

The Value of *ConnectOregon* Grants: City of Prineville Railway and Freight Depot and Mount Hood Railroad

Support for Traditional Funding of both Grants and Loans

The *ConnectOregon* program traditionally provides for both grants and loans. Here are several examples of why a loan-only program won't work. Prineville and Crook County have struggled to get back on solid economic footing since the 1980's when the timber industry died out. The City of Prineville Railway and its transload center, The Prineville Freight Depot, which was built with *ConnectOregon* grants, have helped develop much needed jobs and economic opportunity for the local region.

The City of Prineville Railway has been the fortunate recipient of *ConnectOregon* I, II and III grant funding. It allowed us to save our railroad and maintain a valuable piece of infrastructure for this region. Transportation infrastructure in rural Oregon is a key component in the long term survival and success of regions like ours. The traditional *ConnectOregon* program which allows for grants has done great things and has allowed small entities in economically depressed areas the opportunity to move forward.

- In 2004, the City of Prineville Railway totaled only 87 carloads of freight.
- Because of *ConnectOregon* grants, in 2013 the Railway is conservatively projected to total 750 carloads.
- Additionally, the Prineville Freight Depot now has developed three times the truck traffic during this time period.

We support the traditional *ConnectOregon* funding mechanism because it provides for grants and loans. A loans-only approach presents problems and uncertainty which we believe will curtail the effectiveness of the *ConnectOregon* program.

In the case of *ConnectOregon* I grant money that the City of Prineville Railway and Prineville Freight Depot received:

- It was difficult to gather enough funds to meet the 20% match. We had to use a combination of assets. We had no money left.
- Funding under the *ConnectOregon* I grant program allowed the City of Prineville Railway to complete its project. There was no need for the project to produce immediate returns to start paying off a loan if we didn't meet certain criteria.
- Some have suggested that loan forgiveness options become available to public entities such as the City of Prineville Railway, but these mechanisms are dependent on meeting timely completion and performance requirements - never a certainty when significant infrastructure projects are concerned. We would be on the hook if the loan wasn't forgiven.
- Like most transportation infrastructure initiatives, it took time before we saw increased business related to our completed project. If we'd used a loan to finance our project and it wasn't forgiven, loan payments would have been coming due before this increased business related to our project materialized. As we'd used all available funds just to cover the 20% match requirement, making immediate loan payments would have been impossible.
- **Under the uncertainty created by a loan-only program, it is doubtful that we would have even applied, and that would have destroyed economic prospects for the Central Oregon region which it now enjoys because of a grant.**
- Startups rarely attain financial profitability within the first year of operation. Infrastructure is extremely expensive.
- We are just now reaching breakeven. After the project was finally completed, it has taken well over two years of intense marketing effort to bring in anchor tenants and build a customer base for the Freight Depot.

PRIVATE ENTITIES NEED GRANTS, TOO – EXAMPLE: MOUNT HOOD RAILROAD

- An example of a private entity that now provides regional economic development for the Gorge area is Mount Hood Railroad. Their track was entirely and completely washed out in several areas. They could not have rebuilt if it weren't for the *ConnectOregon* grant they received.
- But now they transport the valley's local lumber to connect with the Class 1 rail system and have just purchased refrigerated cars to haul fruit. As an excursion rail attraction, Mount Hood Railroad brings tremendous numbers of tourists to the area. As a revitalized means of transport, both passenger traffic and businesses in the little towns in the valleys just south of the Gorge have all been positively impacted.
- This wouldn't have been possible without a grant, because when the track was gone, the rail line had no money to repair it and could not have managed to do so under the currently proposed loan program for private entities.

It is imperative to get Oregon back on its economic feet, especially in rural Oregon. Maintaining and building infrastructure in rural and underfunded areas of our state brings the opportunity for many to prosper. It creates an environment for the transportation system as a whole to move more smoothly, which better allows goods to get to market and people to their destinations. *ConnectOregon* should be left in its original format of grants AND loans.