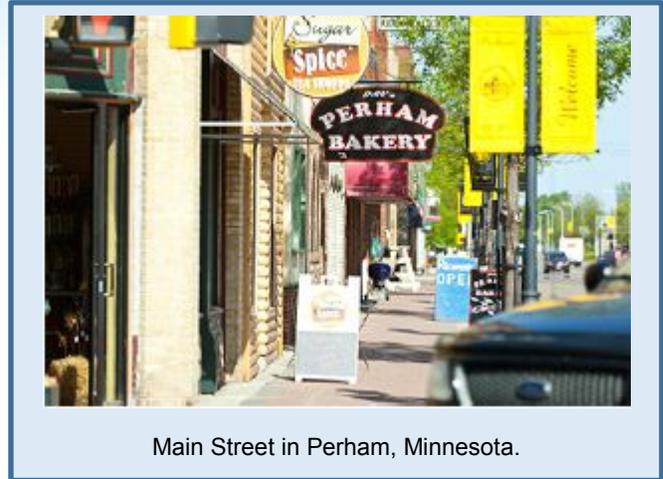


FHWA's Livable Communities Case Study Series

Minnesota's Transportation Economic Development Program

Challenge—Promoting Economic Growth While Maintaining Quality of Life in a Small Downtown

Located in Minnesota's Lakes Region, Perham is a small city of 2,900 residents that serves as a regional economic center. Approximately 3,000 jobs comprise the manufacturing and healthcare sectors, which include several large businesses and a new hospital at the intersection of U.S. Highway 10 and County Highway 34 on the outskirts of town. Perham is also a lively stop for vacationing drivers. Given the number of workers traveling into town each day as well as its proximity to numerous vacation destinations, Perham has taken steps to make its downtown more attractive and welcoming.



Main Street in Perham, Minnesota.

To do so, Perham had to address an increasingly incompatible combination of industrial and leisure traffic. Nearly 1,200 tractor-trailers traveled through small, pedestrian-oriented downtown Perham each week. The new hospital (Perham Health) is located close to an existing highway overpass, but the lack of a nearby on- or off-ramp meant that ambulances had to travel through the city center, challenging response times as well as efforts to enhance the quality of life downtown. While the relationship between the local government, business, and residential stakeholders in Perham was already positive, additional coordination with State and Federal agencies was required to fund and carefully design a transportation solution that advanced Perham's economic role in the region while enhancing its quality of life. City leaders also anticipated challenges in using traditional funding sources for a project tailored to the specific economic needs of such a small city.

Solution—Coordinating State Transportation and Economic Development Funding and Expertise

Perham's situation exemplifies an opportunity that state leaders recognized throughout Minnesota – to achieve positive economic development outcomes through strategic, business-minded transportation investments. Building on the existing interchange program, the Minnesota Department of Transportation (MnDOT), the Minnesota Department of Employment and Economic Development (DEED), and the FHWA Minnesota Division established the Minnesota Transportation Economic Development (TED) Program in 2010. The TED Program encompasses smaller and more innovative projects that advance the State's overall economic development goals. Combining the expertise of MnDOT and DEED through a competitive funding process, the TED program funnels the broad economic benefits historically associated with Minnesota's Trunk Highway System and DEED initiatives down to individual projects that support local communities' specific business needs. The TED program is not designed to be a sole source of funding for a transportation project (the maximum award is \$7 million), but rather a piece of a larger package that includes local public-private partnerships. Government entities that apply

Creating more livable communities through transportation choices



for projects leveraged with private contributions receive higher priority for TED funding, as they support the program's goal of better aligning transportation projects with community beneficiaries. Projects that support new businesses and/or job retention in manufacturing, technology, research and development, or mixed-use/high-density developments are eligible for the TED program. Applicants must demonstrate quantifiable economic development outcomes and promote wealth-creating, "head-of-household" jobs. For that reason, big-box retail developments are typically not eligible, while industrial parks are.

MnDOT and DEED jointly developed the TED program's project selection criteria, which are intended to encourage collaboration between local governments and businesses. TED project selection focuses on transportation outcomes, economic development objectives, project readiness, and a well-developed financing plan. Statewide, the TED program disbursed \$60.2 million of Trunk State Highway System and DEED general obligation funding for 24 projects throughout Minnesota in its first two years. In turn, the program leveraged \$105.6 million in local, private, and other public funding sources. The MnDOT contribution to the program funding is allocated by the Minnesota State legislature; DEED utilizes regular general obligation funding. The TED program is currently accepting applications for 2013, and the Minnesota legislature will determine the available funding by May 2013. The governor has recommended \$20 million in general funds for fiscal year 2014-2015 for the TED program; several bills for additional funding are also working their way through the legislative process. Given the success of the program, MnDOT may also opt to use portions of its own budget to fund TED in future years.

Results—Attracting Private-Sector Support for Community-Wide Benefits



Construction of Perham's Wildflower Trail (right) took place in conjunction with the new interchange.

To reduce the amount of disruptive and potentially dangerous downtown traffic, Perham applied to the TED program with a proposal for a diamond interchange on Route 10 that would provide tractor trailers and rushing ambulances direct access to their destinations. This small but significant solution attracted substantial support from the business community and public. Local businesses that stood to directly benefit – including KLN Enterprises, a manufacturer along Route 10, Perham Health, and R.D. Offutt Company – pledged \$270,000, and the TED program awarded \$4 million. Local funds made up the remainder of the \$6.7 million project cost.

The TED opportunity also helped Perham leverage a grant from the Minnesota Department of Natural Resources to construct a multi-use trail along Route 34 and through land owned by Perham Health. The resulting 3.3 mile Wildflower Trail was a third installment to the city's trail network. Construction coincided with the interchange and other local infrastructure projects, and coordination among the local, State, and private sector allowed all of them to be completed within 45 days. In the first few months since the interchange's completion in August 2012, city officials noted that truck traffic downtown decreased significantly, Perham Health added more employees than expected, and KLM has been able to move forward with plans for expansion.

Federal Highway Administration: www.fhwa.dot.gov/livability
Partnership for Sustainable Communities: www.sustainablecommunities.gov/

