



WATERTOWN
DEVELOPMENT COMPANY

2024 ANNUAL REPORT

A presentation of information on our 2023-2024 community
investments and collaborative initiatives.

WATERTOWN, SOUTH DAKOTA - FREEDOM WORKS HERE

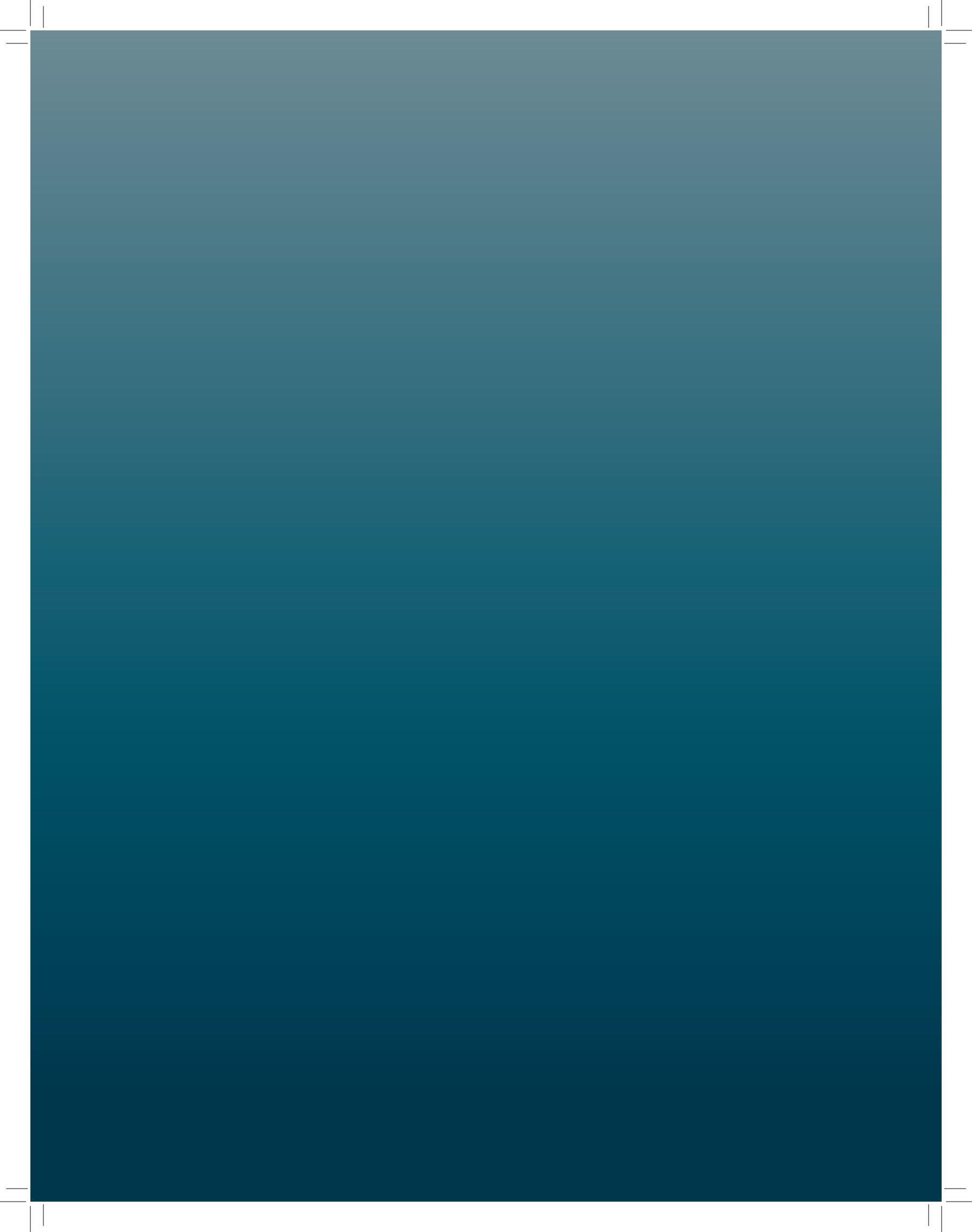


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This annual report presents information on our 2023-2024 community investments and collaborative initiatives and shares stories and profiles of project partners who embody this work. We hope these stories convey the impact the WDC has on the community through our business development efforts, housing, and technical assistance.

A MESSAGE

FROM YOUR EXECUTIVE DIRECTOR AND BOARD PRESIDENT

Board of Directors,

On behalf of the staff let me first say it is a privilege to work each day toward the vital mission of building the regional economy one issue at a time. We thank you each for the opportunity to bring our collective wisdom together toward the greater good.

We have embraced the critical challenges of access to early childhood education, more & diverse housing options, effective access to employee in an expanding labor shed and creating attractive locations for the diversification of our manufacturing, logistic & commercial business cluster in Codington/ Watertown, SD

Yes, freedom does work amongst us. This freedom comes at an investment cost that only an aligned, self less community can harvest.

We are blessed by opportunities that are only constrained by our willingness to achieve.

Most respectfully submitted,



Chris Clifton, MPA, IOM, CED
Executive Director

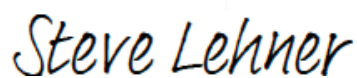


WDC Investors:

I want to thank each of you for the time and resources you invested in WDC this past year. We have been fortunate to live in a community that builds together and share in the rewards of these collaborative efforts daily.

Effective leadership hinges on the ability to articulate a clear vision that inspires and directs a team's efforts. Aligning everyone towards common objectives ensures that all actions are coordinated and synergistic. This cohesive approach not only enhances productivity but also fosters a sense of unity and purpose among investors. Ultimately, well-defined goals and strategic alignment translate into consistent and successful execution. These are the pillars of WDC's mission success.

We welcome your feedback, continued support and engagement as we continue the journey.



Steve Lehner
Board President





FY2024

EVENTS

- Annual South Dakota Chamber and Economic Development Council Meeting
- Annual South Dakota Governor's Office of Economic Development Conference
- Annual SD Governor's Pheasant Hunt
- Black Hills State University Fuel the Growth Seminar
- Dakota Resources Learning Network Community Engagement Gathering
- Economic Development Professionals Association Summit
- International Economic Development Council Future Forum
- International Manufacturing Technology Show
- Lake Area Technical Colleges Annual Governor's Luncheon
- Lake Area Technical Colleges Festival of Trees
- Mid-America Economic Development Council Competitiveness Conference
- Sioux Metro Alliance Grow Smarter Conference
- Society for Human Resource Management State Conference
- South Dakota Governor's Office of Economic Development Meet the State
- Watertown Day at the Legislature
- Watertown Day of Development
- Watertown Area Chamber of Commerces Annual Meeting
- Watertown Arrow Education Foundation's HARVEST
- WIN in Workforce Summit
- AEM Manufacturing Express





Dear Board of Directors and Investors,

I would like to begin by thanking the Watertown Development Company for their partnership with VRS P.C. and entrusting us to assist you with their accounting and payroll needs. I am looking forward to the future.

2023-2024 was a huge year of transition for the WDC and a lot has been accomplished in that time, which will hopefully lead to a bright and successful future.

From a financial standpoint, some of the major highlights that have been achieved over the past year include:

- Undergoing the 1st of 3 annual audits with Ketel Thorstenson and achieving a clean opinion from that first audit. This is a huge undertaking and speaks highly of the Board's and Management's interest in focusing on the WDC finances.
- Total assets increased 20% and exceeded \$30 million.
- Successfully completed a \$3 million fundraising campaign for Watertown 2.0.
- Improved human resources administration through an outside consultant to assist with employee compensation and benefits.
- Consolidated all bill paying methods into an online bill paying service with dual review.
- Began consolidating real estate debt by asset classes.

VRS P.C. is proud to work with the Watertown Development Company and is excited to see what the future holds.

VRS P.C.

Certified Public Accountants & Consultants

Sherry Kleinsasser

Sherry Kleinsasser, CPA

Principal, CEO



PROJECT ACTIVITY

SENTRY / NORTH STAR LOGISTICS / CALVIN PARK TRADE CENTER I

Sentry Inc. and North Star Logistics have decided to combine both entities under one roof and increase their manufacturing space with a new project that has recently broken ground in Calvin Trade Center I.

In FY2023, the Watertown Development Company (WDC) financed the construction of a 51,000-square-foot building on 16 acres in Calvin Trade Center I, that will be leased back to the two companies upon completion and combine them under one roof, allowing for more space than before.



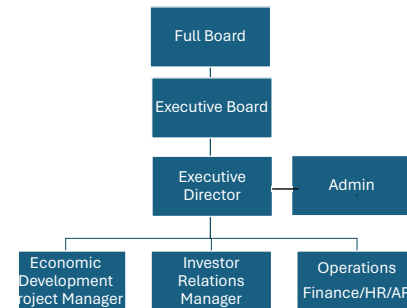
Currently, the two companies employ a total of 160 people. The investment is projected to have a significant impact, with the creation of 70 to 100 additional jobs over the next five years. Additionally, it aims to retain 15 existing jobs. The total capital investment is estimated to be around \$8.5 million. This figure includes a pending grant of \$4 million from the Economic Development Administration (EDA), awarded to the Watertown Development Company as the applicant. This grant is specifically allocated for the infrastructure construction of the Calvin Trade Center I. The progress of Project Gateway is currently in review by the EDA due to the necessity of the lift station in Calvin Trade Center I.

The Watertown Development Company has made significant strides in the infrastructure development for Calvin Trade Center Phase 1. The project cost of \$860,000 is dedicated to construction of Calvin Drive, which is equipped with essential drainage systems and road lighting to ensure both safety and functionality. This foundational work is critical for the future expansion of the park. Future plans include the construction of a \$4 million lift station (in EDA review), which will be essential for managing wastewater efficiently. This lift station will support both current and prospective tenants, aligning with the overall development goals and enhancing the infrastructure of the area.

STRATEGIC PLANNING UPDATES

BOARD STRATEGIC PLANNING FINDINGS

The Board Strategic Planning Retreat generated a comprehensive set of strategic objectives to bolster economic development. Central to the findings is the need to create a targeted Business Retention and Expansion (BRE) economic development plan, alongside establishing a full-time BRE relationship position to better retain and nurture local businesses. The retreat highlighted the importance of identifying a game-changer target business segment to attract new and diverse enterprises. Additionally, the plan calls for a targeted approach to workforce development and infrastructure improvement, including conducting a feasibility study and enhancing fiber infrastructure. Collaboration with peer city organizations is encouraged to foster partnerships, and there is a push to develop a high-functioning organizational plan and review existing bylaws. Finally, a robust financial plan and model are to be established to guide future initiatives. The new organizational structure, detailed below, is designed to support these objectives effectively.



HOUSING STRATEGIC PLANNING FINDINGS

The Housing Strategic Planning Session uncovered several key strategies to address housing costs and improve afford-ability. Key recommendations include replacing zoning requirements such as density, lot size, and parking to ease development constraints, as well as reducing regulatory fee and fast-tracking approval processes to save time and money. Utilizing tools like tax abatements, Tax Increment Financing (TIF), and Housing Trust Funds can further alleviate costs. Exploring land acquisition contributions, infill sites, and opportunity zone tax breaks can also support affordable housing initiatives. These session's emphasized the potential of innovative approaches such as accessory dwelling units (ADUs), multi-generational and tiny homes, and financing instruments that involve collaboration with lenders. multi-generational and tiny homes, and financing instruments that involve collaboration with banks. Additionally, increasing productivity through modular and prefab housing, emerging construction technologies like AI and 3D printing, alternative materials, and design innovations were highlighted as means to reduce costs. Promoting trades through educational programs, adjusting lot sizes, and opting for less expensive finished were also suggested as practical measures to enhance housing afford-ability.



TALENT ACQUISITION

NATIONAL PERCEPTION OF EASTERN SD

WDGC FINDINGS

The WDGC Report reveals several key insights into workforce dynamics in Eastern South Dakota. The average hourly wage in the region stands at \$21.72. The lowest turnover rates, below 20%, are observed in firms operating in less competitive rural markets compared to Watertown/Brookings, those with standard operating hours within a single shift, businesses requiring less competitive back-office skills, and organizations that implement effective on-boarding procedures coupled with signing bonuses paid over an extended period. Additionally, some employers believe that expanding childcare services could boost workforce participation and reduce turnover. However, challenges persist, as survey ratings and Job Service applicant files highlight critical shortages in the hourly workforce. Consequently, a few employers are exploring the possibility of future expansions in locations outside of Watertown to address these issues.

The largest takeaways are regarding labor demand and the supply growth outlook. Despite WDGC’s downward adjustment in blue-collar labor demands, deficit supply conditions persist, totaling 150 over the next two years. Based on the statistical results, the Workforce Development Plan should target at minimum the annual additions of 75+ production workers to the markets historical labor supply growth.

	Next Two Years	
	Task 1 Est.	Task 2 Revised
<u>Production Hourly:</u>		
Demand Increase	795	550
Supply Increase	<u>400</u>	<u>400</u>
Supply Deficit	-395	-150



WDGC further identified those industrial jobs that support disproportionately high employer demands and statistically projected the percent each occupation represents of the projected “150” supply deficit. Just over half of the projected supply shortfall is within four occupation groups, these include:

<u>Highest Demand Occupation Groups</u>	<u>Percent of Supply Deficit</u>
Team & Other Assemblers/Fabricators	16%
Stockers & Order Fillers	13%
Welders, Cutters, Solderers, Brazers	13%
Industrial & Farm Equip’t- Mechanics/Maintenance	<u>10%</u>
Portion of Supply Deficit	52%

TALENT ACQUISITION

NATIONAL PERCEPTION OF EASTERN SD

DCI FINDINGS

Our consultant, DCI, conducted three focus groups and several stakeholder meetings to gather valuable insights on the perception of Watertown SD in regards to external talent. They developed a perception study, which was an online survey targeting working-age talent in five "Best Bet" target talent markets as well as in the state of South Dakota, excluding Codington County. The aim was to establish benchmark perceptions. This comprehensive study reached a total of 1,774 people and included 14 focus group participants, providing a robust dataset for analysis and strategic planning.

The following key takeaways from DCI's Research and Discovery are as follows. Perceptions of Watertown as a place to live are moderate. Opportunities exist to continue to grow awareness of the region and address misperceptions.

- Talent is seeking stability after several years of turmoil...safety and security, stable employment that offers work/life balance, and the ability to afford a quality lifestyle rise to the top during relocation decisions.

- Watertown is largely a blank slate and is perceived moderately as a place to live. Watertown is perceived to be able to address several of talent's "pain points" including an affordable cost-of-living and access to housing.

- Talent is not confident in the area's career and job opportunities. There is a strong appetite for training but low awareness of how to access training and the depth and breadth of career opportunities in the area.

- One person's "stagnant" is another person's "stability" The Watertown region will not appeal to everyone. A marketing strategy should align to the persona and preferences of those most interested in relocation.

- Perceptions are strongly influenced (positively) by familiarity, emphasizing the importance of ambassadors and through testimonials. There is also an opportunity to leverage some messaging included in the State's "Freedom Works Here" campaign collaboration.





CHILDCARE INITIATIVES

Harmony Hill

The Harmony Hill childcare initiative is set to make a significant impact in Watertown, SD, with plans to offer 225 childcare spots upon opening. Initially, this endeavor will create 23 full-time and 5 part-time jobs, supporting over 85 local families and benefiting more than 75 businesses in the area. Using the proforma ramp up of three years, capacity enrollment will require 51 full/part time employees which will serve more than 150 families and approximately 100 businesses in Watertown.

State and city approvals are approaching finalization, and renovations of the 14,000 square-foot facility are expected to take 4-6 months. The total renovation cost is projected at \$2.4 million, with \$1 million already secured through private donations. A \$500k SD Works Loan is in process. \$150k grant funding has been awarded and local businesses have donated more than \$85k to date. A gap of \$650,000 exists, underscoring the community's crucial role in bringing this valuable resource to fruition.



LATC Educare

LATC Educare is poised to significantly expand its childcare services, increasing its current capacity from 55 to 135 spots. This expansion aims to create 4-6 full-time jobs, enhancing the program's ability to serve more families in the community. The renovation project, with an estimated cost of \$1.2 million, has yet to secure funding. A key component of this development is the installation of a fire suppression system, for which \$110,000 is needed. In addition to the fire suppression system, funds are needed to update the interior and install an toddler outdoor playground area and parking on the west side of the building. Securing this crucial funding would allow LATC to incrementally increase its capacity, bringing the expanded childcare services closer to reality and supporting the growing needs of local families.

Roosevelt

The Roosevelt School is being explored as a potential site for a new childcare facility, with ongoing efforts to secure floor plan approval from state licensing to finalize the number of available slots. A comprehensive business plan is currently under development. Initial reviews have been completed for the roof, boiler, and fire suppression system, with specific needs identified. Essential renovations include roof maintenance estimated at \$10,000 per year, a boiler whose costs are still to be determined, and a fire suppression system with an estimated cost of \$300,000. Additionally, there is a need to establish a non-profit organization to operate the facility and to address the logistical and financial aspects of transferring ownership of the building. Current renovation estimates for the project are around \$500,000, highlighting the complexity and scale of bringing this childcare option to fruition.

Watertown Daycare Providers Matter

The coalition is being established to support and increase registered in-home providers. Data shows that in-home providers are an important part of the solution for childcare needs, especially unique situations such as overnight and weekend care. According to federal income tax reporting, there are 99 in-home providers in Codington County. However, there are currently only 9 registered in-home providers. Watertown Daycare Providers Matter will bring validation and support to childcare providers as a profession. Funding is needed to increase awareness and incentivize involvement for all providers.



HOUSING

DEMAND ANALYSIS

Twenty-three individuals participated in the housing strategic planning retreat as part of efforts to increase community collaboration dedicated to Watertown's housing needs. The group focused primarily on developing Watertown's vision for housing, identifying restraining and driving forces, prioritizing housing types, identifying possible solutions, and developing an action plan for a Housing Summit.

MAXEX DATA TAKEAWAYS

Upon collection and review of the available data, MaxEx offered the following key findings:

- There is an identified need for Watertown to develop a coordinated community response to the housing crisis.
- Affordable housing supply for rental and ownership in terms of current inventory and the ability to build new, is a priority identified by all audiences.
- Housing inventory is perceived to be sufficient in market rate rental units and \$350,000+ single family housing inventory.
- There are many influences on the feasibility of successfully addressing housing issues/challenges that span housing types.
- All audiences are unified on needing alignment, buy-in, a shared vision, and a plan for future housing in Watertown.

VISION FOR HOUSING IN WATERTOWN

Everyone who chooses to be part of the community can attain their ideal housing, leading the Watertown region to its optimal growth.

PRIORITIZED RESTRAINING FORCES

- Zoning regulations and related relationship friction.
- Proactive, long-term planning. Understanding the true needs, including infrastructure.
- Education and roles of elected and appointed officials.

PRIORITIZED HOUSING TYPES

- Transitional/Supportive.
- Rental affordable.
- Workforce.
- Student Rental Housing.

FIRST STEPS

- Connect with 2050 Visioning Group to discuss possible merger with the Oversight Committee owning the 2050 'housing arm,' and the timing of the 2050 rollout.
- Identify priority attendees desired at the Housing Summit. Use the report to debrief this group on retreat outcomes and invite them to the Housing Summit.
- Key Voices group will plan, design, and coordinate a Housing Summit to continue the work mapped out at the strategic planning retreat.



HOME PROGRAM

UPDATES

HOME PROGRAM

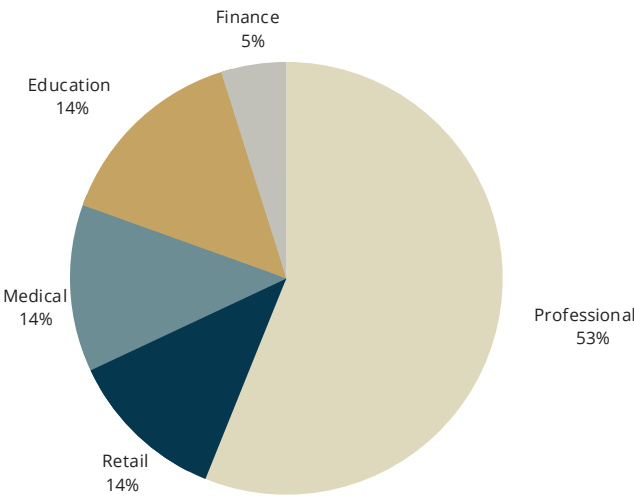
In November 2020, the HOME program was enacted with an overall funding level of \$180,000. In addition to focusing on attractive and the enhancement of workforce, this program targeted relocating worker becoming full-time Watertown residents.

Qualified home buyers are provided a loan of up to 3% or \$6,000 to help cover their down payment and closing costs. To date, a total of **\$155,109** has been disbursed, adding an additional **43 recipients** to Watertown’s workforce.

Some of the employers that have benefited from the HOME program include Municipal Utilities, Harmony Hill, Prairie Lakes Hospital, Sanford Clinic, Watertown Christian School, First Bank & Trust, Watertown School District, and McKeever’s.

This program has been marketed independently and alongside our Attract & Enhance program. A full page ad can be found in the latest edition of the Watertown Now magazine.

POSITIONS FILLED THROUGH THE HOME PROGRAM



URBAN RENEWAL FUND

Since the WDC took over the administration of the Urban Renewal Fund, there have been a total of 8 approved applicants and a total of nearly \$146,00 loan funds disbursed. These funds have been used for façade improvements, foundation repairs, and buildouts for new businesses in downtown Watertown.



GROW WATERTOWN 2.0

2024 CAPITAL CAMPAIGN

Through a diverse range of initiatives, strategic partnerships, and visionary projects, WDC aims to propel Watertown and Codington County forward, ensuring sustainable growth, job creation, and improved quality of life.

Capitalizing on the momentum created from the successes of the first *Grow Watertown* campaign (2019-2023), WDC launches the **Grow Watertown 2.0**. The strategies and objectives outlined on the WDC website will allow WDC to continue to be at the forefront of, and a key contributor to, all aspects pertaining to economic and community development.

TOTAL BUDGET NEEDS

With requisite funding and investor engagement, WDC will execute the plan and provide Codington County with professional, responsive economic development efforts that will produce substantial returns on investments.

BUSINESS RETENTION & EXPANSION	_____	\$500,000
BUSINESS ATTRACTION	_____	\$725,000
WORKFORCE DEVELOPMENT	_____	\$825,000
COMMUNITY DEVELOPMENT	_____	\$1,125,000
INVESTOR RELATIONS	_____	\$325,000
FLEXIBILITY FUND	_____	\$500,000



CAMPAIGN IMPACT

The competition among communities and regions for good jobs and new investments is fierce and ever increasing. Communities must continually reinvest in themselves to be competitive - remaining status quo is not acceptable. There are good companies and good jobs seeking a new home.

The growth and success of Watertown and its surrounding area depends on businesses and community leaders working together and investing together. Grow Watertown 2.0 emphasizes the importance of collaboration and engagement, demonstrating WDC’s commitment to working closely with our partners.



 **959**
TOTAL NEW JOBS

.....

 **563%**
ROI PRIVATE SECTOR

.....

 **\$2.25**
ROI PRIVATE SECTOR

CAMPAIGN LEADERSHIP

CAMPAIGN CO-CHAIRS

Mark Dunn
Jim Seurer

ADVANCE DIVISION CO-CHAIRS

Troy Zebroski
Josh Hogue

LEADERSHIP DIVISION CO-CHAIRS

Dustin Flatten
Tiffany Sanderson

PACESETTER DIVISION CO-CHAIRS

Matt Roby

COMMUNITY DIVISION CO-CHAIRS

Commissioner Troy VanDusen
Mayor Ried Holien



WORKFORCE/LABOR SHED

INITIATIVES

The WDC continues to invest in its strategic goal of growing, retaining, and developing a world-class workforce through a number of programs. The WDC also administers the Watertown Workforce Advisory Council, which was created to keep an active dialogue on workforce development issues important to our area.

INTERN ENGAGEMNET

Building on last year’s intern engagement effort, WDC brought back the popular “Passport to Watertown,” packet as well as an in-person networking event at Lion’s Park, featuring dinner, games, and connections with local leaders.

The intern Passports were distributed to 40 summer interns from 9 different companies. WDC will continue to grow this program in the future and capitalize on the opportunity to retain those students.



MANUFACTURING WEEK

Manufacturing Week in Watertown, SD, is set to highlight the region’s commitment to recognizing and celebrating exceptional talent in the industry. For the third consecutive year, the Watertown Development Company in collaboration with the Watertown Workforce Advisory, sponsored the **Excellence in Manufacturing Awards**. This initiative aims to honor manufacturing employees who demonstrate outstanding dedication and skill in their field.

This year, seven exceptional individuals have been recognized for their outstanding contributions in various categories. Each winner will receive \$100 in Chamber bucks, and their names were entered into a drawing for additional prizes.

The winners in each category are as follows:

- **Machine Operator: Brianna Jorgenson of Twin City Die Castings**
- **Working Supervisor: Josh Grace of Wurth Electronik**
- **Welder: James Thompson of Terex**
- **Production Support: Larry Winge of Watertown Box**
- **Painters & Prep: Nick Penning of Terex**
- **All Other Production: Maria Krause of Spartronics**
- **Material Handling: Easton Serie of Crenlo**

In addition to the category awards, a special drawing was held for two grand prizes. The first-place prize, a Mack Steel Firepit, was awarded to **Maria Krause of Spartronics**, who has over 27 years of production experience. The second-place prize, a \$100 Travs Outfitters gift card, was awarded to **Josh Grace of Wurth Electronik**, who has over 10 years of experience in production.

ATTRACT & ENHANCE

In 2014, the WDC's first workforce incentive program was enacted with an overall funding level of \$50,000 per year. In May of 2024, the WDC voted to increase program funds to \$75,000 per year. The funds were provided to the WDC as a grant from the South Dakota Governors Office of Economic Development.

WDC's Attract & Enhance Program has invested in growing our area workforce and increasing skills of the current workforce by providing matching funds to employers for relocation expenses for qualifying positions and investment in training and up-skilling of current employees.

Since its inception, the Attract & Enhance Program has approved nearly **\$217,803** in matching funds, impacting **258** employees at **29** different companies.



PARTNER IN LATC'S STRETCH THE MILLIN PROGRAM

In 2029, WDC committed up to \$50,000 a year to assist industry partners in funding Build Dakota Scholarship students under LATC's Stretch the Million program.

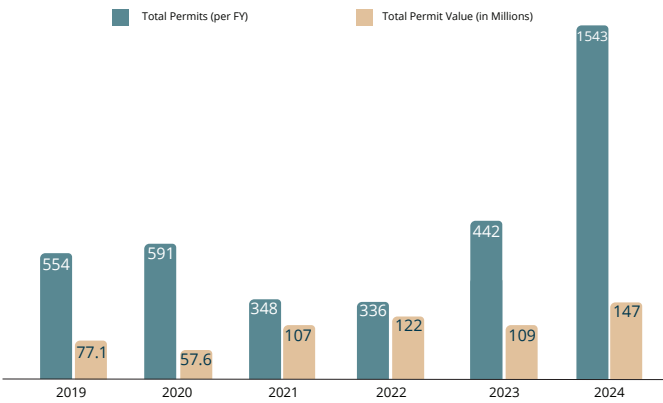
To date, WDC's investment in the program has supported a total of **24** industry's partners in funding **54** students. This impactful investment helps our local industries secure a pipeline of skilled graduated and created a larger and more skilled area workforce overall.

REGIONAL HIGHLIGHTS

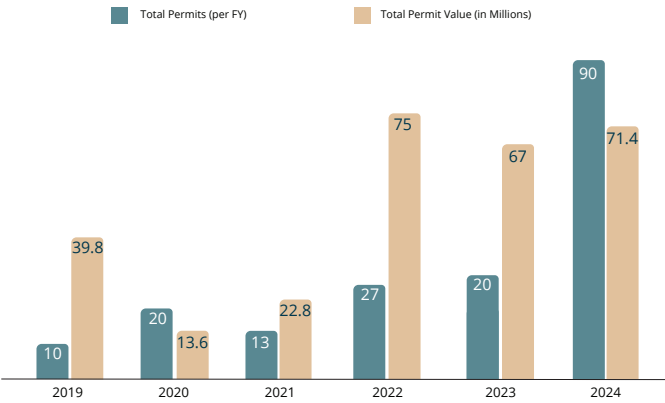
Unemployment in Codington County is at a 5-year all time low, with yearly average being 1.6% and less than 300 unemployed residents in the labor force.

Watertown building permits experience a slight decrease in permit values from last year. New commercial and single-family projects have also decreased in the last year, conversely, multi family permits and total permit values have increased.

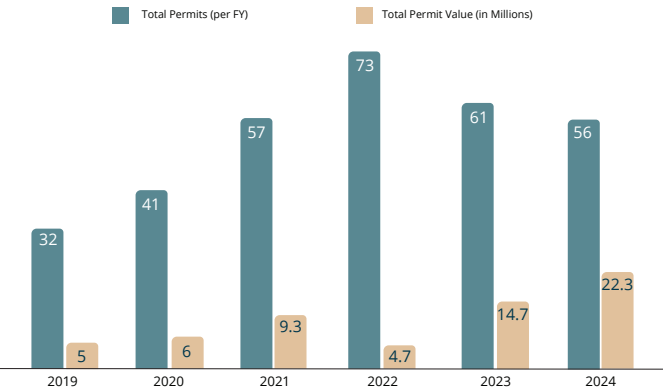
Watertown Building Permit Values



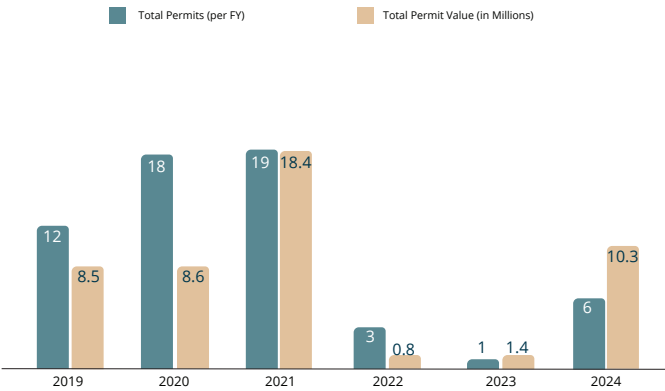
Watertown New Commerical Permit Values



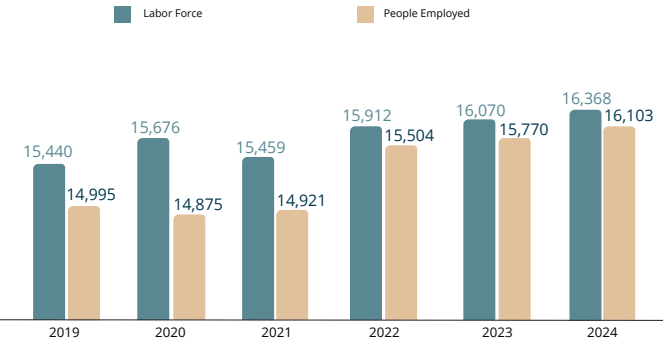
Watertown New Single-Family Permit Values



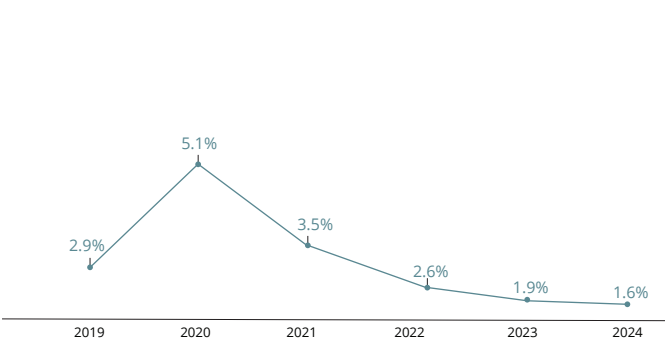
Watertown New Multi-Family Permit Values



Codington County Workforce



Codington County Unemployment Rate



BOARD

OF DIRECTORS



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*Vice President Market Leader
First Premier Bank & Premier
Bankcard*



TROY ZEBROSKI
*Market President
Dacotah Bank*



STEVE LEHNER
*General Manager
Watertown Municipal Utilities*



TROY VANDUSEN
*Commissioner
Codington County*



JIM SEURER
*CEO
Glacial Lakes Energy, LLC*



JOHN ALLEN
*President/CEO
Prairie Lakes Healthcare System*



COREY BALOUN
*Business Banking Manager
First Interstate Bank*



DUSTIN FLATTEN
*Co-Owner
Active Heating, Inc.*



DAN GARVEY
*Director Supply Chain
Terex Utilities*



BRENT HASSLEN
*President
Hasslen Construction*



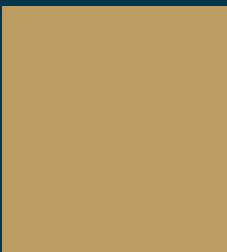
JOSH HOGUE
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Reliabank*



TIFFANY SANDERSON
*President
Lake Area Technical College*



ANGIE YAHNE
*Director of Program
Management*



SARAH GIANG
*Investor Relations
Management*



MELISSA BACKMAN
Executive Assistant



ANDRE KELLER
*Director of Clinic Operations
Sanford Health*



WATERTOWN

DEVELOPMENT COMPANY

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