Minnesota’s Transportation Economic Development (TED) Pilot Program

Center for Transportation Studies
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Transportation Role in Economic Development

• Carefully targeted transportation infrastructure improvements will:
  – Stimulate new economic development and business expansion
  – Create and retain jobs
  – Increase state and local tax base
  – Provide better/safer access to markets
  – Provide more opportunities for employers/employees
  – Improve livability and sustainability
Mn/DOT’s commitment to Economic and Community Development

- “Transportation is critical in supporting economic vitality and quality of life in Minnesota.”
  
  1st sentence in the Minnesota Statewide Transportation Policy Plan 2009-2028
Mn/DOT’s commitment to Economic and Community Development

- Support local efforts to increase jobs, expand housing, and improve community livability through more coordinated planning, complementary design and timely communication among land use and transportation authorities.

- Policy 8 of Minnesota Statewide Transportation Policy Plan 2009-2028
“Traditional” Economic Development and Transportation Infrastructure Funding Sources

- Federal STP, Enhancements, CMAQ
- Department of Commerce Economic Development Administration - Public Works and Development Facilities Program
- USDA Community Facilities programs
- State DEED Programs
- State and local funding from HUTDF
- State bonding
- Local Road Improvement Program
- Transportation Revolving Loan Fund
Transportation Economic Development (TED) Program Overview

- New collaboration between MnDOT, DEED, and the Public Facilities Authority for highway improvement projects that support economic development.
- Provides up to 70% of construction costs, subject to state cost participation policy limits
- Selected projects that will assist development of new business or expanding existing businesses
  - Target industries: manufacturing, technology, warehousing and distribution, research and development, agricultural processing, bioscience, tourism/recreation, or does it support industrial park development or mixed use-high density multimodal development
- Selected projects that will improve the statewide transportation network
TED Program – An element of Mn/DOT’s Innovative Finance Initiative

- Funding gaps are a fact of life.
- A new financing paradigm is required to narrow the gap between needs and available resources.
- A specific program recognizing the connection between transportation infrastructure and economic viability can result in broad societal benefits.

**Project Identification, Evaluation, Implementation**

**Tool and Technique Development**

**Legislation and Policy Development**

**Project Delivery**

**Program Development & Management**

**IF Integration**

**Marketing & Communication**
Fundamental rationale for TED program:

- Funding gaps are a fact of life.
- A new financing paradigm is required to narrow the gap between needs and available resources.
- A specific program recognizing the connection between transportation infrastructure and economic viability can result in broad societal benefits.
TED Program Particulars

- Any governmental entity may apply
- $10 Million maximum award
- Up to 70% of total infrastructure project costs
  - Max grant could be less based on state law and policies, i.e. Mn/DOT “cost participation” policy
- Remaining funds may come from private and other sources
### TED Phase 1 Projects Selected

<table>
<thead>
<tr>
<th>Community</th>
<th>Project Description</th>
<th>2010 Awards</th>
<th>Total Project Cost</th>
<th>5 Yr Job Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>St. Charles</td>
<td>I-90 &amp; CSAH 74 Industrial Park</td>
<td>$570,000</td>
<td>$2,600,000</td>
<td>45</td>
</tr>
<tr>
<td>Zumbrota</td>
<td>VersaCold/Hwy. 52 &amp; CSAH 68 Reconstruction</td>
<td>$1,148,225</td>
<td>$2,296,450</td>
<td>25</td>
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<tr>
<td>Two Harbors</td>
<td>North Shore Manufacturing Hwy 61 Access</td>
<td>$1,002,000</td>
<td>$1,690,000</td>
<td>125</td>
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<tr>
<td>Worthington</td>
<td>I-90 &amp; Hwy. 59 expansion for Bus./Ind. Park</td>
<td>$3,300,000</td>
<td>$4,720,000</td>
<td>450</td>
</tr>
<tr>
<td>Marshall</td>
<td>Hwy 68 &amp; Lake Road Industrial Park</td>
<td>$575,000</td>
<td>$822,500</td>
<td>75</td>
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<tr>
<td>Aitkin County</td>
<td>American Peat Co. CSAH 5 Reconstruction</td>
<td>$138,750</td>
<td>$555,000</td>
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<tr>
<td>Stewartville</td>
<td>Hwy. 63 Business Park Expansion</td>
<td>$400,000</td>
<td>$1,610,000</td>
<td>250</td>
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<td>Perham</td>
<td>Hwy. 10 &amp; CSAH 34 Interchange</td>
<td>$3,997,480</td>
<td>$6,711,762</td>
<td>280</td>
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<tr>
<td>St. Cloud</td>
<td>Hwy. 15 &amp; 33rd St. Interchange</td>
<td>$8,400,000</td>
<td>$12,000,000</td>
<td>165</td>
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<tr>
<td>Bloomington</td>
<td>I-494 &amp; 34th Avenue Interchange</td>
<td>$4,200,000</td>
<td>$6,000,000</td>
<td>3,264</td>
</tr>
<tr>
<td>Minneapolis</td>
<td>I-35W &amp; 4th St. Interchange</td>
<td>$9,358,375</td>
<td>$13,488,000</td>
<td>170</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td><strong>$33,089,830</strong></td>
<td><strong>$52,493,712</strong></td>
<td></td>
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</tbody>
</table>
TED Funding

- 2010 Program: $39 million
  - $30 million state trunk highway bonds legislatively designated for interchanges
  - $5 million general trunk highway bonds which can be spent on any projects
  - $3 million through the Greater Minnesota Business Development Public Infrastructure (BDPI) Program
  - $1 million through the Innovative BDPI Program
What do we mean by “private sources”?

- Initially, most private investment will be voluntary contributions by private enterprises or local/private partnerships
  - voluntary capital construction cost participation
  - ROW donation
  - tax increment financing
  - negotiated exactions
- Eventually, new authority for “value capture” strategies could be employed:
  - transportation improvement districts
  - Assessments
  - Transportation utility fees
<table>
<thead>
<tr>
<th>Funding Overview – Geographic Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>$70M TH Bonds - Interchanges</strong></td>
</tr>
<tr>
<td>• $30 M TED</td>
</tr>
<tr>
<td>• $40 M SAM</td>
</tr>
<tr>
<td>• Total $70M to be distributed 50% metro -50% gr. Minn.</td>
</tr>
<tr>
<td><strong>$5 M TH Bonds - Uncommitted</strong></td>
</tr>
<tr>
<td>• All $5M TED</td>
</tr>
<tr>
<td>• No geographic distribution requirements</td>
</tr>
<tr>
<td><strong>$4M G.O. Bonds - DEED programs</strong></td>
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<tr>
<td>• $3M Greater Minnesota Business Development Public Infrastructure program – must be spent in gr. Minn.</td>
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<tr>
<td>• $1M Innovative Business Development Public Infrastructure program – No geographic distribution requirements</td>
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</tbody>
</table>
Examples:

- Penn Ave and I-494 – Bloomington
  $21 million for interchange providing direct access to Best Buy headquarters
  State, City, and private participation (Best Buy)

- Bren Road and TH 169 – Minnetonka
  Interchange access to Opus Business Park (United Health Group)
  Potential for ~4,000 new high paying jobs
Other State Departments of Transportation have similar programs...

- Iowa - Revitalize Iowa’s Sound Economy (RISE) program
- Wisconsin – Transportation Economic Assistance (TEA) Program
- Illinois – Economic Development program (EDP)
- Michigan – Transportation Economic Development Fund (TEDF)
- Massachusetts – Public Works Economic Development (PWED) program.
What’s Next?

• Another TED solicitation could be in the works for 2011. Stay tuned.
Thanks very much!

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