



## As Many Midwest Cities Slump, Sioux Falls Soars

The South Dakota city has undergone an unlikely transformation into a financial and health-care powerhouse in the middle of cornfields

*By Shibani Mahtani | Photography by Greg Latza for The Wall Street Journal*

**S**IOUX FALLS, S.D.—When Ruth Sturm told East Coast friends she was moving here, many had to ask where it was.

“I got a lot of, ‘Do people live in teepees?’” said the 26-year-old digital strategist, who is among the 20,000 new people to settle in this once-sleepy city of 178,500 in the past five years.

Despite the sometimes harsh weather, she now boasts about her new home, which includes a minigolf course running through her office, four breweries within walking distance and a thriving theater and music scene.

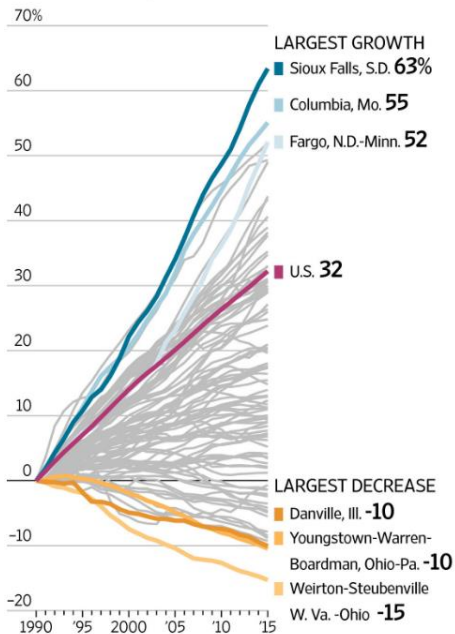
“I legitimately fell in love,” said Ms. Sturm, who grew up in the suburbs of Washington, D.C. “I have never seen a place where people were honestly as excited about the growth and change in their city.”



Employees at Epicosity, a marketing agency in downtown Sioux Falls, play mini golf. Ruth Sturm, about to hit the ball, says she loves her adopted home.

### Top of the Charts

Sioux Falls has had the fastest growth of any metropolitan area in the Midwest of over 50,000 residents.



Source: Bureau of Economic Analysis

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Many areas of the Midwest have struggled with population loss as manufacturing declined and farms needed less labor. But Sioux Falls is on a tear, after undergoing an unlikely transformation into a financial and health-care powerhouse in the middle of cornfields.

For decades, Sioux Falls was a typical regional farm city, with a still-operational slaughterhouse that smells of smoking meat and hog blood, some grain elevators and a massive livestock auction. In 1980, its population stood at about 81,000.

Then in 1981, Citibank relocated credit-card operations to Sioux Falls to take advantage of a relatively new state law that eliminated caps on credit-card interest rates and fees, even if a bank's headquarters were elsewhere and the card account holders lived out of state. Soon, other banks, such as [Wells Fargo](#), followed.

“Citibank’s arrival was a complete breakthrough,” said Evan Nolte, former president of the Sioux Falls Area Chamber of Commerce. “It exposed us to the reality that we could move away from agriculture and become a financial hub.”

Dave Swenson, an economist at Iowa State University, said Sioux Falls is a bit of a “freak” that was able to grow based on the state’s unique law loosening financial restrictions.



Brian Mulholland and his daughter enjoy the rocks in Falls Park in downtown Sioux Falls.

“What was done at the time was considered heresy, and it paid off well. Much like the heresy of gaming and easy divorces in Nevada,” said Mr. Swenson. While other states have also loosened caps on interest rates, the Sioux Falls financial industry has “taken on a life of its own” and become entrenched, he added.

The city’s population jumped 63% over the past 15 years, the fastest growth of any metro area of more than 50,000 people between Ohio and North Dakota. A building boom downtown pushed the value of construction permits to \$701.8 million last year, up from \$282.9 million in 2010, city records show.

The city’s unemployment rate is among the lowest in the nation at 2.8%, and red-hot Sioux Falls helped make South Dakota the fastest-growing state economy in the third quarter last year, according to the Bureau of Economic Analysis.

Most notably, growth has come without the traditional economic drivers of many smaller cities, such as the oil boom playing out in North Dakota, a large university or a state legislature.

“We’re a boomtown and we don’t have any oil,” said Sioux Falls Mayor Mike Huether.

In 2007, the city received another boost: the first \$400 million of what would grow to \$1 billion in donations to the regional health-care system from billionaire T. Denny Sanford, a longtime South Dakota resident who made his fortune at the helm of First Premier Bank, which [issued high-interest credit cards](#) to customers with poor credit histories.

The re-christened Sanford Health, together with another provider named Avera, are the biggest employers in the city, with some 16,000 workers combined. Sanford Health has also branched into medical research, taking a page from the Mayo Clinic, which transformed the city of Rochester, Minn.

The nonprofit’s medical research facility has taken over a former chip-making facility. Inside, researchers in white lab coats are doing groundbreaking work in rare children’s diseases like Battens disease, a neurodegenerative disorder, and Type 1 diabetes.



Technicians at work at the Sanford Research Lab in Sioux Falls, which was funded in part by donations from billionaire T. Denny Sanford.

“We don’t have the luxury of large urban cushions to fall on,” said Kelby Krabbenhoft, chief executive officer of Sanford Health. “We had to make our own luck.”

Now, the growth of health care and the continuing strong financial sector have spurred other industries, drawing people to Sioux Falls from shrinking areas across the region, Mr. Swenson said.

When Lawrence & Schiller, now the state’s biggest ad agency, set up shop in Sioux Falls in 1976, it was one of two players, said Chief Executive Scott Lawrence. Now, there are at least two dozen agencies with clients across the country and world.

At Woodgrain Brewing, among the latest craft brewers to open downtown, owners Steve Hartman and Jason Currie-Olson zip between the bar and brewing tanks, still surprised that they pulled it off.

“When we first talked about this, people thought we were crazy,” said Mr. Currie-Olson, who started home-brewing in 2013. “Downtown has completely transformed.”



Construction continues on the Washington Square building next to the Washington Pavilion in downtown Sioux Falls earlier this month.

The city's growth has come with some downsides. Construction companies grouse that finding workers is getting tougher and that homes can't be built fast enough to meet demand. Residents say the population of youngsters is rising faster than the city can handle, leading to crowded day-care facilities and elementary schools.

With such a low unemployment rate and a growing white-collar workforce, companies are struggling to fill blue-collar positions.

Sioux Falls economic developers say that the only way to sustain the growth is to embrace immigration and attract diverse residents, sometimes a tough sell in a city in the middle of a heavily-conservative state where about 82% of people are white.

"The demand to embrace diversity in Sioux Falls, South Dakota, is real...it is the only way you grow," said Mayor Huether, who said he recently had the Sioux Falls chamber of commerce redo its advertising brochure to include more minorities.

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