

**HOLMES Kathy C**

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**From:** ODOT <notifications@cognitofrms.com>  
**Sent:** Friday, October 29, 2021 3:47 PM  
**To:** Boren John  
**Subject:** Connect Oregon 2021 Project Grant Application - Mike Zojonc  
**Attachments:** KLAMATH\_NORTHERN\_RAILWAY\_CO\_COID\_359.pdf; doc000310.pdf; Gilchrist FP Rail Project Letter of Support.pdf; SCOACT\_Support.pdf; KNRC Property.pdf

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# ODOT

## Connect Oregon 2021 Project Grant Application

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### Entry Details

APPLICATION ID	Region 4 Rail, Short Line
ENTITY/ORGANIZATION/COMPANY NAME	Klamath Northern Railway Company
ADDRESS	1 Sawmill Road, PO Box 784, Gilchrist, Oregon 97737
WEBSITE ADDRESS	<a href="https://www.neimanenterprises.com/">https://www.neimanenterprises.com/</a>
CONTACT PERSON NAME	Mike Zojonc
CONTACT PERSON TITLE	Mill Manager
EMAIL	mike.zojonc@gilchristfp.com
PHONE	(541) 668-4010

**AUTHORIZED REPRESENTATIVE  
NAME, IF DIFFERENT FROM THE  
APPLICANT CONTACT**

**ENTITY TYPE**

Private

**BUSINESS REGISTRY NUMBER**

**PROJECT NAME**

Klamath Northern Railway Company

**CHECK THIS BOX IF THE PROJECT  
ADDRESS IS THE SAME AS THE  
ADDRESS LISTED ABOVE.**

No

**PROJECT ADDRESS, (OR NEAREST  
STREET INTERSECTION OR  
LANDMARK)**

1 Sawmill Road, Gilchrist, Oregon 97601

**LATITUDE (DEGREES AND DECIMAL)**

43.4775

**LONGITUDE (DEGREES AND  
DECIMAL)**

-121.6903

**4. MODE**

Rail, Short Line

**5. CONNECT OREGON REGION**

Region 4

**6. BRIEF SUMMARY OF PROJECT**

The project funded by this grant will involve upgrading a portion of the Klamath Northern Railway shortline railway to allow for the safe and efficient transportation of large capacity railcars and protect jobs vital to the region. The existing lighter weight track on approximately 1.1 miles of railbed will be replaced with 132-lbs./yard rail.

**7. PROJECT PURPOSE AND  
DESCRIPTION**

The Klamath Northern Railway (KNOR) is a short-line railway with 10.5 miles of track that operates from the Gilchrist Junction (where it connects to Union Pacific's mainline) to the community of Gilchrist in Central Oregon, approximately 40 miles south of Bend, Oregon. For many years, the KNOR has provided an

important transportation link from the sawmill and allows the mill to ship lumber and pulp chips by rail, minimizing truck traffic on busy Highway 97. The mill has been a part of the community since its establishment and is a vital provider of jobs in the area.

This project will increase capacity at the Gilchrist Mill, support hiring additional employees, help with emissions, improve highway safety, wear and tear, and improve supply chain issues.

The project consists of upgrading track in the areas with the lightest weight rail by replacing existing rail with 132-lb per yard rail, installing approximately 1100 new crossties, 6 new switches, and 3,800 tons of ballast.

There are many benefits directly associated with the upgrade of this rural rail infrastructure including:

- Protecting 135 family wage jobs directly associated with the Gilchrist Forest Products sawmill in Gilchrist which has an annual payroll of \$6,500,000. As the market conditions improve, the number of workers at the mill will likely be increased substantially.
- Protecting approximately 300 jobs indirectly associated with the mill and their positive economic impact on this rural region.
- Minimizing truck traffic on Hwy 97, a major thoroughfare for tourists and residents in the region. The average annual number of lumber and pulp chip railcars shipped by KNOR is 2,196. This is equivalent to over 600 truckloads that will not be on the highway. Keeping these trucks off Hwy 97 will avoid traffic congestion, reduce public safety concerns, and reduce fossil fuel usage and their associated adverse environmental impacts.
- Providing other firms in the region with the

flexibility to utilize rail as a means to ship or receive biomass or other products in the future.

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8. USEFUL LIFE (YEARS) 20

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## 9. Project schedule

HAS THE MILESTONE BEEN MET? Yes

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PROJECTED START DATE OF MILESTONE WORK

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PROJECTED MILESTONE COMPLETION DATE

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HAS THE MILESTONE BEEN MET? Yes

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PROJECTED START DATE OF MILESTONE WORK

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PROJECTED MILESTONE COMPLETION DATE

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HAS THE MILESTONE BEEN MET? Yes

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PROJECTED START DATE OF MILESTONE WORK

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PROJECTED MILESTONE COMPLETION DATE

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HAS THE MILESTONE BEEN MET? No

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PROJECTED START DATE OF MILESTONE WORK 7/1/2022

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PROJECTED MILESTONE COMPLETION DATE 9/1/2022

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HAS THE MILESTONE BEEN MET? No

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PROJECTED START DATE OF MILESTONE WORK 8/1/2022

PROJECTED MILESTONE COMPLETION DATE 9/1/2022

HAS THE MILESTONE BEEN MET? No

PROJECTED START DATE OF MILESTONE WORK 9/1/2022

PROJECTED MILESTONE COMPLETION DATE 11/30/2022

10. WILL THE PROJECT'S CONSTRUCTION SCHEDULE BE CONSTRAINED BY ENVIRONMENTAL CONSIDERATIONS (BIRD-NESTING, FISH-SPAWNING SEASONS, TEMPERATURE OR WEATHER)? No

11. WHO WAS RESPONSIBLE FOR DETERMINING THE PROJECT SCHEDULE AND WHAT IS THEIR LEVEL OF EXPERTISE? (I.E. CITY OR CONSULTING ENGINEER, CONSTRUCTION PROJECT MANAGER, CITY STAFF, ETC.) Steve Tallman, Gilchrist Forest Products Infrastructure Supervisor/KNOR Supervisor

## 12. Project property control

IDENTIFY THE METHOD OF CONTROL FOR PROJECT PROPERTY Wholly or partially owned by applicant

13. DESCRIBE ANY PROJECT RISKS OR BARRIERS TO BEING READY FOR CONSTRUCTION AND YOUR PLAN TO ADDRESS THE RISKS/BARRIERS The primary risk is the supply chain for railroad ties, and rail, ties and rail can be ordered at project approval for 3rd quarter 2022 installation.

14. DESCRIBE YOUR PUBLIC AND STAKEHOLDER ENGAGEMENT PROCESS EFFORTS There are no required public and stakeholder engagement efforts necessary. That being said, we've worked with Representative Vicki Breese Iverson and Klamath County Commissioner Derrick Degroot on these plans.

## 15. Public body approvals and permits

STATUS Not applicable

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EXPECTED COMPLETION DATE

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STATUS Not applicable

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EXPECTED COMPLETION DATE

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STATUS Not applicable

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EXPECTED COMPLETION DATE

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STATUS Not applicable

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EXPECTED COMPLETION DATE

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STATUS Not applicable

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EXPECTED COMPLETION DATE

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STATUS Not applicable

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EXPECTED COMPLETION DATE

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STATUS Not applicable

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EXPECTED COMPLETION DATE

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**Any additional specific permits or approvals needed**  
**Item 1**

SPECIFIC PERMIT OR APPROVAL  
NEEDED

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STATUS

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EXPECTED COMPLETION DATE

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**16. Planning and land use**

STATUS Not applicable

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EXPECTED COMPLETION DATE

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STATUS Not applicable

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EXPECTED COMPLETION DATE

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STATUS Not applicable

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EXPECTED COMPLETION DATE

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STATUS Not applicable

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EXPECTED COMPLETION DATE

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STATUS Not applicable

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EXPECTED COMPLETION DATE

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STATUS Not applicable

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EXPECTED COMPLETION DATE

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**Any additional planning or land use efforts not specified above**

**Item 1**

PLANING/LAND USE EFFORT

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STATUS

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EXPECTED COMPLETION DATE

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17. PLANNING/LAND USE NARRATIVE

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18A. BUDGETED AMOUNT: LAND ACQUISITION

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18B. BUDGETED AMOUNT: PERMITS,  
OTHER PUBLIC BODY APPROVALS  
(APPLICATION PREPARATION/FEES)

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18C. BUDGETED AMOUNT:  
DESIGN/ENGINEERING

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18D. BUDGETED AMOUNT:  
DESIGN/ENGINEERING CONTRACT  
ADMINISTRATION

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18E. BUDGETED AMOUNT: CONSTRUCTION \$600,000.00

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18F. BUDGETED AMOUNT:  
CONSTRUCTION CONTRACT  
ADMINISTRATION

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18G. BUDGETED AMOUNT: MISCELLANEOUS \$1,650,000.00

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SUBTOTAL \$2,250,000.00

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CONTINGENCY

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TOTAL PROJECT COST \$2,250,000.00

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19. WHO WAS RESPONSIBLE FOR DETERMINING THE PROJECT BUDGET AND WHAT IS THEIR LEVEL OF EXPERTISE? Mike Zojonc, Mill Manager, put together the budget from quoted bids.

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TOTAL PROJECT COST \$2,250,000.00

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GRANT REQUEST \$1,575,000.00

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APPLICANT MATCH (DOLLARS) \$675,000.00

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APPLICANT MATCH (PERCENT) 30.00%

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**21. Please identify each source of matching funds you will use for the project**  
Item 1

SOURCE	labor
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AMOUNT	\$475,000.00
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**Item 2**

SOURCE	materials and supplies
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AMOUNT	\$193,500.00
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**Item 3**

SOURCE	project management
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AMOUNT	\$6,500.00
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**Economic Benefits**

22. HOW DOES THE PROJECT REDUCE TRANSPORTATION COSTS FOR OREGON BUSINESSES OR IMPROVE ACCESS TO JOBS AND SOURCES OF LABOR?

By increasing the load bearing capacity of the KNOR rail system track, the railway will be able to more cost effectively move the larger and heavier rail cars (e.g. 286,000 lb center beam flats) that are now required by the marketplace. This project will improve the existing connection to an industrial center (Gilchrist Oregon) and an employment center (Klamath County).

The Gilchrist Forest Products sawmill in Gilchrist remains one of the most significant employers in the area and maintaining its viability is an important component to reviving economic activity in Klamath County

While firms other than Gilchrist Forest Products are not currently utilizing the KNOW, the railroad does provide a resource that could be used in the future by other organizations. Since rail shipments have a lower cost and are not as dependent on favorable weather conditions, this infrastructure could be useful in further development of industry in the region

**23. WHAT ARE THE SPECIFIC ECONOMIC BENEFITS TO THIS STATE THAT WILL RESULT FROM THIS PROJECT?**

Saving money on repairs and maintenance on Hwy 97 - This project will help keep shipments going by rail and not truck. If this railway is not available, an additional 600 trucks per year (or 25 per workday) would need to utilize Highway 97. Reducing this number of trucks on the highway will greatly reduce the wear and tear.

These rail upgrades can be used by other organizations in the future, creating jobs and economic benefit.

**24. DESCRIBE HOW THE PROJECT PROVIDES A CRITICAL LINK CONNECTING ELEMENTS OF OREGON'S TRANSPORTATION SYSTEM, AND HOW IT WILL MEASURABLY IMPROVE UTILIZATION AND EFFICIENCY OF THE TRANSPORTATION SYSTEM.**

Upgrading this railway will improve the linkage of this area of Central Oregon with the US Rail transportation network by providing lumber customers with the advantages associated with larger capacity railcars. Without continued rail access from the mill, lumber shipments to distant locations would require loading trucking to a rail access point, and reloading for rail shipment reducing mill returns.

**25. HOW DOES THE PROJECT IMPROVE OREGON'S TRANSPORTATION SYSTEM EFFICIENCY AND/OR UTILIZATION?**

Increases system capacity  
Relieves a bottleneck or congestion point  
Removes an existing barrier  
Reduces traffic or use conflicts

**EXPLAIN:**

This project will remove 600 trucks annually from Highway 97 which relieves congestion, decreases wear and tear and allows for safer travel on Highway 97. It will also decrease emissions. In fact, rail is four times more fuel efficient than trucks. Moving these products via rail instead of truck can reduce greenhouse gas transmissions by 75%.

**EXPLAIN:**

This project will increase the load bearing capacity of the rail system track that will make the railway able to more safely, efficiently, and cost effectively move larger and heavier rail cars.

**EXPLAIN:**

Highway 97 is a busy highway used by truck traffic, residents, and tourists. This project will

eliminate about 26 trucks a day (per work day) and 600 trucks annually from traveling this busy highway.

EXPLAIN:

## Untitled

26. A) HOW IS SUCCESS MEASURED FOR THIS PROJECT (INCLUDE METHODOLOGY FOR CALCULATION)? Measure of success is increased rail shipments

B) WHAT IS THE EXISTING MEASUREMENT TODAY?

C) WHAT IS THE ANTICIPATED MEASUREMENT WHEN THE PROJECT IS FULLY OPERATIONAL? 600

27. DOES THE PROJECT IMPROVE AN EXISTING TRANSPORTATION CONNECTION OR ADD A NEW CONNECTION TO AN INDUSTRIAL OREMPLOYMENT CENTER? Yes

IF YES, CHECK ALL THAT APPLY. The project improves an existing connection

28. THIS PROJECT IMPROVES OR CREATES ACCESS TO: Industrial center  
Employment center

NAME OF THE INDUSTRIAL CENTER Gilchrist

NAME OF THE EMPLOYMENT CENTER Klamath County

29. DOES THE PROJECT IMPROVE SAFETY? No

EXPLAIN. PLEASE NOTE THE NUMBER AND TYPE OF INCIDENTS (FATAL ACCIDENT, INJURY ACCIDENT, PROPERTY-DAMAGE ACCIDENT, CRIME, OROTHER) WITHIN A SPECIFIED TIMEFRAME.

30. DOES THE PROJECT SERVE ONE OR MORE OF OREGON'S STATEWIDE BUSINESS CLUSTERS? CHECK ALL THAT APPLY.

Forestry and Wood Products

PROVIDE DETAIL ON THE BUSINESS CLUSTERS SERVED.

31. DOES THIS PROJECT BENEFIT THE OREGON ECONOMY BY GENERATING A NET INCREASE IN OR RETENTION OF LONG-TERM JOBS (BEYOND SHORT-TERM CONSTRUCTION JOBS) AND/OR INCREASING PRIVATE INVESTMENT IN OREGON?

No

32. IS THE PROJECT LOCATED WITHIN 10 MILES OF A SITE FOR MINING OR PROCESSING AGGREGATE THAT IS ALLOWED UNDER ORS 215.213 (2)(D) OR 215.283 (2)(B) ON LAND THAT IS ZONED EXCLUSIVE FARM USE? THIS IS NOT COMMON.

No

### 33. Additional Considerations

A) HOW DOES THIS PROJECT IMPACT EQUITY CONSIDERATIONS?

This project provides 135 family wage jobs in a rural community that has a 6.6% unemployment rate and 16.7% of households are poverty level.

B) HOW DOES THE PROJECT IMPACT CLIMATE MITIGATION, ADAPTATION AND SUSTAINABILITY CONSIDERATIONS?\*

Rail is 4 times more fuel efficient than trucks. This project will take 600 trucks annually off Highway 97. This will significantly contribute to the goal of reducing carbon emissions.

### 34. Maintenance and Operations

WHAT IS THE SOURCE/ARE THE SOURCES OF FUNDS FOR THE CONTINUED MAINTENANCE AND OPERATION OF THE PROJECT FOR THE USEFUL LIFE OF THE PROJECT?

Operating earnings of Klamath Northern Railway Company

WHAT IS THE STATUS OF THESE FUNDS?

Budgeted (committed for future)

DESCRIBE THE STEPS REMAINING TO COMMIT MAINTENANCE AND OPERATIONS FUNDING FOR THE USEFUL LIFE OF THE PROJECT?

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HAVE YOU HAD PREVIOUS CONNECT OREGON GRANT AWARDS? No

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## 35. Documentation

DEPARTMENT OF REVENUE TAX CERTIFICATION

KLAMATH\_NORTHERN\_RAILWAY\_CO\_COID\_359.pdf

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LETTERS OF SUPPORT

doc000310.pdf  
Gilchrist FP Rail Project Letter of Support.pdf  
SCOACT\_Support.pdf

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PROPERTY OWNERSHIP, LAND LEASE/CONTROL

KNRC Property.pdf

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SECRETARY OF STATE BUSINESS ID

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SITE PLANS, IF AVAILABLE

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PLANNING/PERMITTING DOCUMENTS

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COMMITMENT LETTERS

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MISCELLANEOUS

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## 36. Authorizations and Signatures

PLEASE READ AND CHECK ALL BOXES

By checking this box, I certify that above-mentioned Applicant Organization supports the proposed project, has the legal authority to pledge matching funds, and has the legal authority to apply for Connect Oregon funds. I further certify that matching funds are available or will be available for the proposed project no later than 60 days prior to the Oregon Transportation Commission's final action on

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grant awards, anticipated to be in May or July 2022. I understand that all State of Oregon rules for contracting, auditing, underwriting (where applicable), and payment will apply to this project.

By checking this box, I certify that all of the content of this application is true to the best of my knowledge and that I have read the Sample Draft Agreement and will sign the Agreement if selected. I understand that non-compliance with the agreement and program may result in a cancelled project and return of grant funds. By checking this box, I certify that per Oregon Administrative Rule (OAR) 731-035-0050(2)(b), as a condition of Connect Oregon program eligibility, applicants must be current on all state and local taxes, fees and assessments where applicable. Inasmuch, as an authorized representative, I declare, that MY ORGANIZATION, is to the best of the undersigned(s) knowledge, current on all Oregon state and local taxes, fees and assessments. As a continuing requirement to remain eligible, I understand that MY ORGANIZATION will remain current on all Oregon state and local taxes, fees and assessments and failure to comply with this rule may result in corrective action up to and including a determination of ineligibility for Connect Oregon funding. I further understand that Connect Oregon funds may be withdrawn should it be determined that this certification was signed falsely or in error, or that MY ORGANIZATION has become delinquent in its state and local tax, fee or assessment obligation.

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SIGNATURE OF AUTHORIZED REPRESENTATIVE

Captured