPANSION AND INFRASTRUCTURE NEEDS

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Growth emerged as a predominant theme throughout the 2024 BR&E Program. Many businesses reported increased revenue, larger customer bases, and expansions in product and service offerings. Some also shared plans to broaden their operations or initiate new projects. During business visits, over 25% of businesses expressed interest in expanding their current facilities, relocating, or pursuing new construction projects, including renovations or the development of new spaces. Many businesses expressed interest in growth but identified critical barriers that impede their ability to expand. Businesses emphasized that access to infrastructures such as utilities and transportation networks, play a decisive role in their expansion decisions, but key concerns include the availability of suitable properties, rising construction and equipment costs, and the complexity of accessing financing or incentives for development.

Data from the 2024 Brookings Area Business Survey supporting business expansion:

- 27% of respondents said their current facilities are not adequate for future operations (3-5 years)
- 49% stated that cost effective land is not available
- 42% stated that cost effective buildings are not available

The National Federation of Independent Business (NFIB) reports that while 14% of small businesses plan to expand in the coming year, many face similar challenges with financing, construction delays, and rising costs. Communities that address infrastructure readiness often outperform peers in attracting business investment.

## Business Expansion and Infrastructure Needs

To help local businesses overcome these barriers, BEDC has adopted a proactive approach. Efforts include improving our website's Available Properties page. This page aims to connect site selectors or businesses looking to start/expand with developers, property owners, and/or industrial sites. Although BEDC is not a broker, we can be a connector of the information. We are working on By streamlining property information and linking businesses to financing programs and development incentives, BEDC can support businesses at every stage of their expansion journey.

The BEDC acts as a conduit for incentives that are available at local, state and national levels. Although these incentives are currently available, in 2025 the BEDC will help provide clarity to the business community what there is out there. Some of these incentives include Brookings Municipal Utilities electrical rate discounts, Sales Tax Rebate via City of Brookings, access to the Governors Office of Economic Development (GOED) REDI Fund, Tax Increment Financing, and more. The BEDC is working to create a Revolving Loan Fund with the idea of supporting Brookings Businesses with low interest rates.

BEDC also continues to advocate for infrastructure investments that directly support business growth. These efforts include addressing transportation needs, promoting broadband expansion, and collaborating with regional partners to secure funding for critical infrastructure projects. Such investments ensure that Brookings remains a competitive and attractive location for businesses looking to grow.

# BUSINESS VISITS: CHALLENGES IDENTIFIED

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While successes were notable, businesses also shared a range of challenges. The most common themes are summarized below, with broader or industry-specific concerns aggregated for clarity:

- **Site and Space Needs**
  - Difficulty finding locations suited for business operations without requiring significant renovations or custom builds.
  - Concerns over the affordability of rent and property-related expenses.
- **Workforce Needs**
  - Challenges in hiring for mid- to high-level management and executive roles.
  - Difficulty sourcing skilled workers, particularly for specialized fields such as science and medicine.
  - Finding employees who align with organizational values and culture.
- **City of Brookings Processes**
  - Navigating local ordinances and procedures for building expansions or construction projects.
  - Frustrations with the joint jurisdiction process and perceptions of inconsistent code enforcement.
- **Collaboration with South Dakota State University (SDSU)**
  - Difficulty identifying appropriate contacts for collaboration.
  - Challenges in recruiting and retaining student workers.
  - Limited awareness of how businesses can leverage university resources.
- **Small Business Operations**
  - The need for more education and resources for entrepreneurs, particularly those leading smaller teams or new ventures.
  - Administrative support for business operations.

## Community Amenities and Services

When asked about services or amenities they would like to see expanded, the most common response was the desire for additional dining options, particularly a sit-down restaurant suitable for business meetings and events. Other suggestions included enhancing entertainment offerings to appeal to families, college students, and the broader community.

# A COLLECTIVE APPROACH TO GROWTH

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The trends identified in this report—workforce challenges, property tax concerns, and barriers to business expansion—are interconnected. Workforce shortages directly impact a business’s ability to expand, while competitive tax policies and infrastructure investments influence both attraction and retention of talent. Addressing these challenges requires a collective approach.

Brookings’ advantages are clear. The community benefits from a strong tax environment, highly regarded educational institutions, and a quality of life that stands out in the region. BEDC’s role as a catalyst and advocate ensures that these assets are leveraged effectively to address local challenges and opportunities.

By collaborating with businesses, policymakers, and educational partners, BEDC is committed to promoting long-term economic growth. Workforce development initiatives, advocacy for tax stability, and strategic infrastructure investments will remain BEDC’s focus moving into the next year. Looking ahead, BEDC will continue to focus on workforce partnerships, promoting Brookings as a competitive and attractive location for young professionals, and supporting business expansion through infrastructure investments and streamlined resources. By staying responsive to business concerns and aligning with national trends, BEDC is well-positioned to drive economic growth and strengthen the Brookings community in the years to come.

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