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Expedited Treatment Requested

Ms. Cynthia T. Brown
Chief, Section of Administration
Surface Transportation Board
395 E Street, SW
Washington, DC 20423

Re: STB Docket 1305X
Great Redwood Trail Agency, formerly named North Coast
Railroad Authority – Ab. Exemption -- in Humboldt, Trinity
and Mendocino Counties, CA

Comments/Exhibits Requiring Rejection of OFA filed
by Mendocino Railway

Dear Ms. Brown:

These letter comments and exhibits are filed on behalf of Great Redwood Trail Agency (“GRTA”), formerly named North Coast Railroad Authority (“NCRA”).¹

¹ Note: All of this letter and all exhibits attached are Public. Ms. Jones has provided a “Public Version” of her V.S. GRTA is separately filing a “Highly Confidential” version of the V.S. with STB in a non-public fashion out of an abundance of caution because it deals in a fashion with traffic data that MR might argue is non-public. The Highly Confidential Version of the Jones V.S. is being filed so labeled with the STB, and will be furnished to all outside counsel who

Mendocino Railway in its OFA fails carry its burden of proof to demonstrate financial responsibility, rail need or rail feasibility, as required by case law and STB's regulations. Moreover, MR's critique of GRTA's valuation and rehabilitation information is inconsistent, confusing and erroneous. The entire MR OFA must be rejected.

Law relating to OFA's as germane here. Financial responsibility is sufficient funds to buy a line and rehab it, and operate it for two years as required by 49 U.S.C. 10904(f)(4). See, e.g., UP – Ab Exemption – in Rio Grande, et al Counties, CO, AB 33 (Sub-no. 132X), served May 24, 2000, slip at 4. A showing of full financial responsibility in an OF A is required notwithstanding an initial finding of preliminary financial responsibility. In adopting its revised OF A regulations, the Board stated that it “has the authority to reject an OF A when an offeror fails to demonstrate its ability to provide rail service as part of the Board's determination of financial responsibility at the offer stage.” Offers of Financial Assistance, EP 719, served June 29, 2017, slip at 12. The Board in a footnote cited for this proposition Consol. Rail Corp. – Aband. Exemption – in Phil., Pa., AB 167 (Sub-no. 1191X) et al., slip op. at 8, served Oct. 26, 2012, where it affirmed the Director's decision to reject an OFA because the offeror did not have funds to both acquire the line and to rehabilitate the line and install safety equipment.

“The OFA process is designed for the purpose of continuing to provide freight rail service, and is not to be used to obstruct other legitimate processes of law (whether Federal, state, or local) when continuation of such service is not likely.” Roaring Fork Railroad Holding Authority – Abandonment Exemption—in Garfield, Eagle and Pitkin Counties, Co, AB 547X, served May 21, 1999, slip op. at p. 4 [RFRHA], aff'd Kulmer v. STB, 236 F.3d 1255, 1256-57 (10th Cir. 2001). When disputed, the burden of proof is on the OFA applicant to show the OFA is for rail service continuation. Id., citing additional authorities. The line in question in AB 1305X has not been used for rail service for approximately 24 years. “Where, as here, the line is not currently active, there must be some assurance that shippers are likely to make use of the line if continued service is made available, and that there is sufficient traffic to enable the operator to fulfill its commitment to provide that service.” RFRHA, supra, citing BNSF – Abandonment Exemption – in King County, WA, AB 6 (Sub-no. 380X), served

have served a copy of the signed protective order Exhibit B undertaking upon GRTA.

August 5, 1998, slip at 5, aff'd RIRPA v. STB, 223 F.3d 1057, 1061-63 (9th Cir. 2000).

Overview of this letter and exhibits. The simple truth in this proceeding is that Mendocino Railway (MR), which has the burden of proof in its OFA, has failed to show that it has the financial responsibility to acquire and to rehab this line, much less operate it for two years. Moreover, MR fails to show that shippers will likely make use of the line if continued service is made available, and that there is sufficient traffic to enable the operator to fulfill its commitment to provide that service. In other words, MR fails to show rail need and rail feasibility, much less financial responsibility, to undertake the mammoth rehabilitation to restore this line and its tunnel. This is hardly surprising, for MR for years has been unsuccessfully seeking federal and state subsidies to fix its own line and tunnel for its tourist train (Skunk Train) between Willits and Fort Bragg.

In short, the comments and exhibits supplied herewith confirm that the Mendocino Railway (MR) OFA fails to meet the criteria for acceptance set forth in, inter alia, 49 CFR 1152.27(c)(1)(iv)(B) & (E) and relevant case law. Before turning to MR's failure to satisfy the requirements of the regulation (for those in a hurry, see *infra* pp. 6-10), GRTA first addresses some valuation and rehabilitation cost issues, because those are germane to whether MR is even close to showing financial responsibility and rail need/feasibility (which it is not).

Land valuation. GRTA's land valuation is \$6,725,000 (BRI appraisal at p. V, in GRTA's Sept. 15 filing). MR justifies its lower valuation mainly by claiming that GRTA overstated the fee acreage or appraised land as fee that was not fee at the direction of GRTA's rail counsel (the undersigned). MR's claims and valuation are all bogus.

Attached Exhibit 1 is a Verified Statement by Elizabeth Coleman (a licensed California attorney with expertise in land title evaluations) with title opinion attached. She attests that she reviewed all the deeds in the right of way, and instructed the appraiser to treat as fee only those she identified as fee. Ms. Coleman specifically responds in her verified statement to all issues raised by MR as to her determination. She reiterates that the property she identified is held in fee by GRTA.²

² Ms. Coleman also notes that GRTA staff has examined relevant leases and private crossings and determined that all were term limited and/or subject to termination such that they would not detract from fee title. E. Coleman V.S. at para 7.

Attached Exhibit 2 is a Verified Statement by David Anderson, GRTA's long-time expert rail engineer. Mr. Anderson confirms that he calculated the total acreage (255.643 acres based on the relevant valuation maps -- a methodology that MR does not contest). He also calculated the total acreage for all reversions or easements as determined by Ms. Coleman (including public highway crossings and federally granted railroad rights of way -- 34.25 acres). He confirms that he supplied this information to the appraiser, and the appraiser confirms that he appraised only the fee acreage and not inter alia the federally granted railroad right of way. The total fee acreage is thus 221.39. See Anderson V.S. at 10-11.

Both Ms. Coleman (Coleman V.S. generally and esp. 7-8) and Mr. Anderson (Anderson V.S. at 11) confirm that the methodology used by GRTA results in a superior appraisal (valuation) of the property in comparison to that employed by MR.

MR's appraisal applied a totally garbled approach. For example, it explained that it was not relying on a tabulation of acreages of fee parcels, but some sort of construct or guesstimate of relevant fee acreage. (RII appraisal, p. 22, MR OFA at p. 45:

"1) ... The 63.06 revealed reversionary acres is 25% of the total 255.643 of the entire acreage in the segment. Therefore, this value will assume that 24.66% of all acreage is in the segment has a reversionary clause based on the sample of deeds secured and reviewed so far, leaving a total of 119.286 marketable acres.

2) Valuation of all acknowledged acreage minus only the acknowledged easement grants and known reversionary acreage from the 15 deeds reviewed to date. This value should be used only if NCRA provides the remaining deeds and no other acreage is found to be reversionary. This would be a total marketable acreage of 158.33 acres."

So far as GRTA can tell, MR's analysis via RII is bogus. Ms. Coleman shows that MR's "revealed reversionary acres" of 63.06 acres is simply wrong.³ (Ms. Coleman in conjunction with Mr. Anderson and ARE determined that there were 34.25 acres in the nature of easements or covered by road crossings.) In a flight of

³ Ms. Coleman's title opinion and Verified Statement underscore that the Marketable Title Act in California cuts off reversionary clauses unless they are effectively re-filed on a regular basis, which none were here. Ms. Coleman instructed the appraiser not to value the easement areas.

fantasy, RII/MR then claims the deduction amounts to 25% of the acreage they examined, so they arbitrarily lop another “24.66%” off the acreage, and then apparently take everything off the top, but cannot do arithmetic and end up with a totally arbitrary acreage of 119.286 which they are willing to concede is fee. The RII/MR approach is awesome in its inexplicability and arbitrary nature, replete with doublings and arithmetical errors and a befuddling explanation. It must be rejected. Then in the portion labeled “2),” RII/MR says NCRA [sic] should provide the deeds if it wishes a higher acreage (which is itself another arbitrary number of acres --158.33). NCRA/GRTA is under no obligation to provide such services to MR or RII’s in the sense or for the “compensation” they suggest above.⁴

In this case, the ATF valuation of the land is also an NLV valuation. GRTA will not sell the land or break it up unless compelled by the federal government. GRTA per state legislation intends to retain and to use the land as the Great Redwood Trail. No deductions from ATF are appropriate in the circumstances, and if taken, would reduce the compensation afforded to California for the resultant taking to an amount less than minimum constitutional value of the real estate involved. This would amount to an unconstitutional taking without just compensation by the federal government of property of the State of California.

Track material valuation. MR/Pinoli appear to speak out of two sides of their collective mouth on rail valuation. On the one hand, for valuation purposes, they claim the track is scrap and there is little of value. On the other hand, they claim that the track is overall in fine shape implying rehabilitation will be easy. Mr. Anderson explains that the rail itself, which is the main thing of value in terms of track material, is relay quality and thus his rail assessment remains sound. See Exhibit 2, V.S. at 8-10.

MR implies that Mr. Anderson does not know what he is talking about because he did not show he had inspected the line. This is so ironic, because any inspection

⁴ In all events, GRTA has complied with 49 CFR 1152.27(a) which MR argues elsewhere governs information which must be supplied pre-OFA. MR never objected to the scope of the information GRTA provided, and it has waived any objection to the adequacy of that information. MR’s consultant RII evidently is unwilling to do a title exam for its client, or the client is unwilling to pay. MR has the val maps and relevant deed lists and can quickly identify to a title company what deeds it wants pulled, and in general receive same at no burden to itself or any other party to this proceeding.

by MR of the line was without any consent or authorization by or right of entry from GRTA, and thus an illegal trespass.⁵ In point of fact, Mr. Anderson and his team have spent more hours inspecting the line than the day so far claimed by RII. Mr. Anderson explains in his Verified Statement attached hereto that he personally spent over 30 hours in recent inspections and had a team out there as well as a helicopter survey (V.S. at 2-3). He explains that Mr. Pinoli (MR) has no basis for the aspersions he casts on the integrity and thoroughness of ARE's work. V. S. at 3. He confirms his assessment of the rail (V.S. at 4). See Exhibit 2.

Rehabilitation. MR makes the same sorts of objections to GRTA/ARE's rehabilitation cost assessment. Mr. Anderson responds in detail in his Verified Statement annexed as Exhibit 2 as above indicated. Suffice it to say that MR's analysis is riddled with inconsistencies, and fails to take into account a host of rehabilitation needs, much less the damage to large blocks of the roadbed and ties due to vegetation, slides, erosion, and so forth. MR is reminded that this line segment has seen no maintenance since FRA imposed an embargo in 1998. About the only thing preserved in such circumstances is made of steel. Given reballasting, water control, erosion needs, and the effects of vegetation, attempting to restore to excepted status will impose far higher costs than intimated by MR. As Mr. Anderson says, the issue is not Class I versus excepted; it is reconstructing the line so it can be reliably operated at all. Thus, while the rail is relay, everything else requires substantial and costly repair to keep the engine and railcars on the track, and not in Outlet Creek. See Anderson V.S. at 4-8. The rehabilitation estimates provided by ARE (Mr. Anderson) are reliable and must govern the assessment of rehabilitation needs and cost in this proceeding.

Financial responsibility. In order to show financial responsibility, MR must show available assets sufficient to cover purchase price and rehabilitation and other costs of sustaining the initial two years of operation. See UP – Ab Exemption – in Rio Grande, et al Counties, CO, AB 33 (Sub-no. 132X) (financial responsibility includes showing ability to meet acquisition and two years of operating and maintenance of actual rail service); Consolidated Rail – Ab Exemption – in Philadelphia, PA, AB 167 (Sub-No. 1191X), served Oct. 26, 2012, slip op. at 8 (requires funds sufficient to cover acquisition, rehabilitation, and installation of safety equipment). The total cost for acquisition and rehabilitation is, as calculated

⁵ GRTA has filed a motion to expunge from the record evidence and argument in MR's OFA that rely on MR's illegal trespass. MR filed a letter stating it would take 20 days to respond. In short, they simply count on getting away with illegal conduct. GRTA reserves all rights.

by GRTA, \$10,375,000 (purchase price) plus \$22,496,781 (rehabilitation). Two years operation and maintenance are in addition, and results in a total cost of \$39,041,313. See GRTA Certification (1152.27(a) materials) filed Sept. 15, 2022, at p. 13 and supporting materials.

MR's entire case on financial responsibility rests on bank statements of its parent company available only to outside counsel of parties because the statements were filed as "Highly Confidential."⁶ The statements are found at MR OFA pp. 213-215. They show available assets that are a small fraction of the required amount per GRTA's appraisal and reports.

Of course, MR purports to contest GRTA's valuations and estimates, but even if the Board were to take the minimum estimates provided by MR itself for purchase (\$4,399,095 for both land and steel) and rehabilitation (\$7,242,000), they total well in excess of the available assets stated in MR OFA at 213-215. In other words, MR has not shown it has the ready assets to pay for what even purchase and rehab will cost under its own erroneously depressed computations. In addition, it clearly also fails to show it could cover two years of operation and maintenance. In effect, MR has shown that it lacks financial responsibility.

The MR OFA therefore must be rejected.

Rail need/rail feasibility. No shippers (let alone Wylatti dba Geo Aggregates) have expressed any interest to NCRA/GRTA for freight moves north of Willits. See Stogner V.S., attached as Exhibit 3, at 1-2. The entire NCRA/GRTA north of Windsor has been embargoed by FRA since 1998. *Id.* at p. 2. Funds to rehabilitate north of Windsor have been rejected by federal and state authorities because the line was so prone to storm damage and had too little shipper demand. Stogner V.S. at 2-3. The notion of a 13-mile inland line going from a non-existent "community" (Longvale) to a city of about 5000 people (Willits) with no rail connections beyond is chimerical. Stogner at 4. As Mr. Stogner (NCRA's long time Executive Director) notes, MR itself expressed no interest north of Willits and said that segment should be a trail in a letter to the California Transportation Commission (CTC), which essentially greenlighted this abandonment proceeding. Stogner at 4, referencing Pinoli's letter to CTC dated Nov. 20, 2020, which is attached to Exhibit C at the end of his V.S.

⁶ MR has thus sought to conceal a critical showing, or more accurately stated, non-showing, from the public and indeed from all parties lacking outside counsel who can view the secret material but cannot discuss it with their clients. GRTA has challenged MR's de facto exclusion of not only the public but also the parties from evidence critical to grasping MR's case (or more accurately the deficient evidence it supplies to support its case).

Against this backdrop, it is not surprising that the only evidence MR could dredge up for its case on rail need and feasibility as to the Willits to Longvale segment rests on a single shipper letter which it filed, again as “Highly Confidential” (“HC”). See MR OFA at pp. 140-42.⁷ As Mr. Pinoli implies, that shipper projects a very modest use. Indeed, he says “this is not a high-volume line.” MR OFA at 136. That is certainly true; the line has been no volume since 1998 and the shipper use projected is relatively tiny, if it ever actually uses the line, which would only occur if MR somehow in fact did manage to raise the millions needed to restore and to operate the 13 miles in question.

The only shipper that could possibly be served on the Longvale to Willits segment is Wylatti dba Geo Aggregates, which has previously been identified by MR as the only shipper in the Longvale vicinity, and which is also present in Fort Bragg. GRTA retained Marie Jones to examine rail need and feasibility for all the shippers identified by MR, and the transportation market generally from Longvale to Fort Bragg. Suffice it to say that Ms. Jones shows in her resulting report (attached to Jones V.S., exhibit 4) not only that Wylatti is being served by trucks but also that that trucks are cheaper than rail to satisfy all current or expected transportation needs. If trucks are cheaper, then freight rail is not feasible or needed.

When MR filed its OFA this past weekend, it for the first time indicated it was not relying on moving any product to Fort Bragg,⁸ and was limiting its rail need/rail feasibility case to a 13-mile move from Longvale to Willits.

Willits is cut off from the national rail system due to FRA’s embargo of the GRTA/NCRA line from Windsor to Samoa. As NCRA’s former Executive Director (Mitch Stogner) says, “[i]t strikes me as self-evident that spending millions to rehab a 13-mile line from non-existent Longvale to the small market at Willits will have insufficient traffic to make any sense.” Stogner V.S. at 3. Contrary to intimations by MR, the roadways paralleling both MR’s tourist excursion line (from Fort Bragg to Willits) as well as NCRA’s own line north of

⁷ GRTA is well aware of the identity of the shipper and its maximum projected transportation needs from a variety of public or otherwise independent sources, including MR itself. GRTA has accordingly moved to de-designate the shipper letter from HC status.

⁸ MR has long been unable to obtain funds to rehabilitate a collapsed tunnel on its tourist excursion/rail bike line between Fort Bragg and Willits.

Windsor have rendered rail infeasible. Indeed, the flexibility, reliability, and lower cost of trucks have rendered freight rail uncompetitive and superfluous for any otherwise interested shippers. Rail is simply not needed or feasible, except maybe as quaint tourist train or glamping experiences on which MR has heretofore focused. Stogner notes, in effect, that all who have tried to do freight north of Windsor have pulled out or gone bankrupt. V.S. at 3. And all those rail operators who tried and died before at least had an actual link to the national rail network that worked, which MR cannot claim here.

In all events, once the OFA was filed, GRTA requested Ms. Jones to examine Wylatti's demand as relied upon by MR. The results were devastating. Ms. Jones shows that even under MR's lowball cost estimate for purchase and rehabilitation, trucks will move Wylatti's aggregate cheaper than a re-started rail service. See Exhibit 4. Her analysis essentially forecloses any case for rail need or feasibility. Based on her prior study, she indicates that average truck rates for delivery on the relevant route is \$2.64/ton, which for an 80-ton delivery by railcar would equate to \$211 per car. Jones V.S., Exhibit 4, at p. 4. However, the capitalization of the rail link (purchase price and rehabilitation, even using MR's lowball figures) would exceed \$2000 per carload and operating costs would exceed \$1500 per carload. Id. at 5. This line would be an abandonment candidate before it was built, during construction, after construction and before operation, and at any point during operation. Ms. Jones suggests that the line would need over 10,000 carloadings per year to be competitive with trucks, even using MR's own numbers. Jones V.S. at 6 (Table C). Since Wylatti's permitted maximum extraction of gravel is only 70,000 cubic yards (a bit over 79,000 tons, see Jones V.S. at 3), the most Wylatti can possible demand is about 1000 rail cars/year. That is about 10% the amount needed for rail to be competitive with truck. Ms. Jones shows the situation to be even worse for Wylatti and for MR using the acquisition and rehabilitation costs calculated by GRTA's consultants. Jones V.S. at 7.

As Ms. Jones states in her conclusion at V.S. p. 7, "Willits is an extremely competitive marketplace for aggregate with the lowest cost/ton and lowest transport cost/ton in Mendocino County. Rail transport of Grist Creek [Wylatti dba Geo Aggregates] gravel could not be priced competitively for the Willits aggregate market. **This project is not economically or financially feasible under either [MR's or GRTA's] analysis.**" (Emphasis in original.)

Contrary to MR's claims, rail need/feasibility is not established by one or more shippers sending a letter to STB saying it would like a rail alternative to its trucks. RFRHA, supra, slip op. at 4; King County, supra, slip op. at p. 5. Such letters, like

talk, are cheap, for they are non-binding. The shipper or the railroad can walk away if doing business will lose money. Even if the parties say they have worked out an arrangement, such arrangements are inevitably contingent on each side making money. As to the railroad, it can always on mature reflection change its tariff or surcharge it to protect itself from loss. The shipper can simply continue to rely on trucks. Ms. Jones demonstrates that MR would inevitably lose money if it tried to match truck rates, or otherwise subsidize Wylatti. And Ms. Jones indicates that the Willits market is very competitive for gravel. Exhibit 4 at p. 4. Wylatti will lose business if it overpays MR, and has no capability to subsidize the railroad. In short, letters supporting MR are cheap, but trucks are cheaper still.

Since trucks are abundant, since they put past rail providers out of business, and since Ms. Jones shows and Mr. Stogner corroborates that those conditions continue to apply in the Willits area, MR shows neither rail need or feasibility. As Ms. Jones shows, they simply cannot.

In short, MR has not only failed to show financial responsibility, but also it utterly fails to carry its burden of proof that this OFA is for continuation of freight rail service. As Ms. Jones indicates, the line cannot be made available economically for use by any shipper (Wylatti inevitably will find trucks cheaper) and if by some miracle MR was able to rehabilitate the line, the traffic would be insufficient traffic "to enable the operator to fulfill its commitment to provide that service" (RFRHA, supra, at p. 4) because trucks are so much cheaper for the hauls involved.

By my signature below, I certify service of this letter and exhibits by email attachment on October 19, 2022 upon all parties listed by the Board for service in this proceeding.

Thank you for your assistance in this matter.

Respectfully submitted,


Charles H. Montange
for GRTA/NCRA

Exhibits: 1. E. Coleman V.S. and title opinion
2. D. Anderson V.S.
3. M. Stogner V.S. (attaching additional earlier V.S. with MR letter
agreeing that there is no rail need/feasibility north of Willits)
4. M. Jones V.S. (public version) and report

cc (w/att.) all parties per STB docket list (with exhibits)
Elizabeth Coleman, Esq. (for Applicant) (by email)

Exhibit 1
Elizabeth Coleman V.S.
and Title Opinion

BEFORE THE SURFACE TRANSPORTATION BOARD

Great Redwood Trail Agency, formerly North)
Coast Rail Authority –) AB 1305X
Abandonment Exemption –)
In Mendocino, Trinity and Humboldt Counties, CA)

Verified Statement of Elizabeth Coleman in Support of

Great Redwood Trail Agency's Real Estate Methodology and Deed Analysis

1. I, Elizabeth Coleman, submit the following verified statement in support of the Great Redwood Trail Agency's real estate valuation methodology in the above captioned matter. All factual matters stated herein are true and correct to the best of my knowledge, and those that are stated as a matter of opinion are submitted as my professional opinion on the legal matters discussed herein, made on the basis of my professional experience described hereinbelow.

2. I am an attorney in good standing, licensed to practice law in the State of California, and I serve as outside general counsel for Great Redwood Trail Agency (GRTA). I graduated from the University of California Berkeley Law School in 2004 and have been licensed in the State of California, practicing exclusively within the State, since November 2004. I have an extensive educational and legal background in matters of real property within the State of California, including

over a decade of advising California public entities on matters specifically related to real estate conveyances, drafting and interpretation of deeds and other real property instruments, and construction of applicable state law regarding interpretation of same.

3. I performed a legal review of the title documents comprising GRTA's interest in the segment of the rail line subject to the offer of financial assistance submitted by Mendocino Railway (the "Segment"). A true and correct copy of my opinion documenting my legal analysis is attached hereto as Exhibit "A." As set forth in detail therein, I reviewed all documents by which GRTA has taken title to the Segment, including the underlying conveyance documents that describe the nature of the interests, which were subject to multiple subsequent conveyances.

4. I personally instructed David Anderson, rail engineer for GRTA and the former North Coast Railroad Authority (NCRA) to include the parcels held in fee, in my legal opinion, in the acreage calculation provided to appraisal firm Bender Rosenthal for valuation of the Segment. I instructed Mr. Anderson not to include the acreage from the only parcel, described in detail in Exhibit A, that was per a grant that should be considered less than fee ownership for purposes of this proceeding. To the extent Mendocino Railway claims otherwise (i.e., that GRTA included non-fee parcels in GRTA's appraisal), Mendocino Railway is wrong.

4. In conducting my review, I reviewed all deeds specifically addressed in the Elkin statement and the Mendocino Railway appraisal. As to each of the specifically noted deeds, it is my legal opinion that Mendocino Railway is in error.

5. For the reasons set forth in the Exhibit A, there is only one deed manifesting a reversionary interest (Deed 1: Book 118 p. 59), but that reversionary interest was not preserved via proper action under California law as provided in the Marketable Title Act. *See* Cal. Civ. Code § 880.202 et seq. In other words, under the Marketable Title Act, the reversionary interest has been extinguished.

6. The other three of the four purported reversionary interests suggested by Mendocino Railway (namely, Deed 2: Book 118 p. 48, Deed 3: Book 118 p. 45, Deed 4: Book 118, p. 51) are, in my legal opinion, deed restrictions in the form of conditions subsequent, not rights of reversion. Each of them was created via a grantor/grantee transaction (with the same grantor), which, prior to 1969, were as a matter of law incapable of creating a covenant running with the land. *See Taormina Theosophical Community, Inc. v. Silver*, 140 Cal.App.3d 964, 972, FN 3 (1983); *see also* Civil Code section 1462. Because none of these parcels is held by the original grantee, GRTA is not bound by these deed restrictions. *See id.*

Moreover, a restriction that is not also to the benefit of a restricted parcel does not run to successors in interest to the original entity to whose benefit the promise inured, even if the deed expressly states it inures to the benefit of successors in

interest, unless it is also of benefit to the restricted parcel. *See id.* It may be argued that in 1910-1912 when these conveyances occurred, they would have met those criteria, but in 2022 such restrictions cannot reasonably be argued to be for the benefit of the parcels themselves. Finally, the fact that the only party to whom any benefit would run (the Northwestern Redwood Company) has not existed in any legal form for more than 50 years would defeat the argument that any entity currently extant could enforce those rights.

7. Mendocino Railway's suggests a discount rate of 25% should apply, since in its estimation the "errors" in GRTA's characterization, or otherwise the general likelihood of a 25% easement rate, should be applied to presume GRTA misstated or misapprehended its title has no basis in the law or the facts of this matter.

Mendocino Railway's further reliance on documentation generated by the Department of General Services for the State of California, which attempted to list real property agreements upon the former NCRA line, as the basis for discounting any parcels noted therein is similarly misplaced. GRTA staff has reviewed all leases and licenses entered into by NCRA/GRTA between Mile Posts 139.5 and 152.5, and they are time-limited, and include termination clauses. Thus, these permissive rights to lessees and licensees are revokable and do not affect fee title.

8. I have examined all granting deeds between MP 139.5 and MP 152.5, including specifically all deeds questioned by Mendocino Railway in its OFA. For the

reasons stated above and in my attached title opinion, it is my professional opinion, as a licensed and experienced California attorney, that all such deeds conveyed a fee at the time of recording, or that any reversion or restriction has been subsequently extinguished, *inter alia*, by the Marketable Title Act. I therefore instructed the appraiser to count all parcels as conveyed in fee, but that he should not value the federally granted portion of the right of way. I have confirmed that the appraiser acted in accordance with my instructions.

I declare under penalty of perjury under the laws of the State of California that the factual matters set forth herein are true and correct to the best of my knowledge, and any professional opinion rendered herein is made in good faith based upon my licensure and training. Executed this 18th Day of October, 2022.



Elizabeth Coleman

EXHIBIT A

COUNTY ADMINISTRATION CENTER
575 ADMINISTRATION DRIVE,
ROOM 105A
SANTA ROSA, CALIFORNIA 95403

TELEPHONE: (707) 565-2421
FACSIMILE: (707) 565-2624

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OFFICE OF THE COUNTY
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DEPUTIES

TAMBRA CURTIS	ADAM RADTKE
LISA PHEATT	SITA KUTEIRA
HOLLY RICKETT	JEREMY FONSECA
VERNE BALL	LUKE BOWMAN
IAN TRUEBLOOD	MATTHEW LILLIGREN
ELIZABETH COLEMAN	MAILE DUNLAP
PETRA BRUGGISSER	MATTHEW CODY
CHRISTA SHAW	KRISTIN HORRELL
MICHAEL KING	IVAN JIMENEZ
KARA ABELSON	SHARMALEE RAJAKUMARAN
DIANA GOMEZ	NATHANIEL RAFF
ALDO MERCADO	

MEMORANDUM

DATE: October 18, 2022

TO: Board of Directors, Great Redwood Trail Agency

FROM: Elizabeth Coleman, General Counsel

RE: Title Opinion Regarding MP 139.5- MP 152.5

Purpose of this Opinion

This memorandum is to formalize the advice given to the Great Redwood Trail Agency (GRTA) on July 28, 2022 regarding the title review of the undersigned of all record conveyances concerning the rail line of the former North Coast Railroad Authority (NCRA) along all points between Mile Post 139.5 in Willits, California and 152.5 in the unincorporated area known as Longvale, California (the "Segment"). This document represents the legal opinion on the undersigned as to the nature and sufficiency of title to all parcels between such points.

Methodology and Conclusions

I have reviewed the conveyance documents for each parcel comprising the Segment, which came into the ownership of NCRA via two transactions. Title to all points of the Segment south of MP 142.5 was purchased by NCRA pursuant to a purchase and sale agreement with Southern Pacific Transportation Company, although certain portions were transferred in fee from the successor in interest to Southern Pacific, Union Pacific Railroad Company, to GRTA in 2022 pursuant to the terms of the 1992 agreement. Title to all points of the Segment north of 142.5 was conveyed to NCRA pursuant to a purchase by NCRA approved by the court in the bankruptcy proceedings of the Northwestern Pacific Acquiring Corporation and Eureka Southern Railroad Company, and transferred via quitclaim deeds from the Trustee in Bankruptcy for the Estate of Northwestern Pacific Acquiring Corporation.

As to the portion of the Segment lying north of 142.5, I have reviewed the quitclaim deed to NCRA, the 1984 deed incorporated by reference into the quitclaim deed, and all listed

underlying conveyances noted in the 1984 deed, which form the basis of the interests later transferred in the 1984 and 1992 deeds. I have cross-referenced each of the underlying conveyance documents with the Board of Equalization maps of the line to confirm that the listed instruments underlying the 1984 deed, and by extension the 1992 deed, do in fact constitute the full corridor they purport to cover, and that all deeds listed on the maps are also included in the deeds.

As to the portion of the Segment lying between 139.5 and 142.5, I have reviewed the deed to NCRA and the listed parcels contained in the legal description thereof, as well as the text of the underlying documents referenced in the 1996 deed to NCRA. As it related to the portion of the Segment known as the “Willits Yard,” over the majority of which a surface use easement was executed in 1996 but with respect to which fee title was transferred in 2022 to GRTA, I have similarly reviewed the quitclaim deed to GRTA, all references in the legal description, and all underlying conveyance documents comprising the listed parcels within the legal description. I then cross-referenced every underlying conveyance document with the Board of Equalization map for the relevant.

As to all portions of the Segment, with the exception of Parcel 17 on Board of Equalization Map V3-1 (conveyance date Nov. 4, 1907, approved 1906), which is a grant from the federal government, which for purposes of Surface Transportation Board proceedings it has been determined should be considered a limited grant and not a grant of full fee, it is my legal opinion each conveyance document within the Segment is a conveyance of fee title. It is my further opinion that to the extent that certain conveyances have terms that should be construed as fee grants with rights of reverter, or fee grants with conditions subsequent, none of the conveyances showing conditions subsequent or reversionary rights on the face of the documents have any enforceable deed restrictions as of the date of this opinion, as each such right or restriction has lapsed or was not properly formed to run with the land as a matter of California law. Consequently, all real property interests held by GRTA from MP 139.5 through MP 152.5 should be, and were, included in the instruction to appraisal firm Bender Rosenthal to be included in the valued interest in the Segment.

Determination of the Nature of Interests Conveyed

As an initial matter, all deeds were reviewed to determine the nature of the conveyance, as for the purposes of the Surface Transportation Board proceedings in connect with which my analysis was conducted, only properties held in fee are to be valued in determining the minimum purchase price of a line subject to an offer of financial assistance. The title documents under review fell into three categories: (1) unconditional grants of fee title; (2) grants of fee or unspecified interest with certain limitations on the use thereof; and (3) grant(s) of interests less than fee title.

One parcel, Parcel 17 on Board of Equalization Map V3-1 (conveyance date Nov. 4, 1907, approved 1906), is a grant from the United States. Under applicable federal statutes and laws, federally granted railroad parcels are in general not full fee grants, and it is the opinion of the undersigned that this parcel is not held in fee for purposes of valuation in an STB proceeding. This property was not included in the listed properties or acreage submitted to appraisal firm Bender Rosenthal for valuation.

Turning to the remaining conveyance documents, most included conveyance documents constituted unrestricted conveyance of full fee of the relevant parcel, with no limitations on the interest granted thereby. Any and all such conveyance documents were included in the

instruction to appraisal firm Bender Rosenthal to be included in the valued interest in the Segment.

The final category of conveyance documents either contained ambiguous language as to the nature of the grant, or contained express language of the grant of fee, but also contained limiting language, either in the form of conditions subsequent or by creating rights of reverter.

More particularly, several deeds contain language stating that the grant is for railroad purposes, but lack any language of easement. While certain conveyance documents include language of reversion to grantor in the event that rail use ceases¹ none contained language of the natural retirement of the conveyed interest upon the cessation of the articulated purpose of the use, which would be the case for the grant of easement. *See, e.g., Severns v. Union Pacific R.R. Co* (2002) 101 Cal.App.4th 1209 (discussion of distinction between conveyance of easement and fee with reverter). Under California law, the mere inclusion of the statement as to the purpose of the conveyance, without more, does not give rise to the reasonable inference that the conveyance itself is not fee title. Upon my review of all underlying conveyance documents for the Segment and the conveyance documents to GRTA/NRCA, it is my opinion that all grants within the segment with the exception of the federal grant described hereinabove are grants of fee title, and thus properly included in instructions to be appraised for purposes of STB proceeding.

Determination of Status re Conditions Subsequent and/or Reversionary Interests

Upon determining that the included interests are all fee interests, I further inquired into the nature of any ongoing restrictions of such fee interests that may impede the value, or render the interest inappropriate for inclusion in a valuation of fee-owned parcels only. Accordingly, with respect to all conveyances comprising the Segment, I further reviewed the terms of the grant for language of limitations. It should be noted that as a general matter, the statement of the purpose of a grant, without more, does not mean as a matter of law that (1) all other uses are enforceably forbidden, (2) the grant itself is anything less than fee title, or (3) that the language, even if it works a proper and enforceable restriction on the deed, creates an actionable right of reversion. It must be noted that, particularly without any discussion of the right of reversion to grantor in the event of a use not listed in the deed, it is not a necessary or even reasonable inference to draw from the condition (if it is indeed a condition) that the remedy for its breach is reversion. This is especially true with the backdrop of California law disfavoring reversionary interests, absent their clear intent and ongoing actions taken to preserve such rights under the Marketable Title Act. *See* Cal. Civ. Code sec 880.202 et seq.

Certain deeds included in the Segment conveyance documents include language of reversionary interest to grantor. Notwithstanding the existence of this language in certain deeds, it is my opinion that no deed within the Segment conveyance documents contains a currently operable right of reversion. California's Marketable Title Act limits the effectiveness of termination rights, including rights of reverter, that are beyond 30 years of age and are not renewed by certain affirmative actions that must be taken by the grantee in order to preserve them. *See* Cal. Civ. Code sec 880.202 et seq. The intent of such statutes is to prevent language such as a reverter from working a diminution in value and transferability of title for the sole purpose of serving the now-remote right of the original grantor to step in and retake title. *See id.* Under the Marketable Title Act, a reverter interest in a grant of fee title becomes inoperable after 30 years,

¹ No ongoing reversionary rights were determined by the undersigned to exist as of the date of this memorandum, notwithstanding their inclusion in certain deeds, which is described in detail below.

absent certain affirmative steps being taken to preserve it. No indication of such preservation of reversion rights has been located as to any deed in the Segment.

Certain additional deeds in the Segment, as noted above, include language of use restriction, without creating an affirmative right of reverter. Such deeds are properly read as grants of fee title with conditions subsequent. Limitations on such deed restrictions pursuant to California law are significant. Specifically, a deed restriction that is not also to the benefit of a restricted parcel does not run to successors in interest to the original entity to whose benefit the promise inured, even if the deed expressly states it inures to the benefit of successors in interest, unless it is also of benefit to the restricted parcel. Cal. Civ. Code § 1462. Amongst the deeds with restrictions, it may be argued that in the early 1910's when these conveyances occurred, they would have met that criteria, but in 2022 such restrictions cannot reasonably be argued to be for the benefit of the parcels themselves in light of the current uses of the impacted parcels and surrounding uses. More critically, prior a 1968 amendment (effective in 1969) to Section 1462, this statute did not allow for grantor/grantee transfers² to create a covenant that runs with the land, and case law has held that covenants entered into before this revision are not retroactively subject to its terms. See *Taormina Theosophical Community, Inc. v. Silver*, 140 Cal.App.3d 964, 972, FN 3 (1983). Because all deeds within the Segment that could potentially otherwise be construed as limited are in the hands of successors to the original grantors, and all such deeds with restrictions were executed prior to 1969, it is the opinion of the undersigned that no presently enforceable deed restrictions exist on any parcels within the Segment.

Summary of Conclusions

Having conducted a legal review of all conveyance documents comprising GRTA's interest in the Segment, including source documents describing the original scope of the underlying interests conveyed, it is the opinion of the undersigned that with the exception of one parcel under a limited grant by the federal government, described above, all parcels comprising the Segment are held by GRTA in fee without restriction. All such parcels were included in the calculation of acreage to be valued provided to Bender Rosenthal, Inc. in connection with the pending matter before the Surface Transportation Board, on the basis that their value should properly be considered in determining minimum purchase price of all fee-held parcels within the Segment.


Elizabeth Coleman, Esq.

² Prior to 1969, only covenants made between owners of various parcels were able to run with the land; purported deed restrictions contained in land transfers where the grantor reserved to itself the powers of enforcement of a deed restriction were made unenforceable by the statute. See *Taormina Theosophical Community, Inc., supra*, 140 Cal.App.3d at 972, FN 3). All such deed restrictions identified in my review of title for the Segment fell into this category of made for the benefit of a grantor at the time of conveyance of the restricted parcel.

Exhibit 2

David Anderson V.S.

BEFORE THE SURFACE TRANSPORTATION BOARD

North Coast Railroad Authority –)
Abandonment Exemption –) AB 1305X
In Mendocino, Trinity and Humboldt Counties, CA)

Verified Statement of David Anderson, P.E.

I, David Anderson, state that I am a licensed civil engineer in the State of California and a Principal Engineer of ARE Corp (<https://are-corp.com/>), a company which provides rail civil engineering services, including bridge evaluations and line inspections. I have personally served for the past twenty-two years as the civil engineering consultant for North Coast Railroad Authority (“NCRA”). I have repeatedly examined the NCRA right-of-way from its northern endpoint (Samoa) to interconnection with the national freight rail network. The purpose of this statement is to respond to criticisms of my prior work in the GRTA/NCRA OFA Response. Due to limitations on time (since STB is expected to address the sufficiency of the Mendocino Railway OFA (MR OFA) within five days of filing), I am not able to address all issues at this time, but I will cover as much as possible and attempt to hit key issues. Any failure to discuss should not be construed as agreement with the MR OFA. Instead, it is due to time constraints.

In my professional judgment and opinion, Mendocino Railway errs in suggesting it or any railroad would or could restart service with a rehabilitation only to 'excepted status', or completing a shoefly around Tunnel 11, or that the rail is all scrap for NLV purposes (MR OFA page 33) while it is in “excellent condition” for rehabilitation purposes (MR OFA Attachment D page 1). In addition, the fee acreage conclusions are unsubstantiated. MR and its consultants offer contradictory claims, and I stand by my original estimates.

Field Visit Documentation

Regarding the extent of inspections, Mr. Pinoli questions the timing and thoroughness of the ARE Team’s inspections (MR OFA Pages 129). For the record, I performed inspections on the line with Shannon & Wilson Geotechnical Engineers on December 15, 16, and 19, 2021 focusing on the two tunnels and geotechnical hazards; on the section of track between MP 139.5 and 152.5 on July 6-8, 2022 to verify track and bridge conditions, and in the area of the Willits Yard on August 19, 2022 to verify bridge and track conditions. During these visits, I spent at least 30 hours on the right of way inspecting bridge and track conditions. MR in its OFA presents photos which it represents that its “team” took during their contested inspection. I have over 280 photos documenting the physical inspection of the premises by my team and myself. There were areas on the right of way where the vegetation was very heavy, severely limiting access. However, for any

area without access or with limited access, high-definition photogrammetry acquired by helicopter flying at a low altitude was used as well as LiDAR to be able to strip away foliage to augment findings. The rehabilitation estimate provided by ARE and its subcontractors is based on the findings from the referenced on-the-ground inspections (including at least 30 hours by me personally), supplemented by photogrammetry/LiDAR review. It was also based on previous inspections and monitoring over the last 22 years, which sensitizes a professional to where to look, how to look, and for what to look. All findings were evaluated by a team of professionals with industry experience. The ARE Team and the biographies are provided in the Rehabilitation Assessment, page 23. This document was filed with STB and served on all parties on September 15, 2022. Mr. Pinoli in questioning the integrity and thoroughness of the work of ARE in this matter not only is wrong but has absolutely no basis for his aspersions.

Mr. Pinoli goes on to state, “Given that MR’s inspection spanned the entire GRTA/NCRA Line, MR’s evidence is far more reliable.” (MR OFA page 130). There is no evidence in the MR OFA that MR performed a boots on the ground inspection of the entire line. The only inspection date reference given in the MR OFA is from Railroad Industries Incorporated, “RII was able to inspect the 13 miles of the NWP from MP 139.5 in Willits to MP 152.5 in Longvale by spot checking along the line on July 8, 2022.” (MR OFA p. 31). It is unclear who

prepared the Attachment D inspection report dated October 3, 2022, what their credentials are, when it was performed, or how much access was obtained.

Regardless, the inspection findings in MR OFA Attachment D page 1 regarding rail condition (“excellent condition”) contradict the Railroad Industries

Incorporated inspection findings (for the rail than can be accessed it would be mostly scrap) on MR OFA page 33. Mr. Pinoli is clearly wrong in claiming any merit for “MR’s inspection” based on the information he presents, and can make no claim that the contradictory claims in his evidence are “far more reliable” than those which I assembled in the fashion I have described herein and in the materials presented on September 15 to this Board and the parties.

Excepted Track

Mr. Pinoli states the rehabilitation cost is grossly over-estimated by ARE based on the (allegedly) false assumption the line must be operated at Class 1 status (MR OFA page 128). Mr. Pinoli suggests that MR's proposed new start-up operation per the OFA (MR start-up) can be operated over excepted track (MR OFA page 129). MR ignores the fact that the entire line north of Windsor, including the segment here at issue, has been under a safety embargo imposed by the Federal Railroad Administration (FRA) since 1998. Due to lack of funding, flowing in part from lack of shipper demand for actual rail service, there has been

no maintenance or rehabilitation of the line north of Windsor since that time. The line, including the segment at issue here, needs substantial rehabilitation, including general reballasting, if service is to be restored and maintained. ARE is not claiming that there is a legal requirement for the MR start-up to rehabilitate to Class 1 standards, ARE is saying that because of the nature of this line (poor ballast conditions, poor tie conditions, erosion issues, and heavy vegetation in the track bed), it really is not possible to rehabilitate it to only an excepted condition. Rehabilitation will require that sufficient ties, ballast, and OTM be replaced to achieve operability so that the rehabilitation will necessarily be equivalent to Class I status because otherwise the track will fall apart. This is like a doctor recommending that the tumor be removed or the patient will die, even though the patient would prefer to have only half the tumor removed because it would be theoretically cheaper in the short term.

Class 1 track standards allow for a safe 10 mph track speed. Excepted track is used when Class 1 track has deteriorated and no longer passes FRA inspections. The MR start-up purportedly will attempt to move heavy rock cars on a railroad that has not been operated on for 25 years, has very poor ballast, very poor ties, and erosion issues that have resulted in a number of locations where shoulders are compromised to the point of tie ends being fully exposed. The following picture

(note the derailed car) is an example of shoulder erosion along Outlet Creek at MP 151.8.



Mr. Pinoli’s track rehabilitation costs include 2 ties at joints and \$500,000 for annual maintenance of way. However, this approach understates the problem, even if “excepted track” is the objective of the rehabilitation. Additional ties will still be needed at bridge approaches, public crossings, and locations where there are clusters of bad ties, and the 0.6-mile segment that has lost the majority of ties to fire damage. In addition, there are approximately 7 miles of track where heavy vegetation exists consisting of 6-inch to 8-inch trees. Removal of the heavy vegetation will require substantial track bed rehabilitation. This will result in

substantially more tie replacement than Mr. Pinoli intimates. In addition, there are approximately 3 miles of track requiring medium vegetation removal – defined as trees up to 4-inches. Mr. Pinoli’s blithe claims about minimalist rehabilitation are belied by his own OFA. At p. 1 of Attachment D to the MR OFA, one finds the following statement: “I think that once you began to run trains over the tracks the tie condition would deteriorate quickly since no ties have been put in for over 20 years. Vegetation is extremely poor throughout most all of the track with a few exceptions noted. The vegetation at times has even begun to pick up the tracks.” Mr. Pinoli’s rehabilitation scope is deficient even for excepted track.

Rehabilitation Costs

The MR OFA’s rehabilitation costs (Attachment E) exclude several critical components. It does not include 3 public crossings that require a complete replacement, 0.6 miles of track heavily impacted by forest fire, significant track shoulder erosion needing structural support, Willits and Longvale Yard rehabilitation, and bridge repairs. It also grossly underestimates the cost for extensive vegetation removal, tie and ballast programs, required ditching, culvert replacement, rock slope scaling, retaining walls, and shoulder clearing and debris removal. All of these items need to be addressed before operation. The ARE estimates for rehabilitation costs provided by myself and my team are based on a

thorough understanding of the line, thorough and recent inspections, and most important are what is needed to give any hope of preventing more rail cars from ending up in Outlet Creek like the one in the picture I have presented. (There are several rail cars on the banks of the Creek at that location.) The GRTA rehabilitation estimate is by far superior to the internally contradicted claims of MR and Mr. Pinoli.

Tunnel 11 Shoefly

A shoefly to Tunnel 11 would require track placement outside of the railroad right-of-way on an area between the tunnel and outlet Creek. In my professional opinion the area between the tunnel and Outlet Creek is too limited to place a sufficiently wide track section, especially since Outlet Creek is eroding the embankment adjacent to this area.

NLV

I stand by the original Net Liquidation Value submitted on September 12, 2022. The MR OFA includes an NLV prepared by Railroad Industries Incorporated (RII) which RII represents is based on a single-day inspection of a limited number of spot locations. Furthermore, the RII valuation is in direct contradiction to Mr. Pinoli's claims which rely on the information in Attachment D

(MR OFA page 129). The primary difference between the ARE (that is GRTA) and RII (MR) valuations is the assessment of rail.

The rail findings by RII are in contradiction to the MR OFA Attachment D findings. For use in the NLV, RII concluded that nearly all the rail in the 13-mile segment is scrap, and asserts that all of the rail from MP 140-152.5 is scrap (MR OFA page 33). (If the rail is all scrap as RII claims, then rehabilitation costs will be higher than MR claims because MR will have to replace the scrap with something that can be operated upon in mountain terrain.) In contrast to RII's superficial work, I personally spent over 30 hours walking the track as already detailed. I did not observe any track that was 'scrap.' I paid particular attention to rail located in a 0.6-mile area where there was extensive fire damage. The ties in this area are destroyed. I examined the rail in this area particularly closely for any signs of heat damage and found none. The MR OFA Attachment D contradicts RII's findings. MR in its Attachment D states: "Overall the rail is in excellent condition and is 110, 112 113, 132 and 136lb."

In a footnote to Mr. Pinoli's statement on page 130 Mr. Pinoli claims that, "Mr. Anderson appears to agree with MR. 'Field inspection of the rail revealed that the rail is in fair condition with minimal signs of wear and sufficient for freight rail service at 10 mph with the grades and curves on this 13-mile segment.'" In point

of fact, Mr. Pinoli appears to be agreeing with me that the track is not scrap but relay quality that can be reused. Thus, the purported conclusion of the RII appraiser based on its cursory one-day limited inspection is inaccurate. ARE, with apparent agreement from Mr. Pinoli, reiterates its conclusion that the rail is of relay quality. Like MR's rehabilitation analysis, MR's calculation of NLV for the rail is fundamentally flawed and the result of imagination not careful inspection.

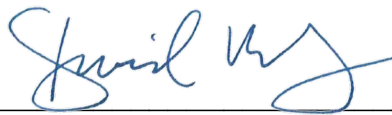
None of the information provided in the MR OFA is new information which would cause me to adjust the original NLV estimate ARE provided to GRTA for filing in this proceeding.

Land Valuation

The MR OFA land valuation is very confusing and appears to argue for a 25% reduction in fee acres overall for obscure reasons. There is no norm that I am aware of that justifies deduction of fee acreage. In preparation for the GRTA appraisal, I carefully reviewed the relevant valuation maps (which MR's appraiser RII states is an acceptable approach). I calculated the total acreage of the parcels from MP 139.5 to 152.5 to be 255.64 acres. Given the conclusion of GRTA's title counsel (Ms. Coleman) that certain parcels should be excluded as less than fee, identified those parcels, calculated their combined size to be 34.25 acres (all federally granted railroad right of way parcels are included in this 34.25 acre summation) and identified that amount to the appraiser. I have confirmed that the

appraiser in accordance with Ms. Coleman's determinations and my careful calculations in fact appraised as fee only the 221.39 acres which Ms. Coleman determined to be fee. The non-fee parcels, including public highway crossings, were not appraised (i.e., they were assigned zero value). The land valuation provided by GRTA to STB and the parties in the September 15 filing in this proceeding is therefore supported, whereas MR's is clearly defective in its approach.

Pursuant to 28 U.S.C. 1746, I declare and verify under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

A handwritten signature in blue ink, appearing to read "David Anderson", written over a horizontal line.

David Anderson, PE, Principal Engineer

Dated: October 19, 2022

Exhibit 3
Mitch Stogner V.S.
and Exhibit C
with
Letter, Mendocino Railway to CTC, Nov. 30, 2020

BEFORE THE SURFACE TRANSPORTATION BOARD

North Coast Railroad Authority –)
Abandonment Exemption –) AB 1305X
In Mendocino, Trinity and Humboldt Counties, CA)

Verified Statement of Mitch Stogner

I, Mitch Stogner, state that I served as Executive Director of the North Coast Railroad Authority (“NCRA”), now the Great Redwood Trail Agency (“GRTA”) for the period August 2003 to July 2022. I am now retired from NCRA/GRTA. I am currently an outside contractor with ARE in this proceeding. I have been asked to respond based on personal knowledge to certain accusations in the Mendocino Railway (“MR”) “OFA” filed on October 15, 2022, in this proceeding, and in particular to accusations made in the Pinoli Verified Statement and the shipper letter attached thereto (“Pinoli materials”).

1. First, the Pinoli materials (i.e., Pinoli V.S. and shipper letter) are false and misleading in suggesting that MR or any shipper north of Willits expressed interest to NCRA/GRTA in rail service north of Willits. To the contrary, MR itself expressly disavowed such service as uneconomic in a letter to the California Transportation Commission. I covered this in my Verified

Statement filed with STB on 26 July 2021(Exhibit C to NCRA's filing) at pp. 6-8, a copy of which is again attached as an Exhibit to this Verified Statement.

2. Second, the sole shipper identified in the Pinoli materials never requested service. I have no recollection of ever hearing from them, especially in connection with rail traffic from Longvale to Willits.
3. Third, I wish to be clear that NCRA/GRTA never "embargoed" its line. FRA embargoed the NCRA/GRTA line in 1998 due to severe storm damage and mud slides. NCRA/GRTA applied two federal grants and a large state grant to restore service from American Canyon (interconnection with the national rail system) to Windsor in Sonoma County. Keep in mind, the NCRA spent over \$60 million in state and federal funds to get the FRA embargo lifted in 2011 for only the portion of the line from interchange (Napa) to Windsor (62 miles). From Windsor north to Humboldt Bay is still under FRA embargo and will require enormous sums of money to meet FRA safety standards. Mendocino Railway seems to have forgotten that its first hurdle on its 13-mile line to nowhere will be meeting FRA standards to get the embargo lifted. NCRA efforts to obtain additional grants from federal or state sources to get the embargo lifted north of Windsor were unsuccessful because funding sources viewed the railroad as so prone to repeated storm

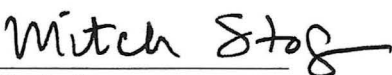
events and had too few shippers to justify further subsidies. At the insistence of the California Transportation Commission (CTC), all state and federal grant funds since at least 2003 were invested in the South End (Napa to Windsor). By CTC directive, no public funds were committed toward any repairs north of Sonoma County because the line in Mendocino, Trinity, and Humboldt counties remained embargoed by the FRA and the line was deemed “unusable.” Further, no private sector railroad or shipper was willing to invest the money necessary to fight CEQA legal challenges and make the repairs necessary to get the FRA embargo lifted north of Windsor.

4. Fourth, the line from Cloverdale south has now been transferred to a commuter service (SMART). SMART does not operate commuter service north of Airport Blvd. in Santa Rosa or freight service north of Windsor, where the FRA embargo now starts. Since The California Northern short line railroad pulled out in 1997, all operators of the line north of Windsor have either gone bankrupt, gone defunct, or discontinued service, which they were not providing in any case due to the FRA imposed embargo.

It strikes me as self-evident that spending the millions to rehab a 13-mile line from non-existent Longvale to the small market at Willits will have insufficient freight traffic to make any economic sense. Put bluntly, notwithstanding the pretensions in the Pinoli materials, there is no shipper at

Longvale, and the sole potential shipper near Longvale can doubtless get to Willits from its location more cheaply by truck. Based on my experience, no one would build, or could obtain funding to build, a 13-mile spur into the mountains drained by the Eel for that level of traffic, especially for an end point in Willits. The Pinoli materials do not demonstrate that any shipper “needs” rail, much less that rail is feasible. Trucks are simply cheaper for the move in question and at these volumes. Take another look at what Mr. Pinoli told the CTC less than 2 years ago(attached)that I repeat in part here: “.... Mendocino Railway agrees that the portion of the NWP north of Willits is too great of disrepair to allow for economic railroad operation at this time and should thus be railbanked to preserve such an opportunity for the future should it again become economic to operate over that portion of the line.” Mr. Pinoli’s observation was true then and it is true now. Nothing has changed. For good reason, freight operations north of Willits were never seriously considered by Mendocino Railway or anyone else during my 20-year tenure at NCRA.

Pursuant to 28 U.S.C. 1746, I declare and verify under penalty of perjury under the laws of the United States of America that the foregoing is true and correct to the best of my knowledge, information and belief.


Mitch Stogner, as outside consultant,
and former Executive Director, NCRA

Dated: October 18, 2022

Att: Verified Statement filed 26 July 2021

Exhibit C

Mitch Stogner Verified Statement

- CTC Minutes
- Mendocino Railway Nov. 30, 2020 letter to CTC
- Mendocino Railway Feb. 6, 2020 letter to Stogner (NCRA)

BEFORE THE SURFACE TRANSPORTATION BOARD

North Coast Railroad Authority –)
Abandonment Exemption –) AB 1305X
In Mendocino, Trinity and Humboldt Counties, CA)

Verified Statement of Mitch Stogner

I, Mitch Stogner, state that I am, and have been since August 2003, Executive Director of the North Coast Railroad Authority (“NCRA”), which is a public agency of the State of California.

1. NCRA’s line from the San Francisco Bay area to Eureka was originally assembled to transport timber from the Eureka area to Oakland and San Francisco. The line, by then called the Northwestern Pacific Railroad (NWP), was owned by Southern Pacific (SP). The portion north of Willits (basically Outlet Station at MP 142.5) north to Eureka is in a geological zone prone to earth movement (slides, wash-outs, and soil movement) in the Eel River Canyon. It may have been initially cheaper to construct, but it is a maintenance catastrophe due to chronic soil movement, collapsing tunnels, frequent wash-outs and landslides triggered by storm events from its inception. The maintenance issues made the line unreliable to shippers, many of whom converted to reliance on trucks as the highway system

improved. SP/NWP sought to abandon the Northwestern Pacific Railroad from Outlet Station (MP 142.5) north due to declining traffic and heavy maintenance costs. SP/NWP ultimately sold the portion of the line from Outlet Station north to Samoa to Eureka Southern (a shortline formed for the purpose), which promptly went bankrupt for the same reasons that SP sought to abandon the line. The State of California, responding to local political pressure, organized a new agency (NCRA) to acquire and to operate the line, but intended it to be commercially self-sustaining and thus did not provide the new agency with any tax base for subsidizing the rail line. NCRA in fact acquired Eureka Southern's line in 1992 with State bond funds, and in 1996 acquired additional NWP trackage with a mix of federal and state funds, extending the line into Sonoma, Marin and Napa Counties to interconnection with the California Northern at Napa Junction (sometimes called Brazos Junction, sometimes called Lombard), near American Canyon. California Northern in turn interconnects with the interstate rail network (Union Pacific) at Fairfield/Suisun. The entire Sonoma/Marin/Napa segment is now owned by SMART. SMART provides passenger commuter services and has a tax base. The Sonoma/Marin/Napa segment on which SMART operates does not have the same degree of tunnel, wash-out and soil movement issues that beset the line in Mendocino, Trinity and Humboldt Counties, although the portion north of Windsor in Sonoma County has some costly issues.

2. During my entire tenure as Executive Director, the line has been subject to an emergency embargo imposed by the Federal Railroad Administration (FRA) due to poor track conditions. Initially the embargo applied from Arcata (north of Eureka) all the way to MP 63.4 between Schellville and Napa Junction, essentially shutting down the entire line. During the embargo, NCRA nonetheless pushed forward with efforts to find an operator. In 2006, we selected Northwestern Pacific Railroad Co. (NWPCo) to operate the line from Napa Junction to Willits with an option to extend north. We rejected a proposal from what is now Mendocino Railway because, as I recall, they wanted to commence rehabilitation at Willits and work south. This seemed to us consistent with a primary interest in excursion and only a secondary interest in freight. Moreover, starting in Willits and proceeding south meant that freight could not be interchanged with the interstate rail network at Napa Junction until very late in the rehabilitation process.

3. During the embargo period, we also pushed forward with efforts to obtain funding. Capital funding was a major difficulty. Because FEMA by then had come to view wash-outs and slides as normal occurrences on our line, federal emergency funding for repair after storm events was very difficult to impossible to access. During my tenure as Executive Director of NCRA, I am proud to say that we managed, with the help of NWPCo, to secure funding from federal and state sources sufficient to rehabilitate the line for freight from the Napa Valley

interchange up to Windsor, approximately 62 miles. FRA removed the embargo over that segment, and we ran the first train to Windsor in July 2011.

4. Litigation over the applicability of the California Environmental Quality Act, rendered NCRA (a state agency bound to comport with CEQA per the California Supreme Court) unable to move forward beyond Windsor. By 2018, NCRA not only was strapped for cash but also deeply in debt to NWPCo and to various consultants and service providers. Indeed, NCRA was forced in one case to sell off assets to address its budget. There was recognition that frequent environmental problems caused exorbitant rehabilitation and maintenance expenses on the northern portion of the line. These same problems rendered service unreliable due to wash-outs and slides, and this in turn contributed to making the line uncompetitive as one moved north. In addition, there was recognition that over a hundred miles of the main line north of Willits was located in the Eel River Canyon, and, as constructed, was apparently incompatible with the terrain traversed, and conflicted with the Wild and Scenic River designation enjoyed by the Eel. Accordingly, the State Legislature in 2018 enacted SB 1029 with the objective of transferring the southern segment of NCRA's line to SMART for rail use; but also recognizing that the northern portion was no longer viable for through freight rail service. SB 1029 provided for an examination of railbanking/trail use for that section. In accordance with SB 1029, the California

Transportation Commission (CTC) approved plans to apply to the Surface Transportation Board to railbank the segment north of Willits in December of 2020 (minutes attached). The CTC recently corrected a clerical error in that approval to encompass all of NCRA's line from Willits MP 139.5 north. In short, both the State through its legislature and the CTC has determined that the cost to rehabilitate and then to maintain the line north of Willits is simply uneconomic. The State is not prepared to continue to entertain requests for subsidies for rehabilitation of the NCRA's line. How to handle the Willits to Cloverdale segment of the NCRA line is not yet resolved. NCRA expects that pending legislation (SB 69) will provide some guidance on that issue.

5. Mendocino Railway recently filed a deeply puzzling letter with the Surface Transportation Board professing an interest in filing an OFA to acquire NCRA's line from Willits north to end of line. The letter is deeply puzzling for a number of reasons:

Mendocino's current ownership has never provided rail freight services on the Fort Bragg to Willits line.

Moreover, the main freight customer for the Fort Bragg to Willits line is gone. Historically, the chief freight customer of Mendocino's predecessor's (California

Western's) line (Fort Bragg to Willits) was a timber mill, which has ceased operations and whose property is now being redeveloped for mixed uses.

In any event, to the extent the former mill used what is now NCRA's line, its traffic all moved south to Napa Junction, not north to Eureka.

I am unaware of any traffic generated in the Fort Bragg to Willits corridor that ever moved north on what is now NCRA's line to Eureka.

Moreover, I am unaware of any traffic ever on what is now NCRA's line that moved south from Eureka to termination in either Willits or Fort Bragg.

Historically, there is simply no freight rail traffic of any significance between Willits and Eureka, or Fort Bragg and Eureka, and to my knowledge there are no developments during the 18 years for which I have worked for NCRA on which one can even pretend there may be such traffic.

I can recall no potential customer approaching NCRA during my term seeking service for movements between Willits and Eureka or Fort Bragg and Eureka.

In confirmation, when Mendocino Railway in 2020 complained to me that the embargo stranded Mendocino's line, and that Mendocino had prospective shippers interested in rail service south of Willits, Mendocino emphasized that it wanted a "viable" connection to the south. Letter, Pinoli to Stogner, Feb. 6, 2020. Again, the proposed traffic was for an interconnection to the south, not the north.

6. Over the years, I have had numerous discussions with Mendocino Railway/Skunk officers and managers. They have never expressed any serious interest in operating the NCRA line north of Willits. Mendocino/Skunk has a passenger ticket depot on the south side of Commercial Street in Willits for their excursion operations. Excursion operations appear to have been hampered by a tunnel collapse on the Skunk/Mendocino's rail line between Fort Bragg and Willits. Since Mendocino/Skunk cannot afford to repair its own line, the only prudent conclusion is they lack resources to rehabilitate and operate NCRA's lines, for which rehabilitation estimates are over one billion dollars for Willits north, and in the hundreds of millions for Willits south, at least if freight use is intended that interconnects with the national freight rail network.

7. Mendocino/Skunk in its November 30, 2020, letter to the CTC stated that it agreed that NCRA's "line north of Willits is too great of disrepair to allow for economic railroad operation at this time and should thus be railbanked to preserve such an opportunity for all the future should it again become economic to operate over that portion of the line." I attach a copy of that letter (R.J. Pinoli as V.P of Mendocino Railway, to State of California - CTC, Nov. 30, 2020) to this Verified Statement. I annotated my version of the letter to emphasize that Mendocino was thus not in conflict with the planned railbanking at issue in this case. My most recent contact with Mr. Pinoli was by telephone on May 21, 2021. He again

expressed interest only in rail operations south of Willits, not north. Mendocino's letter supports an exemption from OFA since Mendocino admits the condition of the line north of Willits precludes economic railroad operations.

8. The State and federal governments have been unwilling to continue pouring money into a rail line with extraordinary and recurring expenses that has no customers, and extremely limited potential due to its inherent unreliability due to endemic slides and wash-outs. As the Mendocino November 30 letter indicates, the line north of Willits is simply not economic for rail operations. However, Mendocino/Skunk has expressed interest in becoming operator for SMART and NCRA between Napa Junction and Willits. Unfortunately, Mendocino/Skunk has never supplied a proposal to NCRA showing how it would finance rehabilitation, maintenance, and basic operational costs for that or any other segment of the NCRA line. So far as I can tell, Mendocino/Skunk thinks it can lobby state and federal governments for taxpayer subsidies better than NCRA and its predecessors could. But state and federal authorities in charge of dispensing taxpayer funds to subsidize rail rehabilitation administer limited available funds, and evidently have concluded those funds are better spent on lines with actual customers and that manifest safety and operational issues that if addressed would much more meaningfully contribute to meeting national and state transportation needs over a sustained period of time. Certainly the State of California has expressed its

intention with respect to this specific line, by its adoption of SB 1029, the terms of which are inconsistent with the hope that the State would underwrite/subsidize further efforts to rehabilitate the NCRA line for freight purposes

9. Given the inoperable nature of the Eel River Canyon, I surmise that Mendocino/Skunk's previously disclaimed interest in filing an OFA for it is simply an effort to pressure NCRA to anoint Skunk as its lessee for the Willits to Cloverdale segment or otherwise place Skunk in possession. But that segment is south of Willits. It is not before the STB in this proceeding. What is before the STB in this proceeding is north of Willits. Given Mendocino/Skunk's admission that the line north of Willits is uneconomic, it is a misuse of Board procedures to obstruct this proceeding or to threaten an OFA. The only plausible reason for such conduct is a ploy to extract a concession on the line from Willits south that is not before the STB at this time. That is not an appropriate use of STB procedures or of the public resources of either the federal or California state governments. The line south of Willits is embargoed all the way to Windsor. It has been so embargoed since 1998. The future of that line rests on whether rail service is "viable" over it. That issue turns not on whether Skunk/Mendocino or anyone else wants to be a railroad on it, or whether some business says it would like there to be a railroad for it to consider. The issue is whether there is anyone out there with another business that in fact would commit to ship on this railroad if it had to bear the costs of

rehabilitation and maintenance. I know of no such business or combination of businesses. If it is not “viable,” the line is desired by the public for alternative uses, and it is subject to STB’s jurisdiction until authorized for abandonment (or railbanking) in future proceedings. It is not a matter to be resolved by posturing, pressure tactics, or speculative pies in the sky in a proceeding involving the line from Willits north.

Pursuant to 28 U.S.C. 1746, I declare and verify under penalty of perjury under the laws of the United States of America that the foregoing is true and correct to the best of my knowledge, information and belief.


Mitch Stogner, Executive Director, NCRA

Dated:

Atts: CTC Minutes

Mendocino Nov. 30, 2020 letter to CTC

Mendocino Feb. 6, 2020 letter to Stogner (NCRA)

Memorandum

To: CHAIR AND COMMISSIONERS

CTC Meeting: January 27-28, 2021

From: MITCH WEISS, Executive Director

Reference Number: 1.2, Action

Prepared By: Douglas Remedios
Staff Services Manager

Published Date: January 15, 2021

Subject: Approval of Minutes for the December 2-3, 2020 Commission Meeting

Recommendation:

Staff recommends that the California Transportation Commission (Commission) approve the meeting minutes for the December 2-3, 2020 Commission meeting.

Issue:

California Code of Regulations, Title 21 California Administrative Code section 8012, requires that:

The commission shall keep accurate minutes of all meetings and make them available to the public. The original copy of the minutes is that signed by the executive secretary and is the evidence of taking any action at a meeting. All resolutions adopted at a meeting shall be entered in the text of the minutes by reference.

In compliance with Title 21 California Administrative Code section 8012, the Commission's Operating Procedures dated December 4, 2019 require that as an order of business, at each regular meeting of the Commission, the minutes from the last meeting shall be approved by the Commission.

Attachment:

Attachment A: December 2-3, 2020 meeting minutes

MINUTES

CALIFORNIA TRANSPORTATION COMMISSION

www.catc.ca.gov

December 2-3, 2020

Via Webinar

Wednesday, December 2, 2020

1:00 PM

Commission Meeting

*Via GoToWebinar, Teleconference and
Webcast only, per [Executive Order N-29-20](#)

Thursday, December 3, 2020

9:00 AM

Commission Meeting

*Via GoToWebinar, Teleconference and
Webcast only, per [Executive Order N-29-20](#)

*On March 17, 2020 Governor Newsom issued Executive Order, N-29-20. This order removes the requirement that a location be made available for the public to gather for purposes of observing and commenting at the meeting.

For a more thorough review of this meeting, please visit:

<https://www.youtube.com/channel/UCASI3gyTEuhZffC13RbG4xQ>

GENERAL BUSINESS

Tab	Item Description	Ref#	Presenter	Type*	Agency*
1	Roll Call	1.1	Hilary Norton	I	C
Commissioners		Attendance			
	Chair Hilary Norton	Present			
	Vice Chair Bob Alvarado	Present			
	Commissioner Yvonne Burke	Present			
	Commissioner Jon Davis	Present			
	Commissioner Lee Ann Eager	Present			
	Commissioner Carl Guardino	Present			
	Commissioner Fran Inman	Present			
	Commissioner Christine Kehoe	Present			
	Commissioner Joseph K. Lyou	Present			
	Commissioner Michele Martinez	Present			
	Commissioner Joe Tavaglione	Present			

TOTAL - Present: 11 Absent: 0

CTC Attendees		Attendance			
	Senator Jim Beall, Ex-Officio	Absent			
	Assembly Member Jim Frazier, Ex-Officio	Absent			

Tab	Item Description	Ref#	Presenter	Type*	Agency*
2	Approval of Minutes for October 21-22, 2020	1.2	Hilary Norton	A	C

RIGHT OF WAY MATTERS

Tab	Item Description	Ref#	Presenter	Type*	Agency*
59	First Quarter - Report on Fiscal Year 2020-21 Right of Way Annual Allocation.	3.8	Teri Anderson Kimberly Ellis Erickson	I	D

Commission Deputy Director Teri Anderson presented this informational item.

POLICY MATTERS

Tab	Item Description	Ref#	Presenter	Type*	Agency*
60	North Coast Railroad Authority (NCRA) - Presentation on the Assessment of NCRA Assets and Liabilities - Strategic Plan Update	4.35	Teri Anderson Leishara Ward	I	D

Commission Deputy Director Teri Anderson and Caltrans' SB 1029 Program Manager Leishara Ward presented this informational item.

Speaker:

Jason Liles -Senator Mike McGuire's office

David Keller – Friends of the Eel River

Emily Sinkhorn – Redwood Community Action Committee

Changes to this item were listed on the "Changes to CTC Agenda" handout as follows:

MEETING HANDOUT – Letters to the CTC

Tab	Item Description	Ref#	Presenter	Type*	Agency*
61	North Coast Railroad Authority Request for approval to transfer its freight easement, operations, and right-of-way, south of the Sonoma-Mendocino county line, to Sonoma-Marín Area Rail Transit and to railbank the rail corridor from Willits to Korblex/Samoa near Humboldt Bay. Resolution G-20-81	4.11	Teri Anderson Kyle Grading	A	D

Recommendation: Approval

Action Taken: Approved

Motion: Alvarado **Second:** Burke **Recused:** None **Absent:** Burke (departed after making the second), Guardino, and Tavaglione

Vote result: 8-0

Ayes: Alvarado, Davis, Eager, Inman, Kehoe, Lyou, Martinez, and Norton

Nays: None

Abstained: None

Speakers:

Bernard Meyers – Former North Coast Rail Authority Executive

Farhad Mansourian – Sonoma Marin Area Rail Transit

David Shonbrunn – Train riders association of California

Mike Wilson – Humboldt County Supervisor and California Coastal Commissioner

Neil Davis – City of Ukiah

Colin Fisk – Coalition for responsible transportation priorities

Scott Grecian – Friends of the Eel River

Emily Sinkhorn – Redwood Community Action Committee

Steve Madrone – Private Citizen

Karen Underwood – Humboldt Trails Council

Changes to this item were listed on the "Changes to CTC Agenda" handout as follows:

MEETING HANDOUT – Letters to the CTC

MENDOCINO RAILWAY

Foot of Laurel Street
Fort Bragg, California 95437

707 964 6371 TEL
707 964 6428 FAX

November 30, 2020

State of California
Department of Transportation – California Transportation Commission
1120 N Street, MS 52
Sacramento, California 95814

Re: California Transportation Commission Agenda for December 2-3, Ref. Nos. 4.35 and 4.11

Dear Chair Norton & Commissioners,

Mendocino Railway hereby opposes the adoption of Resolution G-20-81 and the approval of any transfer of the North Coast Railroad Authority's freight contract to the Sonoma-Marin Area Rail Transit District ("SMART"), the transfer of all freight rights over the Northwestern Pacific Railroad ("NWP") south of the Sonoma-Mendocino county line to SMART, the transfer of real property from Healdsburg to the Sonoma-Mendocino county line to SMART, and the railbanking of portions of its right-of-way north of Willits (the "Resolution"). Mendocino Railway hereby also states its objections to the 2020 Legislative Report, the *Assessment of the North Coast Railroad Authority and Viability of a Great Redwood Trail* (the "Report").

Background

Mendocino Railway is a Class III common carrier public utility railroad that in 2004 purchased the California Western Railroad/Skunk Train ("CWR"), which railroad traverses the 40-miles of forest between Fort Bragg and Willits, California. One of the reasons Mendocino Railway purchased the CWR was the announcement by the North Coast Railroad Authority ("NCRA") of its intention, and its receipt of the needed funding, to reopen the NWP line to Willits, allowing Mendocino Railway to reestablish a freight connection between Fort Bragg and Willits and the rest of the nation via the CWR's connection to the NWP at Willits.

To that end, Mendocino Railway has since its purchase of the CWR invested millions of dollars in refurbishing the line to accommodate this freight traffic, with a number of customers in both Fort Bragg and Willits expressing interest in shipping via the interstate railroad system when the NWP is reopened to Willits.¹

¹ While the CWR has experienced a tunnel collapse that has temporarily prohibited traffic between Fort Bragg and Willits, Mendocino Railway is actively seeking the funding needed to reopen this tunnel so that the CWR can again carry freight and passengers between Fort Bragg and Willits. This tunnel collapse has not, in any event, impacted the desire of customers on the eastern end of CWR's line connect to the interstate railroad system via the NWP.

MENDOCINO RAILWAY

Foot of Laurel Street
Fort Bragg, California 95437

707 964 6371 TEL
707 964 6428 FAX

In order to assist with the restoration of railroad traffic across the NWP, Mendocino Railway has for many years been engaged in discussions with the NCRA, NWP.Co., SMART, and Senator McGuire and his staff concerning how Mendocino Railway could purchase some or all of the

NWP line, or at least obtain the operating rights to some or all of the line, to justify the investment needed to reopen the line to Willits. Mendocino Railway was well into discussions with NWP.Co. as to exactly that end when SMART began waving government money around in front of NWP.Co., causing NWP.Co. to terminate its discussions with Mendocino Railway and focus on the much larger payments, and significant debt relief, that NWP.Co. believed it could obtain from SMART and its governmental funding.

Objections to the Resolution and the Report

While Mendocino Railway fully supports the notion of rails with trails, a trail system should not be allowed to destroy a potentially viable and much-needed railroad. This Commission's approval of the Resolution will create significant roadblocks to restoring freight service and could altogether prevent the CWR from reconnecting to the interstate railroad system, rendering Mendocino Railway's investments in the CWR worthless. This Commission would, in one fell swoop, not only carry out what would effectively amount to a governmental taking of the value of the CWR, but would gut a good portion of the economic viability of the businesses in Mendocino County that have been desperate for the NWP to be reopened. For these reasons, we object to the proposed Resolution and ask the Commission not to pass that Resolution.

Mendocino Railway also object to the Resolution to the extent that it is based on the Report. As the Task Force tasked with preparing the Report itself acknowledges in the Report, it did not in investigating the options and preparing its Report analyze the cost to rehabilitate the NWP north of SMART's interchange, the possibility of the line being acquired by a private railroad operator, or the possibility of the NCRA's right-of-way being sold to a private railroad operator.

In fact, although SMART, the NCRA, NWP.Co. and Senator McGuire and his staff were all aware of Mendocino Railway's interest in the NWP, no one ever even informed Mendocino Railway of the Task Force's existence, such that the Task Force notes in its Report that "no interested parties reached out during the assessment period", as if the Task Force had no obligation to investigate any potential alternatives to simply giving

SMART its desired rights and as if it was the obligation of any interested parties to somehow intuit the Task Force's existence and charge.²

² Report, page 89, which states, "NCRA could sell its right-of-way to a private rail operator. However, with no strong economic draw on the north coast, the associated environmental liability, and costs to rehabilitate the line, the probability of a private railroad company acquiring NCRA is low. The Task Force did not analyze this scenario and no interested parties reached out during the assessment period."

MENDOCINO RAILWAY

Foot of Laurel Street
Fort Bragg, California 95437

707 964 6371 TEL
707 964 6428 FAX

The Task Force seems merely to have assumed, as a given and without conducting any investigation, that the highest and best use of the NWP would be to transfer the NCRA right-of-way and freight operations easement on the southern portion of the NWP to SMART, railbanking the entirety of the line north of the Sonoma-Mendocino county line, permanently isolating all of the communities north of the Sonoma-Mendocino county line from access to the interstate railroad system. In fact, it appears from the Report that the Task Force's entire goal was not to investigate available options but rather simply to find justification to gift SMART with the portions of the NWP that are usable to SMART and to abandon the rest, damn the costs to the impacted communities or State taxpayers.

Proposed Alternative

Mendocino Railway has previously proposed a plan to Senator McGuire and his staff, to SMART, to the NCRA, and to NWP.Co. that Mendocino Railway believes would meet SMART's needs, the State's desire for a trail, and the need of Mendocino Railway and the residents and businesses of Mendocino County: that Mendocino Railway be allowed to assume ownership of the NWP line between Willits and SMART's interchange, allowing Mendocino Railway to restore railroad traffic across that portion of the line and preserving access to the interstate railroad system to the residents and businesses of Mendocino County. Mendocino Railway agrees that the portion of the NWP north of Willits is too great of disrepair to allow for economic railroad operation at this time and should thus be railbanked to preserve such an opportunity for the future should it again become economic to operate over that portion of the line.

*Yes! all we're doing is
North of Willits at this
time!*

Conclusion

The NWP has been in disrepair for some time. There has not been any need to rush through – or to outright skip – an analysis of the available alternatives for reopening the line to serve the people and businesses along the NWP. This rush, or omission, is all the more disconcerting given that Mendocino Railway has been on record for many years as to its interest in reopening the NWP between SMART's interchange and the City of Willits. We accordingly ask that the Commission not approve the Resolution and that the commission instead direct the parties, including Mendocino Railway, to engage in joint discussions concerning the future of the NWP.

If you have any questions or require further information, please don't hesitate to contact me at 707-964-6371 or via email at RJPinoli@SierraRailroad.com

Respectfully,



Robert Jason Pinoli
Vice President

**MENDOCINO RAILWAY**

Foot of Laurel Street
Fort Bragg, California 95437
707-964-6371 T
707-634-6428 F

February 6, 2020

Mitch Stogner
Executive Director
North Coast Railroad Authority
419 Talmage Road, Suite M
Ukiah, California 95482

Dear Mitch,

I am, as you may recall, Vice President of Mendocino Railway. I am writing to formally request that the North Coast Railroad Authority ("NCRA") restore rail service on its rail line extending south from Willits, California so that we can provide freight service for our shippers who seek rail transportation services on the national rail network.

As you may also recall, Mendocino Railway is the successor to the California Western Railroad ("CWR"), operator of the "Skunk Train", and a common carrier railroad authorized by the Surface Transportation Board ("STB") to provide freight rail service on Mendocino Railway's rail line between Fort Bragg and Willits, California. See *Mendocino Railway—Acquisition Exemption—Assets of the California Western Railroad*, STB Finance Docket No. 34465 (STB served Apr. 9, 2004). Mendocino Railway's line connects with the NCRA's line at Willits. Through that connection, Mendocino Railway connects to the national rail network.

Since 1998, the NCRA's line has been embargoed as a result of unsafe operating conditions and noncompliance with federal railroad safety laws and regulations. This embargo ended, and has continued to prevent, Mendocino Railway's access to the national rail network beyond Willits. Shippers located on our line cannot access the national rail network until the NCRA restores service on its line.

In 2004, prior to our purchase of the CWR, the CWR's bankruptcy trustee filed a claim with the STB against the NCRA alleging that the NCRA had violated its common carrier obligation by failing to reopen the line from Willits south. This lawsuit is addressed in *Michael H. Meyer, Trustee in Bankruptcy for California Western Railroad, Inc. v. North Coast Railroad Authority, d/b/a Northwestern Pacific Railroad*, STB Finance Docket No. 34337 (STB served Jan. 31, 2007). The STB rejected the trustee's claim on the grounds that there was no evidence of a continuing demand for service on the line. In the absence of evidence that freight shippers were interested in service over the embargoed line, the STB appeared to conclude that the NCRA did not have a common carrier obligation to reopen its line.

Mitch Stogner
Executive Director
North Coast Railroad Authority
February 6, 2020
Page 2

Though the NCRA's line has been closed for over 20 years, stranding Mendocino Railway's line from the national rail network, there is now strong evidence of shipper interest in rail freight transportation using Mendocino Railway's line and the NCRA line. Mendocino Railway accordingly in 2019 applied for a federal grant under the U.S. Department of Transportation's Better Utilizing Investments to Leverage Development ("BUILD") program to improve its line for such service. In connection with its grant application, Mendocino Railway determined that there are several companies located on or near Mendocino Railway's line with a strong interest in freight service in conjunction with a connection to the national rail network at Willits. Many of these companies supported Mendocino Railway's grant application, with local manufacturers, lumber companies, an aggregate company, and a brewery expressing their desire for a rail freight alternative to trucks.

A market for rail freight service on Mendocino Railway's line clearly exists but we need a viable connection to the national rail network at Willits in order to serve that market. We have tried to work with the Northwestern Pacific Railroad Company ("NWPCO"), the current operator of the NCRA's line, to restore service on the NCRA's line, and we recently expressed our willingness to take over operation of the NCRA's line in order to ensure its reopening. But our efforts have not been successful. If the NCRA continues to maintain its embargo of its line from Willits south we believe that the NCRA will be in violation of its common carrier obligations. We therefore urge the NCRA to take immediate steps to restore service on its line so that we can restore interstate freight service to the customers who desire it.

Thank you for your attention.

Sincerely,



Robert Jason Pinoli
Vice President

Exhibit D

CTC Minutes (in relevant part) for Dec. 2-3, 2020 meeting

MEMORANDUM

To: CHAIR AND COMMISSIONERS
CALIFORNIA TRANSPORTATION COMMISSION

CTC Meeting: December 2-3, 2020

From: STEVEN KECK, Chief Financial Officer

Reference Number: 4.35, Information Item

Prepared By: Kyle Grading, Chief
Division of Rail and Mass Transit

Subject: **PRESENTATION OF THE ASSESSMENT OF THE NORTH COAST RAIL
AUTHORITY ASSETS AND LIABILITIES REPORT (SENATE BILL 1029)**

SUMMARY:

The California Department of Transportation (Department) will be making a presentation on the California State Transportation Agency's (CalSTA) Senate Bill (SB) 1029 Assessment Report to the California Transportation Commission (Commission) at its December 2020 meeting.

BACKGROUND:

In 2018, Senator McGuire sponsored SB 1029 (Chapter 934, Statutes of 2018); the North Coast Railroad Authority Closure and Transition to Trails Act. Among other provisions, the Act directs the California State Transportation Agency (CalSTA), in consultation with the Natural Resources Agency, to "conduct an assessment of the North Coast Railroad Authority to provide information necessary to determine the most appropriate way to dissolve North Coast Railroad Authority (NCRA) and dispense with its assets and liabilities," as well as "a preliminary assessment of the viability of constructing a trail on the entirety of, or a portion of, the property, rights-of-way, or easements owned by NCRA, and recommendations relating to the possible construction of a trail." Finally, the statute requires "an assessment of the options for transferring the southern portion of the rail corridor to the Sonoma-Marín Area Rail Transit District and recommendations on the specific assets and liabilities that could be transferred, including rights or abilities to operate freight rail."

CalSTA has prepared the assessment report which was released in November 2020. The *Assessment of the North Coast Railroad Authority and Viability of a Great Redwood Trail* report and all appendices can be found on the CalSTA website at:
<https://calsta.ca.gov/subject-areas/reports>.

*"Provide a safe, sustainable, integrated and efficient transportation system
to enhance California's economy and livability"*

Commission Involvement in the NCRA Project

To preserve the rail corridor, the California Legislature enacted the North Coast Railroad Authority Act, Government Code sections 93000, et seq. (Statutes of 1989, Chapter 1085). The Act authorized the newly created public entity to provide passenger and freight railroad service in Humboldt, Trinity, Mendocino, Sonoma, and Marin Counties with specific focus on the Eureka Southern Railroad in Humboldt and Mendocino Counties and the option of extending service into Del Norte County. To facilitate this, the Legislature authorized the use of state and federal funds to begin purchasing the line, one segment at a time.

Between 1990 and 2011, a total of \$124 million of state and federal funds were invested in the NCRA corridor to restore freight rail service. (The Commission allocated, and the Department administered \$102 million.) These funds were used to purchase the entire right-of-way from Lombard to Humboldt Bay; to rehabilitate 62 miles of track (including 56 crossing signals, 50,000 crossties, and 50,000 tons of ballast); emergency levee repairs in Schellville and Humboldt Bay; repair 43 rail bridges and three movable bridges; install quiet zones in Novato; to briefly cover NCRA agency funds and outstanding debt; to settle litigation; and to address environmental contamination left behind by the historic private rail operators. However, the economic, environmental, and social challenges NCRA faced proved insurmountable for the resumption of freight rail service in this corridor, which has led to the current effort and assessment for use of NCRA's right-of-way as a multi-use path.

Current investment in the SB 1029 Assessment and associated dissolution activities includes \$17.8 million that is being administered by CalSTA.

Attachment

NCRA Rail Map



Department of Transportation
Planning and Local Assistance

Northwestern Pacific Rail Line

0 9 18 27 Miles

Date: 7/27/2017

Prepared by: J. Price



PUBLIC VERSION

Exhibit 4
Marie Jones V.S.
and
Market Analysis
dated September 30, 2022

Public Version

BEFORE THE SURFACE TRANSPORTATION BOARD

North Coast Railroad Authority –)
Abandonment Exemption –) AB 1305X
In Mendocino, Trinity and Humboldt Counties, CA)

VERIFIED STATEMENT

OF

MARIE JONES

I, Marie Jones, make the following Verified Statement within the scope my expertise, outlined below, in economic and market analysis, and other subject matter, in connection with the purporting showing of “rail need/rail feasibility” by Mendocino Railway in its recently filed “OFA.”

Statement of Qualifications. Over the past 35 years, as a consultant I have served numerous communities, businesses and non-profits in the areas of economic and market analysis, development feasibility analysis, land use planning, economic development, and environmental review. I also served as Community Development Director for the City of Fort Bragg for 13 years where I had the pleasure of submitting two BUILD grants on behalf of the Skunk Train and prepared an economic impact report for these same grants, so I have some familiarity with the Skunk Train owners and operators. Recently I prepared the 2022 Comprehensive Economic Development Strategy for Sonoma and Mendocino Counties, and the MOVE2030 economic recovery strategy for Mendocino County. I have also worked for the San Francisco Partnership, Bay Area Economics, the Michigan Manufacturing Technology Institute, the Center for Economic Conversion, and Ithaca Neighborhood Housing Services. I hold a Masters in Regional Planning from Cornell University and a BS from the University of California at Santa Cruz. For a complete review of recent projects and clients, please see my website at www.mariejonesconsulting.com

Longvale to Willits: Feasibility and Market Analysis

From July through September of this year I prepared a comprehensive market and feasibility analysis of the Mendocino Railway OFA from Longvale to Willits. This feasibility analysis included identification of likely shippers and their competitors and contacting these shippers directly to obtain quotes for the delivery of a variety of goods from Willits to Fort Bragg and of aggregate from Longvale to Willits. The report is attached to this Verified Statement.

This Verified Statement utilizes: 1) market data from my report; 2) the acquisition and rehabilitation cost data from Mendocino Railroads OFA; and 3) appraisal and rehabilitation numbers provided by GRTA's consultants. This Verified Statement includes two feasibility analyses:

1. The first analysis utilizes Mendocino Railroad's appraisal and rehabilitation estimates; and
2. The second analysis utilizes the appraised amount from the Bender Rosenthal Incorporated appraisal and the rehabilitation estimate prepared by American Railroad Engineers on behalf of GRTA.

1. Longvale Overview

Longvale was a community located at approximately MP 152.5. Its post office, according to Wikipedia, was closed in 1958. As illustrated in Figure 1, there are currently no houses or other structures at that site. The nearest business is a small gravel mining and processing operation located roughly two miles northeast of Longvale. Longvale has essentially not been a viable community for 60 plus years and is no longer a community. As an abandoned community, it will not provide a market for the rail-based transport of any finished goods, manufactured goods, or commuting traffic, and on its face, is not a tourist destination for excursion train use.

Figure 1: Longvale Aerial Photo



Aggregates, gravel and sand, are the only realistic potential freight from this area. Grist Creek Aggregates, affiliated with GeoAggregates and Wylotti, and located to the northeast of Longvale, conducts aggregate mining in this area.

2. Transportation Alternatives

Gravel is currently hauled to the Grist Creek processing site where it is processed and then trucked (via truck) to the company's gravel yard for sale directly to customers.

Cost, Volume and Shipping Time. Grist Creek Aggregates/Wylotti, per Mendocino County, has permits for two separate operations at Outlet Creek which together allow for 70,000 Yards (79,100 tons) maximum of gravel extraction per year. Additionally, Grist Creek/Wylotti is one of four aggregate suppliers in the Willits area (Table A) and gravel delivery costs must also be competitive with all suppliers.

Aggregate transportation costs are very competitive within the Willits market. Northern Aggregates Inc (located at 500 Cropley Ln, Willits, CA 95490) provides the lowest delivery costs to the Willits area and is also the largest supplier of gravel in Mendocino County. Northern Aggregates is supplied by Harris Quarry, located just south of Willits, which is permitted to process 258,000 cubic yards (285,380 tons) of gravel/year. Northern Aggregates provides both drain rock and road base at the cheapest rates per ton in the County (\$21.50/ton and \$19.50/ton) and has the

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lowest transportation costs to Willits (shortest distance) at \$1.94/ton delivered. The low cost and significant supply of gravel in Willits indicate that this market is saturated with supply, and there is no space within the market for non-competitive transportation pricing.

The average trucking cost for aggregate delivery to Willits is \$2.64/ton (Table A). **Thus, the cost per railcar for delivery of aggregate to Willits should be less than \$211/railcar (80 tons @ \$2.64/ton) to be a competitive delivery price.**

Table A: Willits Aggregate Suppliers, Price & Delivery Costs (2022)

Company	Products	Price/ Ton 3/4 Drain Rock	Price/ Ton Road Base	Double Transfer Trailer (tons)	Delivery cost per hour	Drive Time + 20 minutes unload (Minutes)	Cost of Delivery/ton to Willits	Delivery Cost/ton	Total Cost/Ton Delivered to Willits
Nor-Cal Recycled Rock & Aggregates	Sand & Gravel, Ready Mixed Concrete	\$ 34.50	\$ 20.00		no delivery		\$ -	\$ -	NA
Grist Creek Wylotti	Sand & Gravel	\$ 30.00	\$ 20.00	24	\$ 155.00	32.00	\$ 82.67	\$ 3.44	\$ 33.44
Northern Aggregates Inc	Sand & Gravel Concrete	\$ 21.50	\$ 19.50	24	\$ 155.00	18.00	\$ 46.50	\$ 1.94	\$ 23.44
Granite Construction Co	Sand & Gravel Concrete	\$ 30.00	\$ 15.00	24	\$ 170.00	44.00	\$ 124.67	\$ 5.19	\$ 35.19
Average		\$ 29.00	\$ 18.63		\$ 160.00		\$ 63.46	\$ 2.64	\$ 30.69
<i>Source: MJC, 2022</i>									

3. Feasibility Analysis with Mendocino Railroad's Consultant Numbers

This section analyzes the capitalization and operating costs for the repairs line and calculates the per railcar prices that would be required to cover these costs. Per the August 2, 2022, Surface Transportation Board Decision Docket No. Ep 558 (Sub-No. 25) Railroad Cost of Capital—2021, the capitalization rate (railroad cost of capital) for the current year is 10.37%. The STB uses the RR COC inter alia for determining whether rail abandonment is justified.

- Accordingly, the \$7,422,814 in construction costs for this stretch of railroad would be capitalized at a rate of \$751,080/year, which with a realistic demand of six hundred railcars/year,¹ would result in a cost of \$1,252/railcar in capital recover costs. In short, the capital recovery requirements alone exceed the

¹ XXXX
XXXXX
XXXXX
XXXXX

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\$211/railcar delivery cost which the market would support. The rail line extension is infeasible from a capitalization perspective which is the typical methodology to evaluate all private sector development projects.

- Additionally, the property acquisitions costs of \$5,488,039 would add \$569,110 in annual capitalized costs for an additional \$949/railcar. Mendocino Railroad also offered an alternative property appraisal of \$4,339,095 which would add an annualized \$449,964 in capitalized costs of \$750/railcar.
- Finally, annual operations costs are estimated at \$939,724 for this segment of rail line, which adds a further \$1,566 to the cost of each rail car.
- Bottom line, the total capitalized cost for acquisition, construction, and operating costs for the Longvale to Willits rail line would be \$3,767/railcar, which is an order of magnitude higher than the average trucking cost of \$211 for 80 tons of aggregate delivery (\$2.64/ton) from all sources to Willits Ca (see Table B).

Table B: Capitalization Analysis of Longvale Segment Given Data from Mendocino Railway's OFA.

	Cost	Capitalization Rate	Annual Capitalization Amount	Number of Rail Cars	Annual Capitalization / Rail Car
Longvale to Willits Acquisition (1)	\$ 5,488,039	10.37%	\$ 569,110	600	\$ 949
Long Vale to Willits Reconstruction (2)	\$ 7,242,814	10.37%	\$ 751,080	600	\$ 1,252
Total	\$ 12,730,853		\$ 1,320,189	600	\$ 2,200
Operating Costs (3)			\$ 939,724	600	\$ 1,566
Total Operating Costs			\$ 2,259,913	600	\$ 3,767

Notes: 1) Mendocino Railway's *Offer of Financial Assistance* . pg. 4; 2) Mendocino Railway's *Offer of Financial Assistance* , pg. 15; 3) Dave Anderson, Operations Assessment Report Longvale to Willits and Willits to Fort Bragg, Sept 2022, Mendocino Railway OFA 139.5 to 152.5.

Indeed, as analyzed in Table C, Mendocino Railroad would need 10,700 freight cars of demand per year on this rail section to capitalize this railway sufficiently at a trucking price competitive rate of \$211/railcar.

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Table C: Required Rail Care Volume for Competitive Railroad Freight Cost (Longvale to Willits).

	Annual Amount	Number of Required Rail Cars	Final Rate/Rail Car
Total Annual Costs (1)	\$ 2,259,913	10,700	\$ 211
Truck Delivery Costs (@\$2.64/ton) (2)			\$ 211

Source: 1) Mendocino Railway's Offer of Financial Assistance. pg. 4 & 15; 2) MJC, 2022

Conclusion: This OFA is neither financially nor economically feasible, given Mendocino Railroad's own appraisal and construction costs and volume of shippable goods.

4. Feasibility Analysis with GRTA Consultant Numbers

The following analysis is included in the attached market study (see pages 7 & 8) and includes the appraisal and reconstruction costs prepared by consultants for GRTA.

- As Table D below illustrates, the \$22,496,781 in construction costs for this stretch of railroad would be capitalized at a rate of \$2,332,916 per year, which with a maximum 989 rail car demand,² would result in a \$2,359/railcar/year in capital recover costs.
- Property acquisitions costs of \$6,725,000 would add \$697,388 in annual capitalized costs for an additional \$705/railcar in recoverable costs.
- Finally, annual operations costs are estimated at \$939,724 for this segment of rail line, which add a further \$950 to the cost of each rail car, for a total cost of \$4,014/railcar, which is much higher than the average trucking cost of \$211 for eighty tons of aggregate delivery (\$2.64/ton) from all sources to Willits Ca.

² This analysis assumes that every permitted ton of aggregate for Grist Creek/Wylatti in the Longvale/Dos Rios area would be mined and processed each year and transported by rail. This is the maximum aggregate rail car demand that is legally feasible and necessarily over-estimates actual potential rail traffic.

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Table D: Capitalization Analysis of Longvale Rail Segment Given Analysis of GRTA consultants.

	Cost	Capitalization Rate	Annual Capitalization Amount	Number of Rail Cars	Annual Cost/Rail Car
Longvale to Willits Acquisition (1)	\$ 6,725,000	10.37%	\$ 697,383	989	\$ 705
Long Vale to Willits Reconstruction (2)	\$ 22,496,781	10.37%	\$ 2,332,916	989	\$ 2,359
Total	\$ 29,221,781		\$ 3,030,299	989	\$ 3,064
Operating Costs (3)			\$ 939,724	989	\$ 950
Total Operating Costs			\$ 3,970,023	989	\$ 4,014

Notes: 1) BRI, Appraisal Report of Great Redwood Trail Agency Mile Post 139.5 to Mile Post 152.5 along the former Northwestern Pacific Railroad Willits, California, September 2022; 2) Dave Anderson, Railroad Rehabilitation Assessment Willits MP 139.5 to Longvale MP 152.5, American Rail Engineers, 2022, Page 22 ; 3) Dave Anderson, Operations Assessment Report Longvale to Willits and Willits to Fort Bragg, Sept 2022, Mendocino Railway OFA 139.5 to 152.5.

Indeed, as the table below shows, Mendocino Railroad would need 18,000+ freight cars of demand per year on this rail section to capitalize this railway sufficiently at a price competitive rate of \$211/railcar (trucking costs are \$2.64/ton and there are 80 tons in a railcar for a competitive price of \$211/railcar).

Table E: Required Rail Care Volume for Competitive Railroad Freight Cost (Longvale to Willits).

	Annual Amount	Number of Rail Cars	Final Rate/Rail Car
Total Annual Costs (1)	\$ 3,970,023	18,797	\$ 211
Truck Delivery Costs (@\$2.64/ton) (2)			\$ 211

Sources: MJC, 2022; AMERICAN RAIL ENGINEERS CORPORATION, 2022

5. Conclusion. Willits is an extremely competitive marketplace for aggregate with the lowest cost/ton and lowest transport cost/ton in Mendocino County. Rail transport of Grist Creek gravel could not be priced competitively for the Willits' aggregate marketplace. **This project is not economically or financially feasible under either analysis.**

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Pursuant to 28 U.S.C. 1746, I declare and verify under penalty of perjury under the laws of the United States of America that the foregoing is true and correct to the best of my knowledge, information and belief.


Marie Jones

Principal Marie Jones Consulting
16312 Old Caspar Railroad Rd.
Fort Bragg CA 95437

Dated: October 18, 2022

Exhibits: Report dated 30 Sept. 2022

MARKET ANALYSIS OF TRANSPORTATION ALTERNATIVES FOR MAJOR COMMODITIES BETWEEN “LONGVALE” AND THE CITIES OF FORT BRAGG AND/OR WILLITS



September 30, 2022

Prepared by: Marie Jones Consulting

Over 35 years, MJC has served numerous communities, businesses and non-profits in the areas of economic and market analysis, development feasibility analysis, land use planning, economic development, and environmental review. Marie Jones served as Community Development Director for the City of Fort Bragg for 13 years and worked for the San Francisco Partnership, Bay Area Economics, the Michigan Manufacturing Technology Institute, the Center for Economic Conversion, and Ithaca Neighborhood Housing Services. She holds a Masters in Regional Planning from Cornell University and a BS from the University of California at Santa Cruz.

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1. Executive Summary

This report explores freight options for moving goods and commodities from Longvale to Willits and from Willits to Fort Bragg. It makes the following key findings:

Longvale to Willits

- Longvale is a long-abandoned community located at approximately MP 152.5. The nearest business is Grist Creek, approximately two miles north and west on state highway 162, but with (gravel) mining permits at various locations along Outlet Creek.
- Aggregate is the only likely rail freight business from this location.
- Trucking is more price competitive than rail from Grist Creek/Longvale to Willits.
- Willits has multiple low-cost suppliers of aggregate, and it is a very price-competitive market. The lowest transportation cost per delivered ton of gravel to Willits is \$1.86/ton; a 13-mile rail line cannot compete with this pricing.
- Given (a) “net liquidation value” and rehabilitation cost estimates for Longvale to Willits exceed \$22,496,781 while property acquisitions costs are \$6,725,000 and (b) STB’s most recent railroad cost of capital determination is 10.37%, the Longvale to Willits segment must generate in excess of \$3,030,299 per year in revenue over and above overhead and operating expenses to constitute a viable investment. Gravel production along Outlet Creek inclusive of Dos Rios is limited by permits to 79,100 ton per year. This equates to a maximum of 988 carloads/year (assumes 100-ton cars, which hold a maximum of 80 tons/car). Total annual capitalization costs of \$3 million/988 carloads/year results in a per car cost of \$3,063. Additionally, annual operations costs are estimated at \$939,724 for this segment of rail line, which add a further \$950 to the cost of each rail car, for a total cost of \$4,014/railcar, which is much higher than the average trucking cost of \$211 for 80 tons of aggregate delivery (\$2.64/ton) from all sources to Willits Ca (see Tables 5 & 4, Page 7 & 8).

Conclusion: Rail is not competitive for freight transportation from Longvale to Willits, and the Longvale to Willits rail line is not financially feasible.

Willits to Fort Bragg

The Economy & Housing

- Mendocino County and the Mendocino Coast have flat population growth and a small regional economy. The total population of Mendocino County is only 86,061. Eighteen thousand people reside on the Mendocino coast and only 7,279 people live in Fort Bragg, CA.
- The Gross Domestic Product of Mendocino County is small (\$4.5 billion) and flat/declining, with an annual compound growth rate of -0.1%.
- Employers in Mendocino County lost 157 jobs (-0.35% growth) between 2010 and 2020.
- While natural resource sectors were a dominant force in the economy until about 1980, they have since declined significantly and now comprise less than 7% of jobs in the County as whole. The most likely commodities for freight transport are wood products, mined aggregates and manufactured goods.
 - Mining is a very small component of the economy (0.3%) and experienced a significant contraction from 121 jobs in 2010 to 71 jobs in 2020, a decline of 41%. Mining in Mendocino County is almost exclusively related to gravel and sand extraction.

- Forestry and Fishing has experienced a slight increase of 170 jobs (+12.36%) since 2010. Fishing products are not a suitable product for rail transport due to perishability. Timber is a difficult item to transport via rail because timber harvests take place in a very wide geographic area and transfer by rail would require a truck, rail and truck transfer scenario, with a corresponding increase in total transport miles and cost.
- Manufacturing is a relatively small sector of the Mendocino Coast economy. It represents just 6% of all jobs in Mendocino County and experienced a nominal growth of 1.86% over the past ten years.
- Mendocino housing production averages 148 units/year with just 0.36% annual growth rate.

Freight Options

- There is currently no operating rail freight service between Fort Bragg and Willits. Mendocino Railroad recently started to advertise freight services on the Skunk Train website at a rate of \$1,440/railcar or \$18/ton. However, this service is presumably a fiction or subcontracted to a trucking company as the train tracks are blocked by a tunnel collapse and thus unusable.
- Additionally, the advertised pricing must be hypothetical, as the Skunk Train would need to charge a higher rate to capitalize rail line repairs and recover operating costs. The total capitalization cost of repairing the rail line between Fort Bragg and Willits is \$19,934,331 per Mendocino Railroad's own estimate. Operating costs for this same line would amount to \$3,616,337/year. Capitalizing the repair costs at 10.37% amounts to \$2,084/rail car, given maximum realistic annual demand of 992 cars for this line. Spreading the operating costs across those same rail cars would add an additional \$3,646 in costs/railcar, bringing the total cost to \$5,730/railcar or \$71.62/ton. Even at this high and very uncompetitive freight rate the Skunk Train would not make any profit.
- Truck freight from Willits to Fort Bragg is currently provided by a variety of independent operators and trucking companies, which provide freight service either at an hourly rate of between \$145 and \$175/hour or at a mileage rate of \$9.50/mile for an average transport cost of \$305 for a 24-ton truck to \$500 for a 39-ton truck. These rates are significantly less than the "advertised" fictional rail line freight rate (\$1,440) or the more realistic capitalized rate \$5,730, even after adjusting for the smaller weight limit of truck transport (24-39 tons per load) versus rail transport (80 tons/car). The adjusted transport rates are as follows: 24-ton trucking rate is \$14.58/ton; the 39-ton freight truck rate is \$12.82/ton; and the realistic rail freight rate is \$71.62/ton.
- Including the Longvale to Willits acquisition and rehabilitation costs to the Willits to Fort Bragg costs results in a total freight cost per railcar of \$8,795. By comparison, delivery costs via truck from Longvale to Fort Bragg average the equivalent of only \$1,322/railcar or \$16.53/ton. Rail freight will cost six times (665%) more than truck freight (\$8,795/\$1,322) for the Longvale to Fort Bragg line.
- No freight services are provided via the Noyo Harbor, Soldiers Bay or the small Little River airport.

Skunk Train (aka Mendocino Railroad) as a Transportation Option

- Mendocino Railroad has many freight-related disadvantages in addition to uncompetitive pricing, including a discontinuous rail line, considerably longer transport time, more transfers and material handling, reliability issues, and legal limitations. In contrast, Mendocino Railroad offers a historic and charming excursion service for tourists which is well-loved. According to Mendocino's acquisition application, tourist excursion use was the line's source of revenue at acquisition in 2004. Tourism remains Mendocino Railroad's current source of revenue although the Railroad is increasingly involved in real estate development, where it argues that its status as an interstate railroad exempts it from otherwise applicable state and local regulation.

Supply & Demand for Various Commodities

- Many aggregate suppliers, pits and reclamation sites are sprinkled throughout the County. Transportation costs are a significant driver of gravel costs; therefore, having a gravel supply that is relatively close to areas with demand is a key success factor for suppliers.
- In general trucking gravel is currently half the cost and six times faster than proposed train service, additionally it does not require multiple mode transfers and extra material handling.
- A number of significant Caltrans capital improvement projects are planned for the Mendocino Coast, but most will happen before train service is re-established to Fort Bragg. In addition, rail freight would need significant subsidies to be competitive with truck freight.
- Contrary to claims repeatedly made by the Mendocino Railroad in denied Build grant applications, the only significant potential rail freight customers have little to no actual demand:
 - North Coast Brewery has no interest in rail freight for either the delivery of hops or the transport of finished beer, due to higher costs, unreliability, and time of transport.
 - If rates were competitive, Flow Beds could ship three railcars of latex per year, but only if Mendocino Railroad was connected to the interstate rail network. Due to an embargo imposed by the federal government as well as tunnel collapse south of Willits, it is not.
 - Timber is not a major market for rail transport. The lumber mill at Fort Bragg which used to ship out finished product permanently ceased operations approximately 20 years ago. The market to ship logs to mills in the Willits area is limited due to the vast geographical distribution of timber harvests and the need to transport logs out of the woods by truck. It is easier, more efficient, and less expensive to continue via truck to lumber mills which are generally located less than 1.5 hours away from the location of any given timber harvest.
 - All solid waste generated on the coast would fit in 1 railcar/day. However, rail freight is not a good fit because State law requires removal of all solid waste from a transfer station within 24 hours. In any event, the pertinent solid waste processing facility is in Ukiah which is not connected by rail to Fort Bragg or Willits.

Conclusion

Overall, there is little market demand for rail freight service between the Willits and Fort Bragg. Rail freight is not an economically viable business when needed rail rehabilitation and annual operating costs are considered. This raises the question of why Mendocino Railroad has expressed interest in an “OFA.” Mendocino Railroad (d/b/a) Skunk Train benefits from the fiction that it is a freight railroad on three accounts.

1. Pursuant to the pretense (legal fiction) that it is a freight railroad, the Skunk Train maintains that it is exempt from local land use control over their 300-acre coastal redevelopment project in Fort Bragg either as a “public utility” or pursuant to federal preemption under the ICC Termination Act.
2. The legal fiction is also presumably the basis on which Mendocino Railroad applies to the US Department of Transportation for Federal funds (and to the State of California) to fix the collapsed tunnel on its Fort Bragg to Willits line and otherwise to repair the rail line for tourist excursion purposes. A successful OFA would help Mendocino’s tourist excursion business maintain the fiction that it is a freight railroad and continue to apply for such funds.
3. Moreover, Mendocino Railway will likely contract with itself (or sister companies) to accomplish any federally funded reconstruction work and would likely make money off the construction effort. In the end, the chief

freight that would be moved on Mendocino/Skunk Train's line would be material for the reconstruction of the line, and not for freight customers of the line, because trucks are cheaper and more flexible.

Truck VS Train Trends (Appendix B)

Additionally, Appendix B of this report examines general transportation trends Nationwide, and finds that the results of this analysis hold true throughout the country, as follows:

- Nationwide truck shipments accounts for \$12,578 billion dollars of shipment value while rail ships \$837 billion worth of goods per year. Indeed 69% of the value of all freight shipments is by truck, while 5% of the value of all shipments is by rail nationwide.
- Trucks also ship more by weight. In 2016 the total weight of truck shipments was 11,619 million tons, while all goods shipped by rail weighed in at 1,835 million tons. By weight, trucks ship 66% of all goods, while railroads ship 10% of all goods.
- Rail is not even competitive with truck freight in "ton miles traveled." Trucks move 40% of all freight by ton miles traveled (2,023 billion) while rail moves 28% (1,527 Billion) of all freight by ton miles traveled.
- Train as a transport mode is in decline. Overall rail carloads declined from 1.5 million in 2000 to a little over 1 million in 2022. Truck freight on the other hand increased by 50% from 2002 through 2022.
- Finally, there is no rail freight activity on the Northern California coast or 101 corridor and very little rail freight activity through the Central Valley. Most rail freight activity is from major shipping ports on the west coast to population centers in the Midwest and east coast.
- Nationwide trends indicate that rail service is not competitive with truck transport, especially for short haul distances such as Longvale to Willits (13 miles) and Willits to Fort Bragg (40 miles).

2. Market Analysis of Transportation Alternatives Between Longvale and Willits

Longvale Demographic and Market Trends

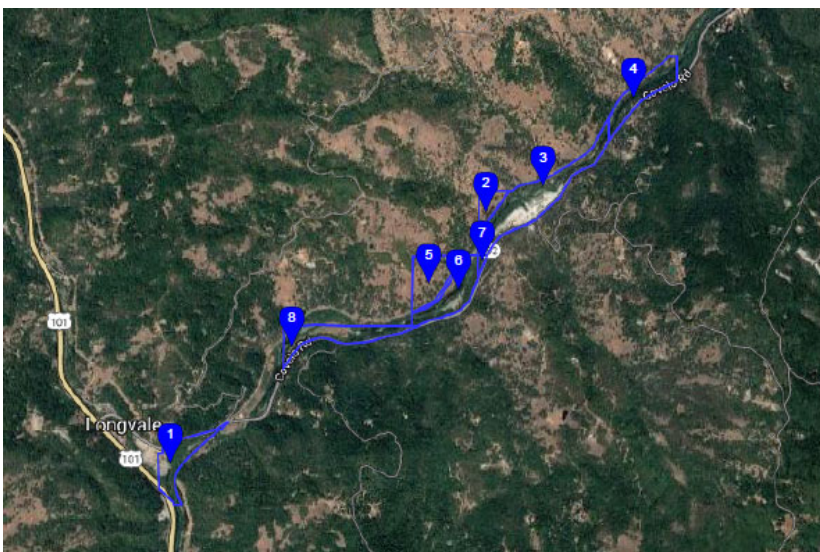
Longvale was a community located at approximately MP 152.5. Its post office, according to Wikipedia, was closed in 1958. As illustrated in Figure 1, there are currently no houses or other structures at that site. The nearest business is a small gravel mining and processing operation located roughly two miles northeast of Longvale. Longvale has essentially not been a viable community for 60 plus years and is no longer a community. As an abandoned community, it will not provide a market for the rail-based transport of any finished goods, manufactured goods, or commuting traffic, and on its face, is not a tourist destination for excursion train use.

Figure 1: Longvale Aerial Photo



Aggregates, gravel and sand, are the only realistic potential freight from this area. Grist Creek Aggregates, affiliated with GeoAggregates and Wylotti, and located to the northeast of Longvale, conducts aggregate mining in this area (Figure 2 & 3).

Figure 2: Properties owned by Grist Creek Aggregates LLC – Only two parcels have permits for extraction.



Grist Creek Aggregate's processing facility is located at marker 3, 2.09 miles north of the intersection of Highway 101 and Route 162. The Grist Creek processing facility is illustrated in Figure 3.

Figure 3: Grist Creek Aggregates LLC



Gravel Extraction: Processing & Timing

Typically, gravel is mined from riverbeds using the following approach:

- Extraction is limited to a specific permitted amount per year (depending on the permit). Annual extraction is further limited to new annual recruitment each year.
- Gravel is removed only in the dry season and the actual amount removed is determined based on a topographic and cross-section survey.
- Gravel is removed in one operation, usually within a four-to-six-week window, at each location. A front-end loader "skims" the gravel bar and loads the gravel into trucks to be hauled off-site. No processing of materials can legally occur on site.
- Extracted material in this river-basin is hauled off site to the aggregate processing facility at Grist Creek (SH 162) where storage and processing is conducted. Access to sites along Grist Creek is by an existing paved road off Highway 162 (SH 162).
- All gravel removal must be consistent with the California Surface Mining and Reclamation Act (SMARA) and Chapter 22.16 of the Mendocino County Code (Surface Mining and Reclamation Ordinance). Both require the formulation of a reclamation plan, which is reviewed by the Department of Fish and Wildlife.

Transportation Alternatives

Gravel is currently loaded into trucks and hauled to the Grist Creek processing site where it is processed and then loaded into trucks again for transport to the company's gravel yard or for sale directly to customers.

Cost, Volume and Shipping Time. Grist Creek Aggregates/Wylotti, per Mendocino County, has permits for two separate operations at Outlet Creek which together allow for 70,000 Yards (79,100 tons) maximum of gravel extraction per year (see Table 10). Outlet Creek runs through Longvale. Grist Creek Aggregates currently charges \$155/hour to deliver 24 tons of rock in a transfer trailer or belly dump to a customer. The distance from Grist Creek to Willits is 12.9 miles with a 16-minute travel time. Assuming a round trip time of 30 minutes and loading and unloading time of 20 minutes, the

current price to truck gravel from Longvale to Willits is approximately \$3.44/ton (Table 4). To be competitive with Grist Creek's trucking prices, a railcar from Longvale to Willits would need to cost less than \$275 for an 80-ton railcar (\$3.44 X 80=\$275) excluding material loading and unloading costs. As noted below, this rail line cannot offer this competitive pricing because train service must capitalize the estimated \$20 million in purchase costs and rehabilitation expenses (see **Addendum C**) on this section of railroad with a realistic 988 carloads of aggregate per year (79,100 tons at 80 tons per railcar), which amounts to a \$2,345/railcar/year (see table 5). This high cost excludes operating costs which are considered under the Fort Bragg to Willits analysis later in this report (page 17).

Additionally, Grist Creek/Wylotti is one of four aggregate suppliers in the Willits area (Table 4) and gravel delivery costs must also be competitive with other suppliers. Aggregate transportation costs are very competitive within the Willits market. Northern Aggregates Inc (located at 500 Cropley Ln, Willits, CA 95490) provides the lowest delivery costs to the Willits area and is also the largest supplier of gravel in Mendocino County. Northern Aggregates is supplied by Harris Quarry which is located just south of Willits. The Harris Quarry is permitted to process 258,000 cubic yards (285,380 tons) of gravel per year. Northern Aggregates provides both drain rock and road base at the cheapest rates per ton in the County (\$21.50/ton and \$19.50/ton) and has the lowest transportation costs to Willits (shortest distance) at \$1.94/ton delivered. The low cost and significant supply of gravel in Willits indicate that this market is saturated with supply, and there is no space within the market for non-competitive transportation pricing. The average trucking cost for delivery to Willits is \$2.64/ton, after considering travel time and supplier distance to Willits and the hourly cost for delivery for each supplier (see Table 4 below). Thus, the cost per railcar for delivery of aggregate to Willits should be less than \$211/railcar for a competitive delivery price (80 tons * \$2.64/ton).

Table 4: Willits Aggregate Suppliers, Price & Delivery Costs (2022)

Willits: Aggregate Suppliers, Price and Delivery Costs (2022)									
Company	Products	Price/ Ton 3/4 Drain Rock	Price/ Ton Road Base	Double Transfer Trailer (tons)	Delivery cost per hour	Drive Time + 20 minutes unload (Minutes)	Cost of Delivery/ton to Willits	Delivery Cost/ton	Total Cost/Ton Delivered to Willits
Nor-Cal Recycled Rock & Aggregates	Sand & Gravel, Ready Mixed Concrete	\$ 34.50	\$ 20.00		no delivery		\$ -	\$ -	NA
Grist Creek Wylotti	Sand & Gravel	\$ 30.00	\$ 20.00	24	\$ 155.00	32.00	\$ 82.67	\$ 3.44	\$ 33.44
Northern Aggregates Inc	Sand & Gravel Concrete	\$ 21.50	\$ 19.50	24	\$ 155.00	18.00	\$ 46.50	\$ 1.94	\$ 23.44
Granite Construction Co	Sand & Gravel Concrete	\$ 30.00	\$ 15.00	24	\$ 170.00	44.00	\$ 124.67	\$ 5.19	\$ 35.19
Average		\$ 29.00	\$ 18.63		\$ 160.00		\$ 63.46	\$ 2.64	\$ 30.69
<i>Source: MJC, 2022</i>									

Rail Capitalization Recovery Costs (Table 5). The estimated "net liquidation value" price of GRTA's line from Longvale to Willits plus the rehabilitation costs exceeds \$22,469,781 million for this stretch of rail line.¹ Per the *August 2, 2022, Surface Transportation Board Decision Docket No. Ep 558 (Sub-No. 25) Railroad Cost of Capital—2021*, the capitalization rate (railroad cost of capital) for the current year is 10.37%. The STB uses the RR COC inter alia for determining whether rail abandonment is justified. Accordingly, the construction costs for this stretch of railroad would be capitalized at a rate of \$2,332,916 per year, which with a maximum 989 rail car demand, would result in a \$2,359/Railcar/year in capital recover costs. In short, the capital recovery requirements alone exceed the \$211/railcar delivery cost which the market would support. The rail line extension appears to be infeasible from a capitalization perspective which is the typical methodology to evaluate all private sector development projects. Additionally, the property acquisitions costs of \$6,725,000 would add \$697,388 in annual capitalized costs for an additional \$705/railcar. Finally, annual operations

¹ Dave Anderson, Railroad Rehabilitation Assessment Willits MP 139.5 to Longvale MP 152.5, American Rail Engineers, 2022, Page 22

costs are estimated at \$939,724 for this segment of rail line, which add a further \$950 to the cost of each rail car, for a total cost of \$4,014/railcar, which is much higher than the average trucking cost of \$211 for 80 tons of aggregate delivery (\$2.64/ton) from all sources to Willits Ca (see Table 4).

Indeed, Mendocino Railroad would need 18,000+ freight cars of demand per year on this rail section to capitalize this railway sufficiently at a price competitive rate of \$211/railcar (trucking costs are \$2.64/ton and there are 80 tons in a railcar for a competitive price of \$211/railcar), clearly this project is not economically feasible.

Table 5: Capitalization Analysis of Longvale Rail Segment (Longvale to Willits)

Table 5: Capitalization Analysis of Longvale Rail Segment (Longvale to Willits)					
	Cost	Capitalization Rate	Annual Capitalization Amount	Number of Rail Cars	Annual Cost/ Rail Car
Longvale to Willits Acquisition (1)	\$ 6,725,000	10.37%	\$ 697,383	989	\$ 705
Long Vale to Willits Reconstruction (2)	\$ 22,496,781	10.37%	\$ 2,332,916	989	\$ 2,359
Total	\$ 29,221,781		\$ 3,030,299	989	\$ 3,064
Operating Costs (3)			\$ 939,724	989	\$ 950
Total Operating Costs			\$ 3,970,023	989	\$ 4,014
Notes: 1) BRI, <i>Appraisal Report of Great Redwood Trail Agency Mile Post 139.5 to Mile Post 152.5 along the former Northwestern Pacific Railroad Willits, California</i> , September 2022; 2) Dave Anderson, <i>Railroad Rehabilitation Assessment Willits MP 139.5 to Longvale MP 152.5</i> , American Rail Engineers, 2022, Page 22 ; 3) Dave Anderson, <i>Operations Assessment Report Longvale to Willits and Willits to Fort Bragg</i> , Sept 2022, Mendocino Railway OFA 139.5 to 152.5.					
Required Rail Car Volume for Competitive Railroad Freight Cost on Mendocino Railroad Line (Longvale to Willits)					
			Annual Amount	Number of Rail Cars	Final Rate/Rail Car
Total Annual Costs (1)			\$ 3,970,023	18,797	\$ 211
Truck Delivery Costs (@\$2.64/ton) (2)					\$ 211
Sources: MJC, 2022; AMERICAN RAIL ENGINEERS CORPORATION, 2022					

Conclusion. Willits is a very competitive marketplace for aggregate with the lowest cost/ton and lowest transport cost/ton in Mendocino County. Rail transport of Grist Creek gravel could not be priced competitively for the Willits' aggregate marketplace.

3. Market Analysis of Transportation Alternatives Between Fort Bragg and Willits

Mendocino County Economic Overview

Appendix A of this analysis includes a brief overview of the Mendocino Economy to identify if current or future economic or population growth could support the re-establishment of rail freight along the Fort Bragg Willits corridor. Here are some of the top-level findings of this summary:

- Overall, Mendocino's population growth is constrained by its remote location, low housing production numbers and very slow job growth. In 2020 Mendocino's population was 86,061, which is just 0.2% of the State population. Mendocino County's population has remained relatively flat for the past 70 years. The Mendocino Coast is relatively isolated from inland Mendocino due to the Coast Mountain Range. The Mendocino Coast has a population of around 18,000 residents.
- Mendocino's economy is very small and stagnant. Overall Mendocino GDP ranks 38th from the top of California's 58 counties. Since 2010, Gross Domestic Product has grown only 0.78%/year in Mendocino (ranked 38 out of 58 counties). Ranked #46 out of 57 Counties, Mendocino County total employment shrank by -0.35% from 2010 to 2020.
- Of the 45,293 jobs in Mendocino County, only a very small portion result in freight trips as follows.
 - Mining is a very small component of the economy at 0.3% and experienced a significant job contraction from 121 jobs in 2010 to 71 jobs in 2020, a decline of 41.32%. Mining in Mendocino County is almost exclusively related to aggregate extraction.
 - Forestry and Fishing experienced a slight increase of 170 jobs (+12.36%) in the ten-year timeframe. Fishing products are not a suitable product for rail transport due to perishability. Forestry is a difficult item to transport via rail because timber harvests are geographically dispersed and transport by rail would require a truck, rail and truck transfer scenario with very large logs for an average 40-mile transport distance.
 - Manufacturing is a relatively small sector of the Mendocino Coast economy. It represents just 6% of all jobs and experienced a nominal growth of 1.86% during this timeframe, most of the manufacturing jobs are located along the Highway 101 corridor in and around Ukiah.
- Mendocino County per capita income has ranged between 85% and 100% of the US average per capita income from 1970 -2020, illustrating that the area has struggled economically for decades.
- Mendocino housing production averages 148 units/year or a 0.36% annual growth rate, which represents a very slow increase in housing units.

Freight Transportation Alternatives

The Mendocino Coast is a relatively geographically isolated community with limited freight service options. Current and potential freight service is evaluated for rail, truck, boat and air.

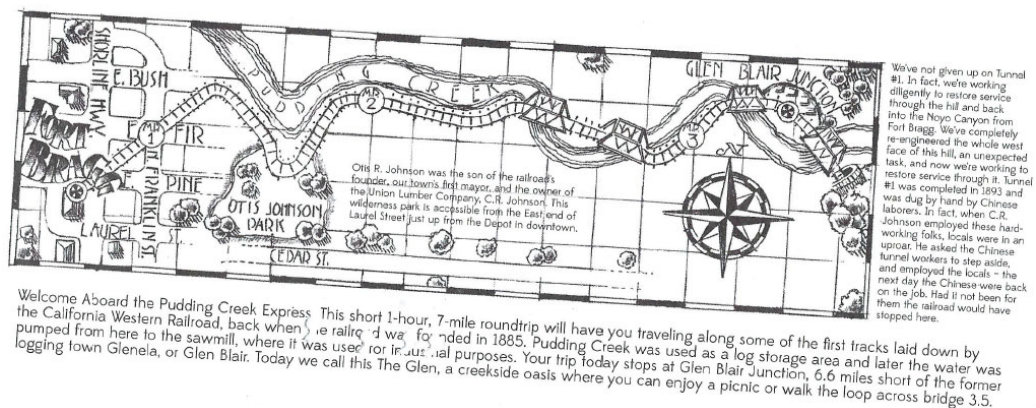
Rail Freight

Currently there is no freight service via rail to, from or through Mendocino County. While the Skunk Train recently added pricing for freight service on their website, they do not actually provide rail freight between Fort Bragg and Willits due to a tunnel collapse and tracks that are not rated for freight. One could speculate that Mendocino Railway either provides freight service via trucks and/or provides this website information to mislead regulators and State or Federal agencies that supply rail subsidies in the form of loans or grants. The pricing for this freight service is noted in Figure 7 at \$1,440 per car for a one-way trip from Willits to Fort Bragg.

Figure 7: Mendocino Railroad Freight Rates. Source: www.Skunktrain.com

MENDOCINO RAILWAY			
CWR 9500			
SECTION 2			
Switching charges			
(Charges in dollars and cents per car, except as otherwise noted)			
LINEHAUL CHARGES (Rule 11)			
ITEM 2000			
BETWEEN	AND	COMMODITY	CHARGE
Willits CA.	Northspur, CA (Willits Subdivision)	All Other, FAK (Note 1)	\$1080.00 per car
Willits CA.	Fort Bragg, CA (Fort Bragg Subdivision)	All Other, FAK (Note 1)	\$1440.00 per car
ITEM 2010			
BETWEEN	AND	COMMODITY	CHARGE
Willits CA.	Northspur, CA (Willits Subdivision)	Empty rail cars for dismantling or furtherance to off rail points (Note 1)	\$480.00 per car
Willits CA.	Fort Bragg, CA (Fort Bragg Subdivision)	Empty rail cars for dismantling or furtherance to off rail points (Note 1)	\$720.00 per car
ITEM 2020			
BETWEEN	AND	COMMODITY	CHARGE
Willits CA.	Northspur, CA (Willits Subdivision)	Hazardous Materials, STCC 28,29,48,49	\$1320.00 per car
Willits CA.	Fort Bragg, CA (Fort Bragg Subdivision)	Hazardous Materials, STCC 28,29,48,49	\$1680.00 per car

The Skunk Train currently only provides tourism excursion services (not commuter access). The tourist excursion from Fort Bragg extends roughly 3 miles up the tracks where it is stopped by a tunnel collapse. The tourism excursion from Willits extends 7 miles up the tracks to "wolf tree" (Crowley) before it returns to Willits. Crowley is no longer a town, and there are no other towns along either excursion route. See website ad and ticket stub below illustrating current tourism excursions for the Skunk train. As noted in Figure 8, the tourism train (Pudding Creek Express) is a slow ride, traveling the roughly 7-mile round trip in 75 minutes.



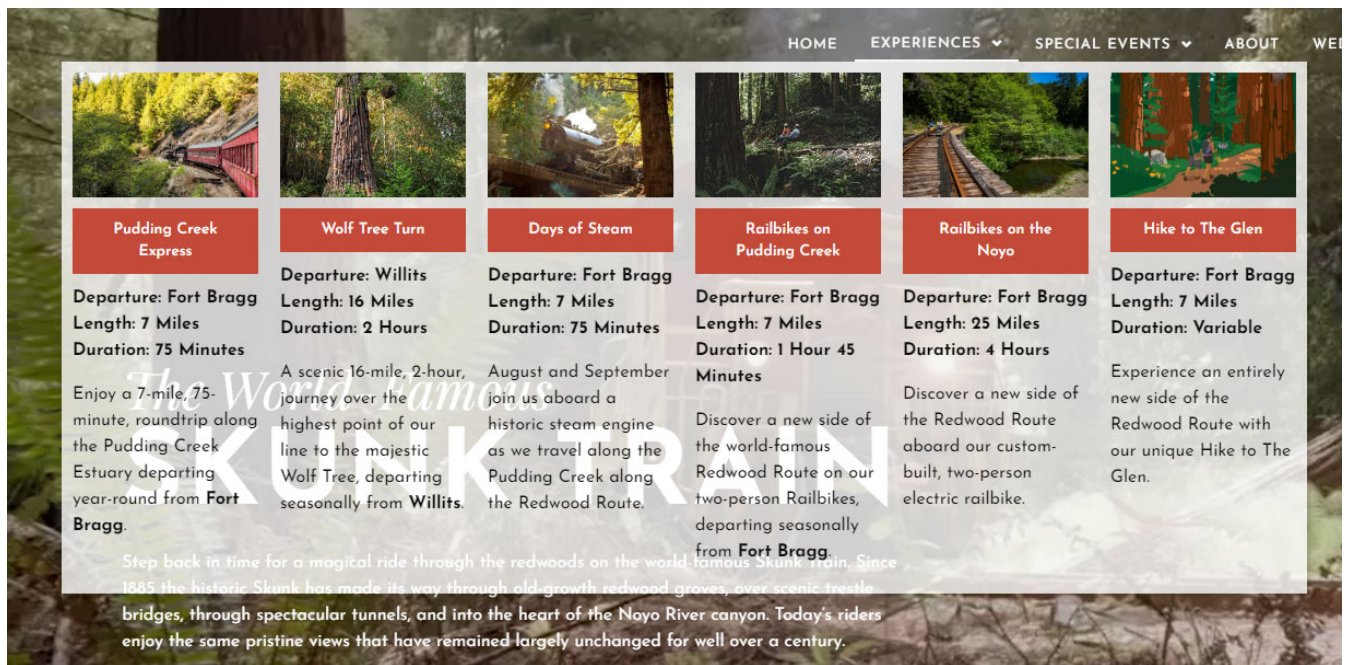


Figure 8: Skunk Train Tourism Services Source: <https://www.Skunktrain.com/>

Currently, Mendocino Railway provides only recreational/tourist train services via its Skunk Train rail line. It also promotes and provides railbike excursions on the line, which would likely conflict with freight use. The somewhat dated graph below illustrates Skunk Train recreational ridership, which Skunk used to support an unsuccessful application for government subsidy ostensibly for freight rail purposes

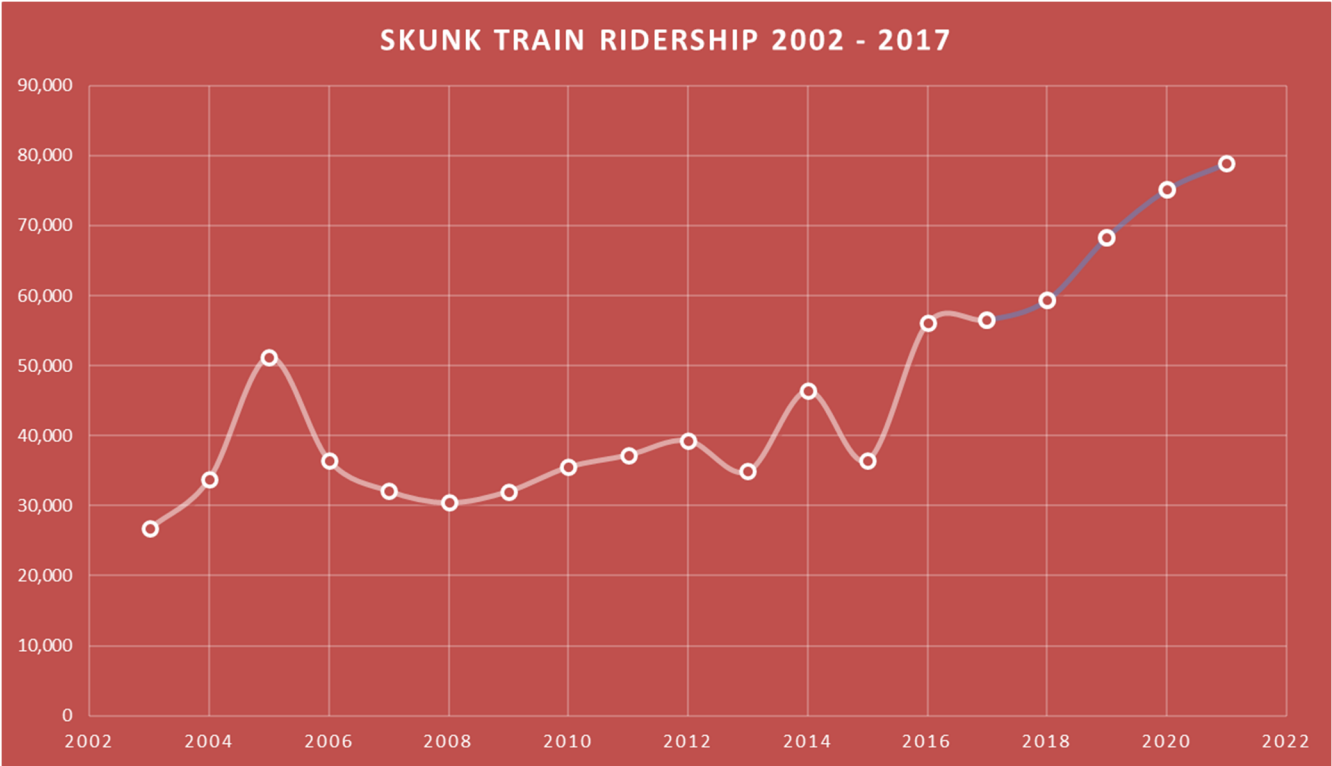


Figure 7: Skunk Train Ridership 2002-2017; Source: Skunk Train 2018 Build Grant

Truck Freight

Truck freight services are provided by the following routes into and through the County.

- Highway 101 is the primary highway to and through Mendocino County. It runs through the county from Sonoma to Humboldt County on a north-south axis. For most of its length it is a two-lane highway which can easily accommodate a modern truck and trailer combination (53 feet).
- Highway 20 runs east to west from Sacramento to Fort Bragg, and is a winding two-lane highway, which due to curves can only accommodate 48' tractor trailers. Forty-eight-foot tractor trailers are permitted to carry up to 78,000 lbs. or 39 tons.² However, aggregate is typically brought in double hauled trucks, transfer loads and belly dumps, which haul between 24 and 41 tons respectively. Double hauled and transfer trailer trucks are used primarily for delivery to customers, while belly dumps are used to transport larger quantities of gravel from the reclamation site to a company's processing facilities and storage yards or to customers requiring larger quantities.

- Route 1 runs south to north along the coast and is used for local truck delivery only, due to its curvy geometry.

Truck freight services are provided locally by Mendocino Coast Express. Rates vary depending on weight of items hauled and destination. The only likely rail freight customer received a quote of \$500 for a 48-foot truck of latex mattresses from Willits to Fort Bragg. Otherwise, truck freight is provided by specialized operators (timber) or companies that deliver their own products.

Ocean Freight

Noyo Harbor is operated by the Harbor District and provides 256 slips in the Marina. The harbor is used by pleasure boats and an active fishing fleet. The harbor is not suited for freight transfer as it can only accommodate vessels of less than 65' in length. It does not currently offer a fuel dock, fuel services or a hoist rental for loading or unloading freight. To the extent Mendocino Railroad were to rely on transload of product to or from barges or coastal vessels, it necessarily must rely on Soldier's Bay, located north of Noyo Harbor. Soldier's Bay is currently not developed for maritime activities. To be sure, it was used to ship finished lumber prior to the establishment of the in-state highway system from Fort Bragg to Willits. A pier used to extend 300 feet into the Bay, where small ships were tied up for finished lumber shipments. But the Bay has a very wide mouth and a highly active wave environment. This would be a very difficult location to establish a modern port, due to the active wave environment and the relatively shallow bay. It is not suitable for barges.

Air Freight

Little River Airport (LLR), located 14 miles southeast of Fort Bragg, is a small county-owned public-use airport. Built by the Navy in 1945, this airfield contains one asphalt paved runway which measures 5,249 by 150 feet (1,600 x 46 m). The airport averages approximately 10 aircraft per day: 98% general aviation and 2% air taxi. Chartered flights start at \$766 per passenger to Boonville and \$1,200 to Oakland. No freight service is provided.

Mendocino Railroad (aka Skunk Train) as a Transportation Solution

Rail faces a number of issues as a freight solution for between Willits and Fort Bragg, including:

²Compilation of Existing State Truck Size and Weight Limit Laws, Report to Congress, May 2015, United States Department of Transportation Federal Highway Administration https://ops.fhwa.dot.gov/freight/policy/rpt_congress/truck_sw_laws/index.htm

1. **Discontinuity.** The Skunk Train railroad tracks are currently discontinuous (due to a tunnel failure) and therefore it cannot provide any real freight services. Even if the collapsed tunnel and the railroad tracks are upgraded to handle freight, the Skunk line ends in Willits, and is discontinuous with the rest of the intercontinental rail system due to expensive tunnel failures and other track failures on the rail line from Willits south to Windsor as well as upgrades necessary to reach American Canyon (actual interconnection with the national rail network). The line north of Windsor is embargoed. The line from Cloverdale to American Canyon is owned by a commuter rail service (SMART). There is no evidence of sufficient rail traffic to justify the substantial rehabilitation costs necessary to restore the line south of Willits. And even if the line could be physically restored, the number of operators with whom interchange must be made to reach the national rail system is non-trivial and would make for high operating costs.
2. **Higher Cost.** Trucks cost 56% to 63% of the quoted rail freight price, depending on the type of truck. Truck freight is currently provided by a variety of independent operators and trucking companies, which provide freight service either at an hourly rate of between \$145 and \$175/hour or at a mileage rate of \$9.50/mile for an average transport cost of \$305 for a 24-ton truck to \$500 for a 39-ton truck. These rates are significantly less than the fictional advertised rail line freight rate (\$1,440), even after adjusting for the smaller weight limit of truck transport (24-39 tons per load) versus rail transport (80 tons/railcar). The adjusted transport rates are as follows: 24-ton trucking rate is \$14.58/ton; the 39-ton freight trucking rate is \$12.82/ton; and the fictional advertised train rate would be \$22.84/ton.
3. **Longer Transport Time.** As defined further in Addendum D, if the rail line owned by Mendocino Railroad were renovated to a condition that supported freight transport, transport time across the 40-mile distance from Fort Bragg to Willits would be approximately six hours as the train speed would be limited to eight miles/hour. Trucks take 45 minutes to an hour to traverse this same distance, making rail freight haulage time inconvenient for all potential customers and uncompetitive for that reason alone for commodities where time to market is important (key commodities in Fort Bragg which are not suited to this transport time include fish, beer, and other perishables).
4. **More Transfers & Material Handling.** Commodities shipped west to Fort Bragg via rail will have to be shipped via truck to the rail line, transferred to the rail line and upon arriving in Fort Bragg, transferred again to a truck for transportation to the destination. While this is typical for most rail transport, the very short distance of this line (40 miles) makes the extra material handling prohibitive.
5. **Long-Term Reliability Concerns.**
 - a. The Skunk Train is a very old railroad. It was built between 1885 and 1911.
 - b. The track is technically challenging. It extends up the Noyo River headwall with a 3.3 percent grade and has five 33-degree horseshoe curves and climbs 932 feet (284 m) in its initial railway distance of 6.5 miles (which is only 1.5 miles as the crow flies). The very steep mountains coupled with significant track curves, means that the train must travel very slowly.
 - c. The tracks cross 30 single bridges and trestles and passes through two deep tunnels (one of which is closed due to tunnel collapses in 2013 and 2016). Mendocino Railroad has attempted to fix the tunnel but so far with no success. Mendocino Railroad has repeatedly sought government subsidies in that regard.
 - d. There have been two major crashes on the rail line. In 1964 a westbound railcar collided with an eastbound railcar and in 1970 a derailment on a horseshoe curve destroyed three diesel locomotives.
6. **Short Term Reliability Concerns.** The Skunk Train business model is currently entirely focused on short tourist excursions. Tourist excursions run daily from both Fort Bragg and Willits through the summer months and on the weekends in the off season. It is likely that the Skunk Train would need to run freight trips at night to avoid track conflicts with the tourist trains. However, night train trips are more likely to face difficulties and would

further delay transport and result in night-time loading and unloading. All of these issues add to unreliability over the short term.

7. **Historic Freight Operations and Current Legal Limitations.** From 1921 into the late 1980s, the railroad's freight consisted almost entirely of raw and finished redwood lumber. By the 1980s Georgia-Pacific started to shift all lumber shipments to the more flexible highway truck system. By the 1990s Skunk Train lumber shipments numbered fewer than 500 railcars/year and tourist entertainment service became the line's main source of revenue. All freight service was discontinued in 2001, and the Federal Railroad Administration's emergency order in 1998 in all events effectively cut the rail line off from the national rail network.
8. **Legacy Charm.** The railroad offers a lot of legacy and historic charm; however, this historic charm is mostly a selling point for tourism operations and would not be important to freight operations.

Supply and Demand of Various Commodities

Purpose

This section provides an overview of potential freight demand for the transport of raw materials and products which are currently produced or consumed on the Coast. It explores the following specific commodities: Aggregates, Hops, Bear, Latex, and Solid Waste. All of these commodities have been suggested by Mendocino Railroad as viable freight customers in past grant applications to the Federal Government or in conversation with Fort Bragg City Staff. In a 2018 Build Application, Mendocino Railroad identified demand for 514 rail car service/year for a \$16,893,231 project that included a BUILD grant request for \$8,510,222. This grant application was denied. Mendocino Railroad prepared another grant application to BUILD in 2019 for a \$24,849,950 project which was also denied. And Mendocino Railroad prepared another grant application to Build in 2020 for \$18,779,790, which was also denied. In each of these applications Mendocino Railroad makes various claims about the amount of potential freight business that would open up if the railroad could operate a freight line, for example: "Various industries are eagerly awaiting the reopening of MR's rail line for freight services, including Flowbeds, North Coast Brewing Company ("NCBC"), Willits Redwood Company, Geo Aggregates, Mendocino Land Trust, Lyme Redwood Forest Company, ER Energy (propane), the City for transportation of water and municipal solid waste ("MSW")." The specific tons of freight claimed in these BUILD applications is noted in Tables 7 and 8 below.

Table 7: Mendocino Railroad 2018 Build Application: Claimed Freight Amount

Commodity	Truck Loads	Railcars	Tons
Hops	450	225	22,500
Beer	550	275	27,500
Latex	28	14	1,400
Total	1,028	514	51,400

Source: Mendocino Railway Build Grant 2018

Table 8: Mendocino Railroad 2020 Build Application: Claimed Freight Amount

Commodity	Truck Loads	Railcars	Tons
Hops	450	225	22,500
Beer	550	275	27,500
Latex	28	14	1,400
Solid Waste	500	1,000	100,000
Total	1,528	1,514	151,400

Source: Mendocino Railway Build Grant 2020

The author of this market study, Marie Jones, also submitted these grant applications for the City of Fort Bragg on behalf of Mendocino Railroad in 2018 and 2019. At that time, as Community Development Director for the City of Fort Bragg, I also completed an economic impact analysis for the proposed project. However, the estimated freight demand, which formed that basis for that economic analysis was provided by the Harts (Skunk Train owners) and was not independently verified. In the sections that follow, I have tried to independently verify these numbers by speaking directly with the business owners and candidly have found the Hart's numbers to be fabrications and certainly no longer valid. Actual potential rail demand, based on recent interviews with potential shippers is only 300 tons, or 3 railcars, per year as illustrated in Table 8 below. Full details about these discussions can be found on pages 20 through 22 of this report.

Table 8: Mendocino Railroad Actual Annual Potential Freight Demand

Commodity	Truck Loads	Railcars	Tons
Hops	-	-	-
Beer	-	-	-
Latex	6	3	300
Solid Waste	-	-	-
Total	6	3	300

Source: MJC, 2022: interviews with business owners

Aggregates

As discussed below, aggregates are not a likely freight component for Mendocino Railroad, due to a variety of issues including: the high cost of rail transport, competitive pricing of truck delivery, and the diverse locations for more than sufficient aggregate supply. It should be noted that as recently as 2000, Mendocino Railroad did not consider aggregates a likely freight customer as it was not listed in any BUILD grant applications.

Cost to Transport. Transportation is a major part of the cost of aggregate to the consumer. Aggregate is a low-unit-value, high-bulk-weight commodity, and it must be obtained from nearby sources to minimize both the dollar cost to the aggregate consumer and other environmental and economic costs associated with transportation. This makes the mining of aggregate much more competitive than most other mined commodities. The location, distance to market, and access to major transportation routes greatly influence the economic feasibility of an aggregate mine. Most aggregate in California moves to its final point of use by truck. Trucking is typically charged at an hourly rate and rates vary in different regions of the state. Transportation cost is the principal constraint defining the market area for an aggregate mining operation and the cost of transporting aggregate over long distances can equal or exceed the base cost of the aggregate. The cost of construction aggregate – a low-unit-value, high-bulk-weight commodity – is heavily dependent on the distance it must be hauled from its source.³

Cost of Transport Truck Versus Train.

Truck. In Mendocino County the cost to transport aggregate via truck varies from \$145 to \$175/hour and averages \$154/hour (Table 9). Delivery costs include the time to load the truck, drive to the delivery location, unload the truck and return the truck to the gravel supplier's yard. Table 9 below illustrates deliver costs to the Fort Bragg/Coastal market.

³ John P. Clinkenbeard and Fred W. Gius, *Aggregate Sustainability In California: Fifty-Year Aggregate Demand Compared to Permitted Aggregate Reserves*, 2018

Table 9: Aggregate Price & Delivery Cost, Fort Bragg CA 2022

Mendocino County: Aggregate Suppliers, Price and Delivery Costs To Fort Bragg (2022)										
Company	Products	Service Area	Price/ Ton Drain Rock	Price/ Ton Road Base	Truck Size (tons)	Delivery Cost/ Hour	Delivery Time (minutes)	Delivery Cost to Fort Bragg	Delivery Cost/Ton	Cost/Ton Delivered to Fort Bragg
GeoAggregates	Sand & Gravel, Concrete	Mendocino County	\$ 51.00	\$ 20.50	24	\$ 145.00	30	\$ 72.50	\$ 3.02	\$ 54.02
Kibesillah Rock Co	Sand & Gravel	Coast	\$ 25.00	\$ 19.50	24	\$ 145.00	64	\$ 154.67	\$ 6.44	\$ 31.44
Greenwood Aggregates Inc	Sand & Gravel, Concrete	Mendocino County	\$ 26.99	\$ 17.99	24	\$ 155.00	129	\$ 333.25	\$ 13.89	\$ 40.88
Nor-Cal Recycled Rock & Aggregates	Sand & Gravel, Ready Mixed Concrete	Inland	\$ 34.50	\$ 20.00	no delivery					
Grist Creek Wylotti	Sand & Gravel	Inland	\$ 30.00	\$ 20.00	24	\$ 155.00	164	\$ 423.67	\$ 17.65	\$ 47.65
Northern Aggregates Inc	Sand & Gravel Concrete Contractors General	Mendocino County	\$ 21.50	\$ 19.50	24	\$ 155.00	128	\$ 330.67	\$ 13.78	\$ 35.28
Granite Construction Co	Sand & Gravel Concrete	Mendocino County	\$ 30.00	\$ 15.00	24	\$ 170.00	180	\$ 510.00	\$ 21.25	\$ 51.25
Average Cost all Sources to Fort Bragg			\$ 31.28	\$ 18.93		\$ 154.17		\$ 304.13	\$ 12.67	\$ 43.42
Average Cost from Inland Sources to Fort Bragg			\$ 29.00	\$ 18.63	24	\$ 160.00	125	\$ 333.33	\$ 13.89	\$ 42.89
Average cost from Fort Bragg Sources to Fort Bragg			\$ 38.00	\$ 20.00	24	\$ 145.00	47	\$ 113.58	\$ 4.73	\$ 42.73

Source: MJC, 2022: data collected via phone interview with company sales people

- On average, truck transport costs are based on a 125-minute delivery from Willits to Fort Bragg including loading, delivery, unloading and return time. By comparison a local delivery is just 47 minutes from a Fort Bragg supplier, when it includes loading, delivery, unloading and return time.
- Total truck delivery costs for 24 tons of aggregate to Fort Bragg range from a low of \$72.50 for GeoAggregates (which is owned by Grist Creek/Wylotti) to a high of \$510 for Granite Construction, which is located the furthest from Fort Bragg. However, Northern Aggregates and Kibasilah Rock are the cheapest overall sources of gravel in Fort Bragg at \$34.73/ton and \$31.44/ton respectively, when the total cost of the gravel and delivery is considered together.
- All six aggregate suppliers provide competitive pricing for gravel delivery to the Fort Bragg. The average cost amongst all suppliers for a delivered ton of drain rock is \$43.42.
- Average cost of delivery is \$12.67/ton although the cost of delivery for local suppliers is much lower at \$4.73/ton.

This is a very competitive market for aggregate pricing. There is no space in this market to support the extra handling and delivery costs that would be required for rail freight as detailed in the section below.

Train. Aggregate delivery by train would be significantly more expensive than delivery by truck to Fort Bragg.

- The Skunk Train's fictional advertised "cost of delivery" from Willits to Fort Bragg is \$1,440/carload or \$18/ton. By comparison, delivery costs via truck, from inland sources, average \$13.89/ton. Advertised Skunk Train aggregate delivery price would not be competitive with truck delivery from Willits due to this price premium and the additional material and handling, including the need to hire a truck at either end to transport rock to the train depot and from the train depot to its final destination.
- In addition, as previously discussed, the advertised price is not a realistic price for delivery from Longvale to Fort Bragg. A number of costs must be capitalized as illustrated in Table 10. Reopening the rail line from Longvale to Willits alone (leaving aside reopening the Mendocino Railroad line) would capitalize at a cost in

excess of \$22 million. Additionally, as previously described the cost to repair the line from Willits to Fort Bragg would cost in excess of \$19 million, and purchase of the Longvale line adds another \$6 million for a total of \$49 million in capitalization costs. Applying the railroad cost of capital to that amount would suggest that each and every carload of aggregate shipped from Longvale to Fort Bragg would require a rail tariff in excess of \$5,149 to recover acquisition and capital costs alone, which is far in excess of the tariff listed on the Skunk Train website for traffic between longvale and Willits and Willits and Fort Bragg. An additional \$3,646 would be needed per rail car to recover operating costs for a total cost of \$8,795/railcar. See Table 10.

Table 10: Capitalization & Operating Analysis of Both Rail Segments (Longvale to Fort Bragg)

Table 10: Capitalization & Operating Analysis of Both Rail Segments (Longvale to Fort Bragg)					
	Construction Amount	Capitalization Rate	Annual Capitalization Amount	Number of Rail Cars	Annual Capitalization/ Rail Car
Longvale to Willits Acquisition (1)	\$ 6,725,000	10.37%	\$ 697,383	989	\$ 705
Longvale to Willits Construction (2)	\$ 22,496,781	10.37%	\$ 2,332,916	989	\$ 2,359
Willits to Fort Bragg Repair (3)	\$ 19,934,331	10.37%	\$ 2,067,190	992	\$ 2,084
subtotal	\$ 49,156,112	10.37%	\$ 5,097,489		\$ 5,149
Operating Costs (4)	\$ 3,616,337		\$ 3,616,337	992	\$ 3,646
Total Costs	\$ 52,772,449		\$ 8,713,826	992	\$ 8,795
Notes:1) BRI, Appraisal Report of Great Redwood Trail Agency Mile Post 139.5 to Mile Post 152.5 along the former Northwestern Pacific Railroad Willits, California, September 2022; 2) Dave Anderson, <i>Railroad Rehabilitation Assessment Willits MP 139.5 to Longvale MP 152.5</i> , American Rail Engineers, 2022, Page 22 ; 3) Construction Amount is based on a 2018 BUILD Grant proposal submitted by Mendocino Railroad value of \$16,893,231 was adjusted for inflation to 2022 dollars; 4) Dave Anderson, IBID, Scenario 1.					

Additionally, as illustrated in Table 11, the train would have to run 6,589 railcars/year to achieve a rate of return that would allow it to repay capitalizations and operating costs while still remaining competitive with the average truck delivery cost rate of \$16.63/ton (\$13.89/ton for Willits to Fort Bragg plus \$2.64/ton for Longvale to Willits) or \$1,320 for a railcar equivalent amount of aggregate. Clearly the proposal to ship aggregate via railcar from Longvale to Fort Bragg is financially infeasible. No purchaser would pay almost \$6,589 in rail freight costs when they could pay \$1,322 for the same amount of aggregate shipped by truck.

Table 11: Required Rail Car Volume for Competitive Railroad Freight Rate (Longvale to Fort Bragg)

Required Rail Car Volume for Competitive Railroad Freight Rate (Longvale to Fort Bragg)					
	Amount		Annual Amount	Number of Rail Cars	Final Rate/Rail Car
Total Capitalization	\$ 49,156,112		\$ 5,097,489	3,855	\$ 1,322
Operating Costs	\$ 3,616,337		\$ 3,616,337	2,735	\$ 1,322
Total Rail Delivery Costs	\$ 52,772,449		\$ 8,713,826	6,589	\$ 1,322
Truck Delivery Costs Willits to Fort Bragg - (@\$13.89/ton)					\$ 1,111
Truck Delivery Costs Longvale to Willits (@\$2.64/ton)					\$ 211
Total Longvale to Willits Delivery Costs					\$ 1,322
Sources : MJC, 2022; AMERICAN RAIL ENGINEERS CORPORATION, 2022					

Required Rail Car Volume for Competitive Railroad Freight Rate (Longvale to Fort Bragg)

	Amount	Annual Amount	Number of Rail Cars	Final Rate/Rail Car
Total Capitalization	\$ 49,156,112	\$ 5,097,489	4,587	\$ 1,111
Operating Costs	\$ 3,616,337	\$ 3,616,337	3,254	\$ 1,111
Total Rail Delivery Costs	\$ 52,772,449	\$ 8,713,826	7,842	\$ 1,111

Truck Delivery Costs - (@\$13.89/ton)

				\$ 1,111
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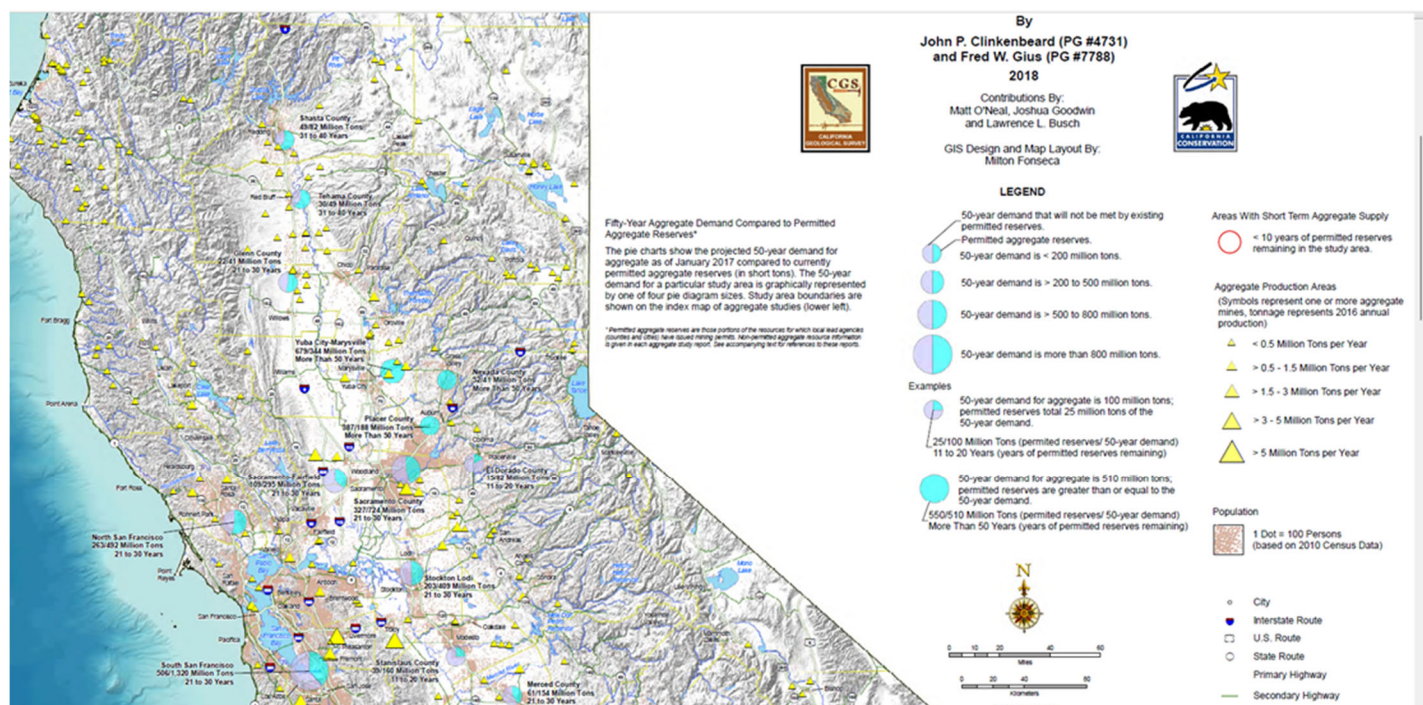
Sources: MJC, 2022; AMERICAN RAIL ENGINEERS CORPORATION, 2022

- Rock from Kibesilah Rock Co is quarried less than 15 miles from Fort Bragg, for an average delivery cost of \$6.44/ton to Fort Bragg, which is 6% of the cost of delivery via train at \$110/ton (\$8,090/railcar @ 80 tons/railcar). One major flat work contractor, Gary Swanson, purchases bulk aggregate (1,000 tons/year) from the Willits based Harris Quarry (which is located south of Willits and not on a rail line) because it is less expensive per yard and has better qualities as a road base (hardness and angularity). The other major flat work contractor, Akeef Construction, uses his own recycled aggregate. Neither of these medium-sized Fort Bragg-based flat work contractors would benefit from, or be a market for, rail shipped aggregate: one because his source is far from any rail line and the other because he recycles his own job aggregates for future jobs.

Aggregate Supply

There are six active quarries in Mendocino County for which the County has current permitting information. As noted in Table 10 (next page), there are currently vested/permitted removal rights for up to 101,000 cubic yards of aggregate/year on the coast, while inland quarries are permitted to extract up to 606,000 cubic yards of aggregate/year. The Grist Creek facility can process up to 70,000 cubic yards from two sources. Competitive pricing of aggregates (Table 9) indicates that there is not a supply shortage in either the coastal or inland aggregate market. A 2018 study, by John P. Clinkenbeard and Fred W. Gius, confirms that supply and demand are well balanced in Mendocino County (Figure 8).

Figure 8: Aggregate Demand Vs Reserves 2018-2048



Additionally, the following quarries are listed as active by Minesdatabase.com:

Active Quarries - Mendocino County

Quarry Name	Mine Number	City	Materials	Owner
Ten Mile River Plant	401755	Mendocino	Construction Sand and Gravel	GeoAggregates
Wilsey Ranch Quarry	405353	Ten Mile	Construction Sand and Gravel	Kibesillah
Harris Quarry	405139	PORTALBE	Crushed, Broken Stone NEC	Northern Aggregates Inc
Blue Ridge Quarry	405355	Hopland	Crushed, Broken Stone NEC	Syar Industries
Ford Gravel	401770	Ukiah	Construction Sand and Gravel	Nor-Cal Recycled Rock & Aggregates.
Greenwood Aggregates	405703	Philo	Sand, Industrial NEC	Greenwood Aggregates Inc
Grist Creek Aggregates	405833	Willits	Construction Sand and Gravel	Grist Creek Aggregates LLC
Johnson Pit	405592	Boonville	Construction Sand and Gravel	Robert Pardini Logging

Table 10: Active Aggregate Quarry Permits, Mendocino County 2022

Date	Applicant	Owner	Permit Description	Location:	Status
Vested	Kibesillah Rock Co	Rohnni McMahon	This operation has a vested right for the extraction, processing (screening and washing) of up to 50,000 cubic yards of material per year.	Coast: Wilsey Ranch Quarry, Inglenook (5 miles north of Fort Bragg)	Vested Right
12/28/2017	Geo Aggregates	Parker Ten Mile Ranch	Reclamation Plan Renewal and Modification to extend existing hillside quarry mining operation for an additional 5 years. The operation includes the extraction of up to 40,000 cubic yards of material per year, and the processing (screening and washing) of approximately 51,000 CY/year.	Coast: Ten Mile Second Crossing Quarry	Vested in stream gravel and sand minning of 51,000 Cubic Yards per year since 1988
4/2/2019	Grist Creek Aggregates	Richard & Margaret Rowland	Reclamation Plan Modification to include a secondary gravel bar to the existing riverbed gravel extraction operation. The operation, for which a vested right has been granted for both the existing and secondary gravel bars; includes the extraction of up to 50,000 cubic yards of sand and gravel per year.	Inland: Confluence of the Middle Fork and Mainstem of the Eel River (APNs: 035-040-36 & -45), AKA Rowland Bar (CA MINE ID# 91-23-0065).	Vested in stream gravel and sand minning of 50,000 Cubic Yards/year since 1977
7/16/2020	Wylatti Resource Management	51110 Covelo LLC	Major Use Permit for seasonal gravel extraction and reclamation activities on Stewart Bar , located on the Middle Fork of the Eel River. Total annual extraction limit of 20,000 CY/Year for ten years.	Inland: 50751 Covelo Road, Dos Rios (APNs 035-030-17, -49, -65) AKA Stewart Bar.	Site was used for gravel extraction until 2004. The use permit reactivated extraction activities.
1/11/2016	SYAR INDUSTRIES, INC	MCCUTCHAN JAMES F JR & GLORIA	Use Permit Renewal for Blue Ridge Rock Quarry (CA MINE ID 91-23-0039). Allows extraction of up to 200,000 CY/year of in situ aggregate; import of up to 40,000 CY/year of recycled asphalt, concrete, and/or other aggregate materials; import of up to 10,000 CY/year of soil; processing of a maximum of 220,000 CY/year (crushing, screening, and sorting) of virgin and recycled materials; production of up to 348,000 CY (441,400 tons) of finished product annually; a 30-year term.	South County: 3.5± miles north of Cloverdale and 10± miles south of Hopland. 24951 Geysers Road (APNs: 050-350-23, -24; 050-410-40, -41; 050-450-26; 050-460-05, -06, -07, -09, -11, and -20).	35 year use permit approved
9/3/2010	Northern Aggregates, Inc.		Use Permit Renewal/Modification (UR 19-83/2005) for 30 years to allow expansion of the Harris Quarry ; extraction of up to 200,000 in-place cubic yards (approximately 258,000 cubic yards processed) of material per year; production of up to 150,000 tons of asphalt per year; and nighttime operations that could occur up to 100 nights per year.	East County, South of Willits on highway 101.	30 year Use Permit approval
Total annual cubic yards at other locations in Inland Mendocino County			606,000		
Total annual cubic yards at proposed eastern rail head			70,000		
Total cubic yards on the Coast			101,000		

Potential Demand for Aggregates

Current demand is largely met by current supply, as reflected by the competitive delivery costs and low pricing on the coast. Although rail freight does not offer competitive pricing or better reliability in current market conditions, it might be possible that the situation would change if there were reasonably foreseeable (imminent) additional demand that might arise from atypical or unusual large infrastructure projects. Major infrastructure projects are likely the only potential market for the sand, gravel, rock and other items that the Mendocino Railroad hopes to ship on the proposed

line that would be acquired under the OFA. The inherent analytic problem is the rail lines in question must be rehabilitated to support rail use, and this process will take significant time, during which most projects that are currently scheduled will be bid and contracted. In other words, the projects will be committed before rail is an option. However, this section examines prospective public projects in this section.

Most major infrastructure projects within Mendocino County are undertaken by State (Caltrans), County (Mendocino Department of Transportation) or local governments. All must be competitively bid. Capital Improvement Budgets were analyzed to identify major public works projects planned for the next five years. Table 11 summarizes all planned and proposed projects for the next five years in Fort Bragg, Willits, the unincorporated areas of Mendocino County, and by Caltrans that could possibly be served by OFA applicant Mendocino Railroad. The Capital improvement projects at the County and municipal level are very similar to budgets in years past and so do not constitute atypical demand.

Table 11: Five-Year Capital Improvement Budgets, Public Agencies, Mendocino County 2022

Agency	Total Five Year Capital Improvement Budget	Capital Improvement Projects Which Require Aggregates, Concrete and/or Asphalt
Caltrans	Unknown	\$138,215,000
City of Fort Bragg	\$102,602,236	\$54,930,702
City of Willits	\$1,166,122	\$0
Mendocino County	\$157,088,765	\$121,097,334
Total	\$260,857,123	\$314,243,036
Average/Year	\$52,171,425	\$62,848,607

Source: FY 2022-23 Capital Improvement Budgets for City of Fort Bragg, Mendocino County and City of Willits; Caltrans District 1 Project Budgets

While Caltrans is in the planning phase for a number of significant bridge replacement projects in the coming five years (Addendum 3), three of the projects will likely be completed before the Skunk Train could provide service. The Pudding Creek and Jack Peter's bridge widenings will take place in 2023 and 2024 and total \$18 million. The \$4 million Navarro Ridge safety project will also be completed by 2023. Additionally, only two projects may happen late enough to be served by gravel brought on the Skunk Train, namely the \$48 million Albion Rover Bridge replacement project which is slated for 2027, and the \$35 million Salmon Creek Bridge replacement project which is currently under review by DTSC, and which has an uncertain construction date. However, these very large projects will be competitively bid, and given the competitive pricing from a number of gravel suppliers, it is likely that the gravel for these projects could come from any of the suppliers located throughout the County. Rail-delivered gravel from inland does not offer a competitive advantage to any of these projects.

Beer & Hops

This study finds no demand for rail freight for beer or hops. Fort Bragg is home to the North Coast Brewing Company, which is located immediately adjacent to the Skunk Train's parking lot.

- In 2018/19 the Mendocino Railroad submitted Federal BUILD grant applications which indicated market support for rail transportation of 22,500 tons of hops (225 train cars) and 27,500 tons of beer (275 train cars). However, the North Coast Brewing Company has a maximum brewing capacity of 90,000 barrels of beer per year due to a use permit limitation. Ninety thousand barrels of beer weighs 5,895 tons (58 railcars), significantly less than the railcars submitted in the 2018/19 BUILD grant applications.
- MJC spoke with Brewery CEO, Jennifer Owen, who indicated that train freight is not a viable freight solution for the Brewery. The Brewery requires immediate and highly reliable service for delivery of hops to the brewery and the transportation of finished product to customers. Train freight service is not feasible because it is too expensive, unreliable, unavailable, takes too long and does not provide immediate service for the highly

perishable products. The brewery CEO indicated that the Skunk Train would never be a viable option for freight services for these reasons.

Latex

There is very limited demand for Rail Freight for latex and no compatibility at this time. Fort Bragg is home to a relatively small latex bed manufacturer called Flowbeds.

- In 2018/19/20 the Mendocino Railroad submitted Federal BUILD grant applications which indicated market support for rail transportation of 1,400 tons of latex (14 train cars) per year. However, the owner of Flow Beds, Dave Turner, told MJC that they use only 6 truckloads of latex per year (3 railcars), again significantly less than the tonnage submitted in the 2018/19 BUILD grant applications.
- The owner is interested in a competitively priced railroad-based shipping for his latex raw materials, only if the Skunk Train becomes connected to the interstate system, as latex is a delicate product and suffers from multiple handling. Currently he ships one truck load of latex to his manufacturing facility in Fort Bragg from Texas for \$4,000 per load every two months. Rail service would have to comparably priced to be considered. Additionally, they order one truck load every two months, and would have to be able to similarly ship the equivalent amount (a half railcar) via rail every two months for rail service to be a viable solution.

Solid Waste

- As the Mendocino community has a relatively small population it also produces a relatively small amount of Solid Waste. According to C&S Waste Solution, the franchise operator for all solid waste collection in Fort Bragg and the unincorporated areas of Mendocino County, the coast produces two to three truckloads of solid waste a day (the equivalent of 1 to 1.5 railcars/day or about 400 railcars per year). C & S Waste solution is prohibited by its State License from hauling more than 99 tons of solid waste and recyclables per day. This is much less than the amount identified in the Mendocino Railway's 2022 build application, which claimed 1,000 rail cars/year.⁴
- By State law, solid waste must be transferred to a solid waste processing facility within 24 hours of collection. The solid waste processing facility for C&S waste solution is in Ukiah, CA, which would require a subsequent truck transport from the rail station at Willits to Ukiah.
- Rail transportation is unrealistic for Solid Waste because it would require extra handling (two truck trips for each train trip), would take too long (8 hours by train plus handling time for transfers to truck and truck transit time to Ukiah), would not likely provide the state mandated required daily service (insufficient other freight business to justify a daily train trip for one railcar of solid waste) and would be too expensive.

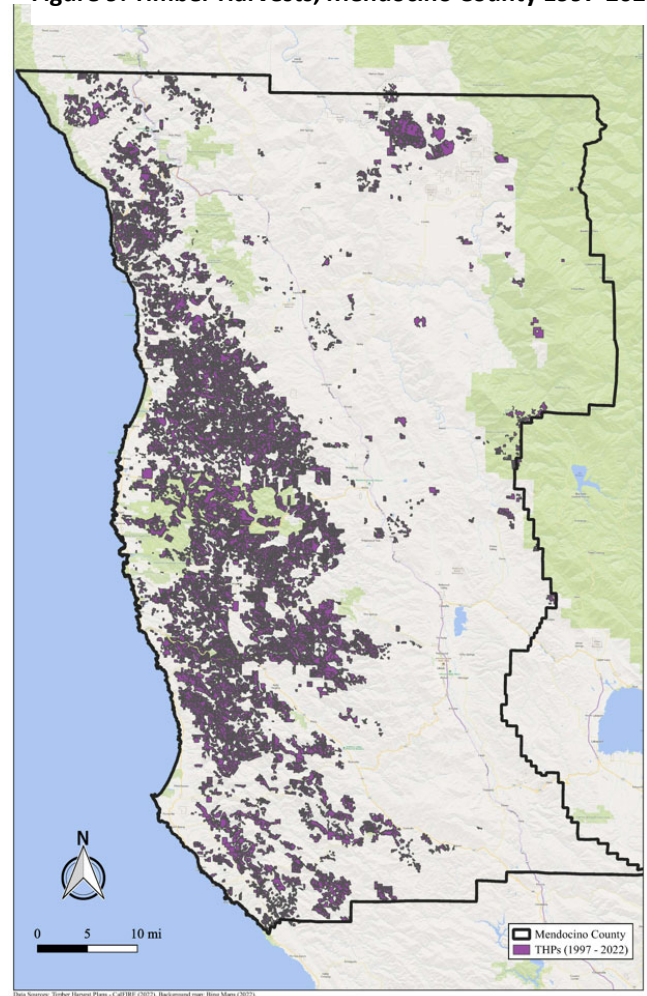
⁴2020 Build Application, footnote 7 on page 2

Timber

Wood products is a small but important economic sector in Mendocino County, accounting for 973 jobs or 2% of all jobs within the County. All approved timber harvests between 1997 and 2022 have been mapped in Figure 9. These timber harvests covered 422,915 acres in total, and as illustrated by the map, timber is harvested over a wide geographical range throughout the County. All areas of timber harvest are located to the east, south-east and north-east of the Skunk Train station in Fort Bragg.

- Felled timber is currently loaded into short haul trucks at the timber harvest site and then brought to a mill where it is offloaded and sawn into trim, beams, decking and fencing. There are no active lumber mills on the Mendocino Coast. Lumber mills are located in Willits (east), Calpella (east), Ukiah (east), and Philo (southeast).
- The majority of operators will continue to utilize trucks because the travel distance, time and cost are less than by rail.
- Additionally loading and unloading large redwood trees requires specialized equipment (loaders) which would have to be staged at the Skunk Train station.
- The current process includes loading timber onto trucks and driving from 1 to 1.5 hours to one of the mills located in the inland part of the County. To ship by rail the process would need to include: 1) load timber into trucks and drive west to the Skunk Train station (15 to 45 minutes); 2) unload the timber from the trucks onto the Skunk train; 3) transit on the Skunk train for eight hours to Willits; 4) unload timber from the train onto trucks; 5) transit on trucks another 10 to 30 minutes to a mill. Rail freight is impractical for the transport of timber on such short hauls to local mills. Additionally, the cost of rail transport is significantly higher, as previously noted.
- It should be noted that Mendocino Railroad has not listed timber as a potential freight market in any of its BUILD applications, so assumably it has also come to the same conclusion that timber is not a realistic customer for its potential freight business.

Figure 9: Timber Harvests, Mendocino County 1997-2022



4. Conclusion

Due to the short haul distances and competition from trucks, there is insufficient actual demand for rail freight transport from Longvale (Grist Creek operations) to Willits and onward from Willits to Fort Bragg, to justify the significant capital investment required to improve that rail line segments necessary for the rail freight, let alone maintain and operate them. The rail lines if rehabilitated for freight would not be able to recover their capitalization costs with earned income. They would presumably go bankrupt, as California Western was before its assets were acquired by Mendocino Railroad in bankruptcy, and as Eureka Southern was before its assets were acquired by NCRA in bankruptcy.

This leads one to speculate why the OFA has been filed. There are three potential economic rationales for filing the OFA.

1. The Skunk Train (Mendocino Railway) is currently engaged in a lawsuit with the City of Fort Bragg to determine if the Skunk Train is exempt from local land use regulations due to the Interstate Commerce Act. The Skunk Train has recently acquired 300 acres of coastal property located within the City of Fort Bragg, from the Georgia-Pacific corporation. This site is vacant and awaiting rezoning and redevelopment. The Skunk Train owners have asserted their exemption from local regulatory control based largely on federal preemption of local regulation of railroads. However, local and State authorities regard Mendocino Railroad as a tourist excursion operation whose plans for residential and mixed-use development are regulated by local governments. The Skunk Train may be asserting an OFA to buttress its claim of exemption from local and State land use regulations. The eventual redevelopment of these 300 acres of prime coastal real estate has significant potential economic value, especially if the developer can evade the local regulatory process and the state environmental cleanup process mandated for the Mill Site.
2. The Skunk Train has been seeking funds to repair its tunnel for many years with no success. Mendocino Railway has repeatedly submitted grant and loan applications with highly inflated potential freight business to get funding to fix a line which is currently used only for tourist excursions and based on this market analysis, will continue to be used only for tourist excursions. There is no Federal funding source for rail line improvements for tourist trains. By inflating its potential freight business, the Skunk Train makes an economic argument for Federal funding to repair a tourist excursion line. Success in an OFA may bolster Mendocino Railways efforts to portray itself as a bona fide freight carrier rather than a rail bike and excursion train operation. Mendocino and an affiliated company evidently have a railroad improvement direct loan proposal pending at U.S. Department of Transportation for \$31.3 million.
3. If the Skunk Train's recently submitted direct loan proposal (2022) for railroad improvements totaling \$31.3 million to the US Department of Transportation is awarded, the reconstruction of the rail line would require significant aggregate. Aggregate producers might support Skunk's applications (including its effort to use OFA procedures) in order to be looked upon favorably as an aggregate supplier to the Skunk Train if it prevails in the OFA and ever obtains financing to rehabilitate the Longvale to Willits line, or its line from Willits to Fort Bragg.
4. In past applications for government assistance, Skunk Train proposed using its own or affiliated work forces to do work. This may allow Mendocino Railway to achieve some additional profit from managing the construction itself.

In conclusion, the Skunk Train benefits from the fiction in the OFA that they are a freight railroad on many fronts:

- 1) It may be viewed as support for their federal preemption of state and local regulation for their real estate development activities in Fort Bragg and Willits;
- 2) It may support their efforts to access Federal funding which would otherwise not be available to fix the collapsed tunnel and repair their old rail line for a tourism excursion train; and
- 3) It may provide opportunities to profit from the rail repair project itself.

Appendix A: Mendocino County Demographic, Economic & Housing Trends

Purpose & Findings

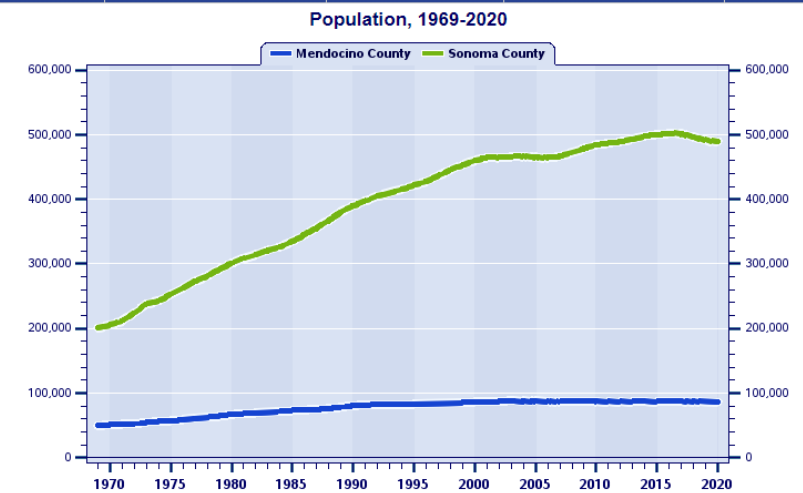
In the event the OFA proponent seeks to justify the OFA on the basis of rail moves from Longvale through and including Willits to Fort Bragg, this appendix provides an overview of the Mendocino economy. It includes an overview of demographic, economic and housing trends which have the potential to shape freight business to and from the Mendocino coast.

Demographic Trends

Population

- Overall, Mendocino's population growth is constrained by its remote location, low housing production numbers, and very slow job growth. In 2020 Mendocino's population was 86,061, which is just 0.2% of the State population. Mendocino County's population has remained relatively flat for the past 70 years (Figure 3, blue line).
- By contrast, Sonoma County, which has the closest economic ties to Mendocino County has a total population of 489,819, or 1.2% of the State's population. Sonoma County's population has doubled from 200,920 residents in 1969 to 489,819 in 2020.
- Both counties have large, low-density, unincorporated areas.
- The Mendocino Coast is relatively isolated from inland Mendocino due to the Coast Mountain Range. The Mendocino Coast has a population of around 18,000 residents.

Figure 3 Population Growth 1969-2020



Economy Overview

Gross Regional Product for the two-county region was \$35 billion, with Sonoma contributing 87% and Mendocino County contributing just 12% of GDP.

- ✓ Overall Mendocino GDP ranks 38th from the top of California's 58 counties, while Sonoma County's Gross Domestic Product (GDP) ranks 17th.
- ✓ Since 2010, Gross Domestic Product has grown only 0.78%/year in Mendocino (ranked 38 out of 58 counties) while it has grown by 2.59%/year in Sonoma (ranked 17). See Figure 4.

Local Government, Education and Hospitals are the biggest economic sectors of the region in terms of GDP, which is not atypical, as these sectors serve the needs of existing communities. Other large regional economic sectors include Wineries, Crop Production, Instrument Manufacturing, Breweries, Tourism, Insurance, and Electric Power Distribution, while the state as a whole specializes in the tech sector, commercial banking, agriculture and tourism.

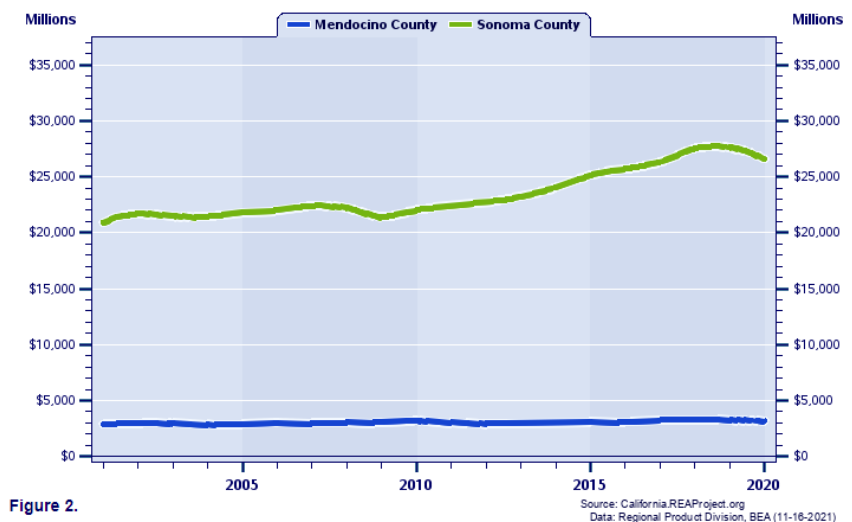
Figure 4 Gross Domestic Product, Sonoma & Mendocino County

Conclusion: Mendocino's economy is very small and has experienced minor growth in the past 20 years. It provides a small, localized, and somewhat stagnant market for freight services. Currently all freight services are provided by trucks.

Jobs Analysis

This section explores Mendocino County's job growth in a relative context.

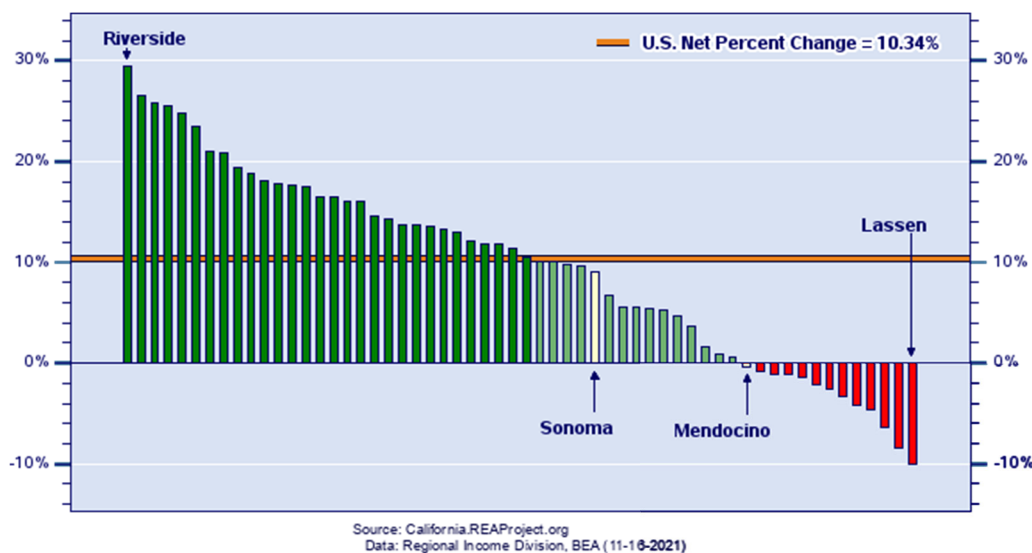
The bar chart below portrays all 57



California Counties' job growth over the interval 2010-2020. Some of the most salient highlights include:

- Ranked #46, Mendocino's employment growth (-0.35%) surpassed that of 12 counties and trailed 45.
- Ranked #35, Sonoma's employment growth (9.00%) surpassed that of 23 counties and trailed 34.

Figure 5: Employment Growth by County, 2010 vs 2020, Net Percent Change



Mendocino County's employment change over 2010-2020 of **-0.35%** trailed the **10.34%** growth of employment nationally by **-10.68%**. Accounting for this difference was a local industry mix that included more industries that experienced slower growth (-1.8% or -814 jobs) nationwide, coupled with a large share (-8.89% or -4,026 jobs) of local industries that underperformed their counterparts nationally.

Actual Growth		National Growth		Industry Mix		Regional Shift
-0.35%*	=	10.34%	+	-1.80%	+	-8.89%
(-157)		(4,683)		(-814)		(-4,026)
*Percent growth figures may not add due to rounding by a factor of ± 0.01%.						

Table 5 contains the details of shift-share analysis for Mendocino County. It illustrates that Mendocino County underperformed the nation in almost all economic sectors, except for Forestry and Fishing, Utilities, Health Care and

Social Assistance, and state government (**blue**). Declines in Mendocino County employment were particularly stark in Mining, Construction, Finance and Insurance, Professional Scientific and Technical services, Accommodations and Local Government (**red**). These data illustrate that Mendocino's economy is in a period of stagnation with small economic shifts up and down. **The following sectors are particularly of interest for rail freight as they are likely the only sectors that would participate in rail freight from or to the Coast via the Skunk Train (Table 5).**

- Mining is a very small component of the economy at 0.3% and experienced a significant contraction from 121 jobs in 2010 to 71 jobs in 2020, a decline of 41.32%. Mining in Mendocino County is almost exclusively related to aggregate extraction.
- Forestry and Fishing experienced a slight increase of 170 jobs (+12.36%) in the ten-year timeframe. Fishing products are not a suitable product for rail transport due to perishability. Forestry is a difficult item to transport via rail because timber harvests are geographically dispersed and transport by rail would require a truck, rail and truck transfer scenario with very large logs. The average transport distance for logs is approximately 40 miles. It is more efficient and less expensive to truck the logs directly to a lumber mill, rather than to truck them to a railhead (Skunk), then load them on a freight car, and then unload them at the other end.
- Manufacturing is a relatively small sector of the Mendocino Coast economy. It represents just 6% of all jobs and experienced a nominal growth of 1.86% during this timeframe.

Major Industry	Employment				Actual Growth		Standardized Growth ²		Employment ³ 2020
	2010 Level	2010 Share ¹	2020 Level	2020 Share ¹	Percent	Net	Percent	Net	
Farm Employment	1,967	4.3	1,581	3.5	-19.62	-386	-1.71	-34	1,933
Forestry, Fishing, and Related Activities	1,375	3.0	1,545	3.4	12.36	170	8.46	116	1,491
Mining	121	0.3	71	0.2	-41.32	-50	-25.76	-31	90
Utilities	161	0.4	189	0.4	17.39	28	0.67	1	162
Construction	2,948	6.5	2,894	6.4	-1.83	-54	23.71	699	3,647
Manufacturing	2,736	6.0	2,787	6.2	1.86	51	5.91	162	2,898
Wholesale Trade	906	2.0	910	2.0	0.44	4	2.81	25	931
Retail Trade	5,641	12.5	5,429	12.0	-3.76	-212	2.15	121	5,762
Transportation and Warehousing	690	1.5	1,025	2.3	48.55	335	65.85	454	1,144
Information	488	1.1	280	0.6	-42.62	-208	0.68	3	491
Finance and Insurance	1,369	3.0	989	2.2	-27.76	-380	14.39	197	1,566
Real Estate and Rental and Leasing	1,872	4.1	1,842	4.1	-1.60	-30	16.01	300	2,172
Professional, Scientific, and Technical Services	2,711	6.0	2,263	5.0	-16.53	-448	21.89	593	3,304
Management of Companies and Enterprises	224	0.5	242	0.5	8.04	18	31.99	72	296
Administrative and Waste Services	1,987	4.4	2,408	5.3	21.19	421	12.89	256	2,243
Educational Services	490	1.1	447	1.0	-8.78	-43	12.45	61	551
Health Care and Social Assistance	4,629	10.2	6,298	14.0	36.06	1,669	17.68	818	5,447
Arts, Entertainment, and Recreation	1,108	2.4	967	2.1	-12.73	-141	-5.39	-60	1,048
Accommodation and Food Services	4,009	8.9	3,665	8.1	-8.58	-344	1.62	65	4,074
Other Services (except Public Administration)	2,714	6.0	2,769	6.1	2.03	55	7.85	213	2,927
Federal Civilian	333	0.7	290	0.6	-12.91	-43	-1.75	-6	327
Military	173	0.4	156	0.3	-9.83	-17	-9.00	-16	157
State Government	406	0.9	480	1.1	18.23	74	0.56	2	408
Local Government	6,235	13.8	5,609	12.4	-10.04	-626	-2.33	-145	6,090
Total Employment	45,293	100.0	45,136	100.0	-0.35	-157	8.54	3,869	49,162

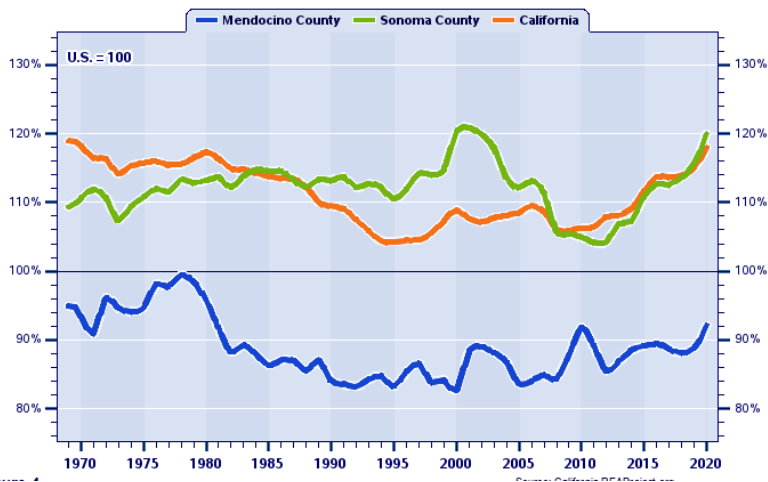
1Share: The percentage share of total employment by industry.
2Standardized Growth: at the same rate as its counterpart at the national level had each industry grown.
3Standardized Employment, 2020: The 2020 level of employment in each industry had it grown at the same rate as its counterparts at the national level since 2010. Note: Percent growth figures may not add due to rounding by a factor of ± 0.01%

Employment, Income & Poverty

Employment growth in Sonoma County averaged 1.52% per year between 2010 and 2020, ranking 28th in California, while employment growth in Mendocino was just 0.51% per year earning Mendocino County a rank of 47th among 57 counties in California. Mendocino County also consistently has higher unemployment rates (6.3% in 2022) than Sonoma (3.5%).

- Mendocino County per capita income has ranged between 85 and 100% of the US average per capita income from 1970 -2020, illustrating that the area has struggled economically for decades (blue Lines). By comparison Sonoma per capita income is consistently 110 to 120% of the US average per capita income (Figure 6).
- Median Household Income for Mendocino (\$46, 528) ranks 13th from the bottom among California counties, while Sonoma Household Income (\$71,386) ranks 13th from the top, again illustrating the divergent nature of these two economies.
- In 2020, the Mendocino County poverty rate was 19.1% (or 1 of every 5 households), while Sonoma’s poverty rate was 7.8%.

Figure 6: Per Capita Personal Income as a Percent of the US Average



Housing

Overall housing production has not kept pace with demand. As illustrated in Table 6, Mendocino housing production averages 148 units/year or a 0.36% annual growth rate. Sonoma County by contrast averages 1,702 new units/year, or 0.83% annual growth.

Implications: New housing production is unlikely to be a significant source of demand for rail freight of products such as aggregates and finished lumber. The population of the Mendocino Coast offers a very small market for such products and grows at a slow pace.

Table 6: Housing Permits and Production, Mendocino & Sonoma County 2014-2023

	Mendocino County	Sonoma County
Timeframe	6/30/2014 - 6/30/2019	1/31/2015 - 1/31/2023
	Permits	Permits
Very Low Income	123	476
Low Income	49	628
Moderate Income	192	765
Above Moderate Income	377	4941
Total Building Permits	741	6810
Building Permits /year	148.2	1702.5
Total Housing Units	41,055	206,362
% growth Units/year	0.36%	0.83%

Source: California Housing and Community Development (HCD).

Appendix B: Freight Overview

This Appendix examines general transportation trends Nationwide, which indicate that rail service is generally not competitive with truck transport. This is especially true for short haul distances such as Longvale to Willits (15 miles) and Willits to Fort Bragg (40 miles).

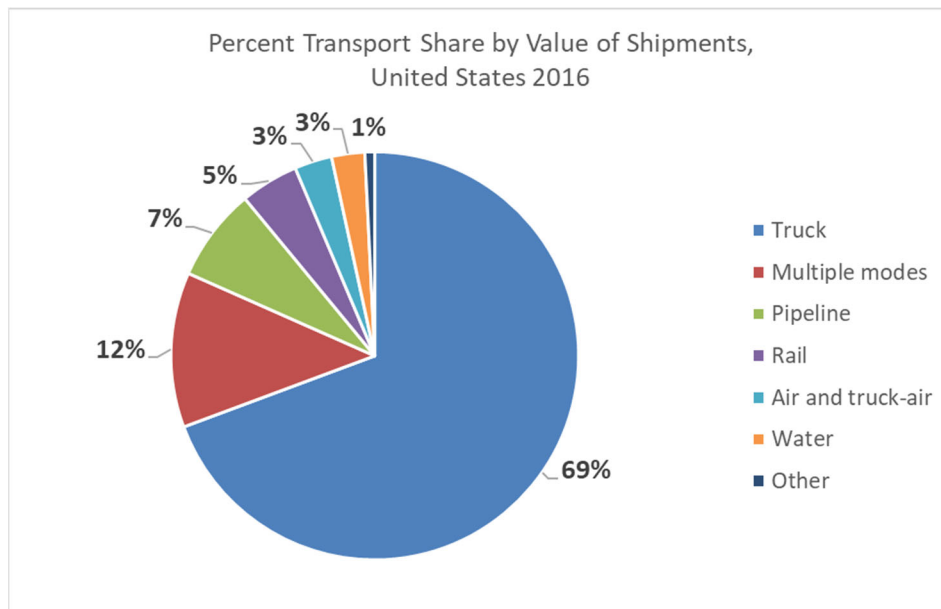
Freight Modes Overview

Freight is moved by rail, waterways, pipeline, truck, and air throughout the United States.

According to the US Department of Transportation, more freight is shipped by Truck within the United States than any other mode. As noted in Table 1, truck shipments accounted for \$12,578 billion dollars of shipment value while rail shipped \$837 billion worth of goods in 2016.⁵

Table 4-1: Value of Shipments by Freight Mode (\$billions)

Mode	2012	2016	2045
Truck	12,216	12,579	24,001
Rail	721	837	1,629
Water	431	477	872
Air and truck-air	674	539	3,208
Pipeline	1,325	1,339	1,901
Multiple modes ^a	2,122	2,230	4,970
Other ^b	241	141	484
Total	17,729	18,142	37,064



Another way to think about these numbers is illustrated in Chart 1, which indicates that 69% of the value of all freight shipments is by truck, while 5% of the value of all shipments is by rail.

⁵ U.S. Department of Transportation, [2019 Pocket Guide to Transportation](#), Page 19

Trucks also ship more by weight. In 2016 the total weight of truck shipments was 11,619 million tons, while all goods shipped by rail weighed in at 1,835 million tons. By weight Trucks ship 66% of all goods, while railroads ship 10% of all goods. Rail is twice as likely to ship heavy commodities than other items within the US. However, by weight trucks still ship significantly more than rail overall.

Table 4-2: Weight of Shipments by Freight Mode (million tons)

Mode	2012	2016	2045
Truck	10,711	11,619	16,435
Rail	1,828	1,835	2,277
Water	658	740	945
Air and truck-air	7	5	26
Pipeline	3,031	2,904	4,766
Multiple modes ^a	418	486	800
Other ^b	342	97	273
Total	16,996	17,686	25,521

Rail is competitive with truck freight only in “ton miles traveled.” Trucks ship 40% of all ton miles traveled (2,023 billion) while trains ship 28% (1,527 Billion) of all ton miles. This illustrates that rail is slightly more competitive for long haul interstate travel of heavy bulk items. Heavy freight such as coal, lumber, ore that are going long distances are slightly more likely to travel by rail, or some combination of truck, rail, and water. Trucks with more flexible routes and scheduling are much more competitive for shorter-haul and medium-haul goods, although many interstate trucks also ship significant goods around the country.

Table 4-3: Ton-miles of Shipments by Freight Mode

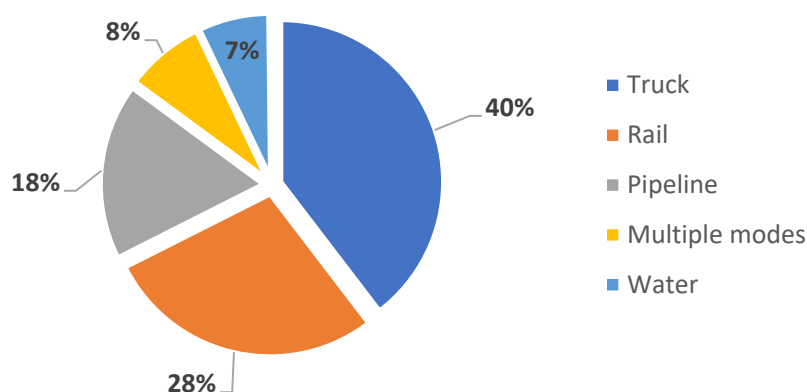
Mode	2012	2016	2045
Truck	1,891	2,023	3,282
Rail	1,481	1,427	1,776
Water	323	354	419
Air and truck-air	6	6	21
Pipeline	857	896	1,414
Multiple modes ^a	339	398	765
Other ^b	7	3	16
Total	4,903	5,108	7,692

^aIncludes mail. ^bIncludes other, unknown, and imported crude oil with no domestic mode.

Notes: Details may not add to totals due to rounding. Includes domestic trade and the domestic portion of imports and exports.

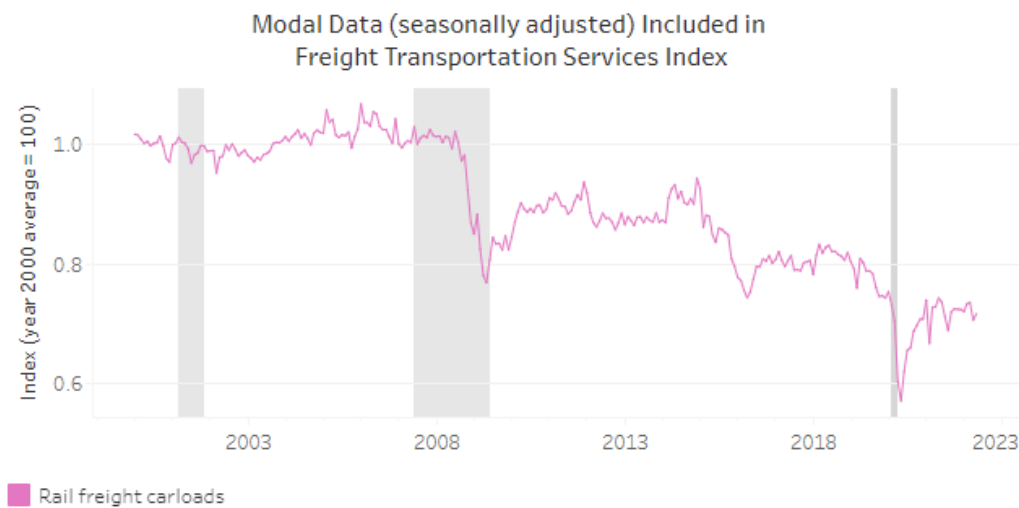
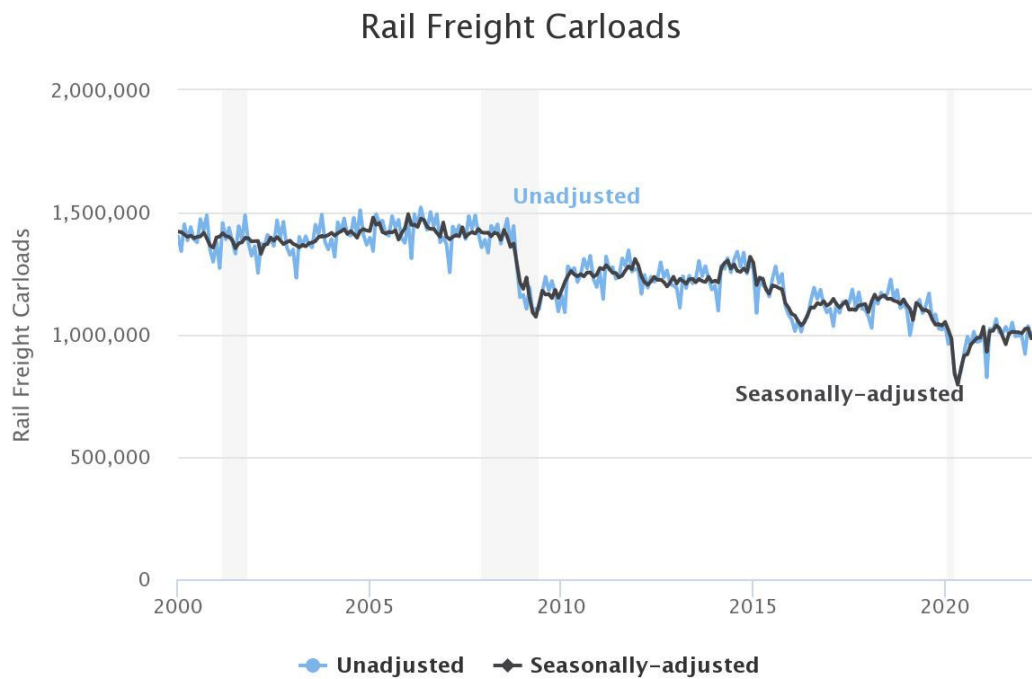
Source: U.S. Department of Transportation, Bureau of Transportation Statistics and Federal Highway Administration, Freight Analysis Framework, Version 4.4.1, available at www.bts.gov as of November 2018.

Percent Transport Ton Miles of Shipments, United States 2016



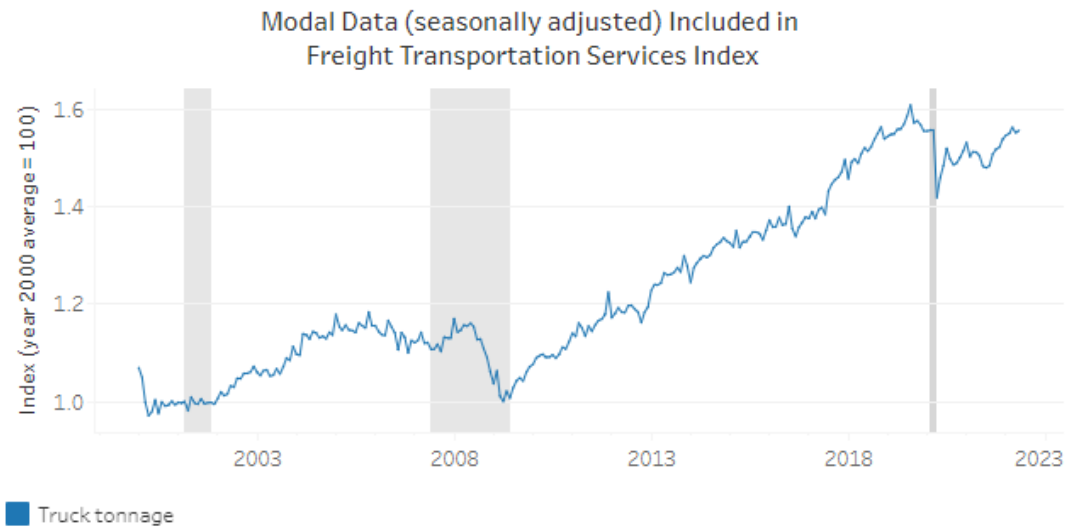
Freight Trends

The charts below, excerpted from the U.S. Department of Transportation report *Transportation-as-an-Economic-Indicator*, illustrate a steady decline in the use of rail carloads for freight: overall carloads declined from 1.5 million in 2000 to a little over 1 million in 2022.



Conversely, there was a significant increase in the tonnage index for freight delivered by trucks: from 80 to 120 during this same period for a total of 50% growth over the past 20 years.⁶

⁶ <https://data.bts.gov/stories/s/Transportation-as-an-Economic-Indicator/9czv-tjte>

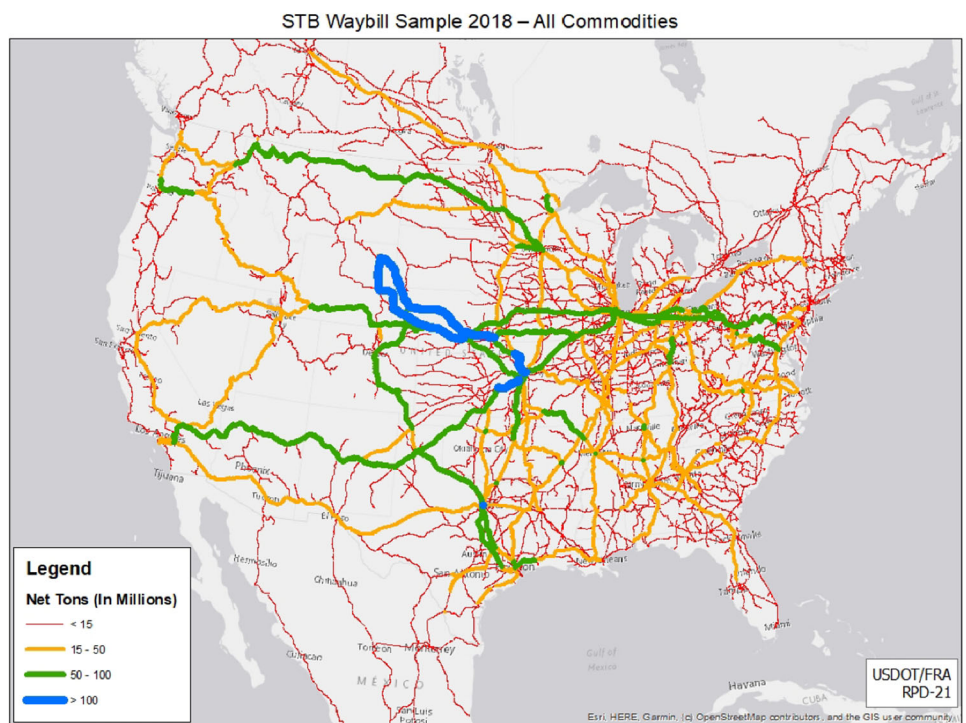


To conclude, overall rail transport continues to decline as a freight delivery method, while truck transport continues to increase.

Freight Activity by Area

This Waybill Sample map shows U.S. rail routes by tonnage of the commodities they carry. As illustrated in the map, rail coverage and use are more common on the East coast and Midwest than it is in the Western United States. Rail coverage in California is relatively sparse, with most rail transport from the western United States, occurring between the major Ports of LA, Oakland and Seattle to the Midwest and east coast.

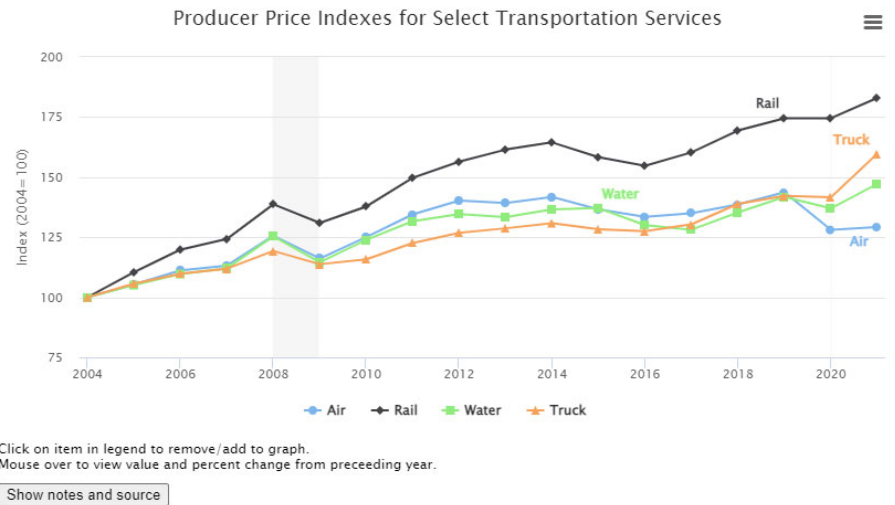
Other than some limited rail freight on SMART's passenger rail system in southern Sonoma and Marin Counties, there is currently no rail freight service on the north coast of California.



The Waybill is a stratified sample of carload waybills for all U.S. rail traffic submitted by those rail carriers terminating 4,500 or more revenue carloads annually. Image created by Federal Railroad Administration, Office of Railroad Policy and Development (Office of Policy), based on Surface Transportation Board's 2018 Carload Waybill Sample.

Truck Vs Rail Pricing

The table below illustrates price trends relative to the 2001 index for each mode of transport. The overall price of all transport options has increased between 2004 and 2020; however, it has increased fastest for rail.⁷



⁷ Bureau of Transportation Statistics. *Cost of Transportation: Costs Faced by Businesses Purchasing Transportation Services*; <https://data.bts.gov/stories/s/2yqq-baqd/>

Appendix C: Capital Improvement Projects

Caltrans - Planned Projects, Mendocino County							
	Right of way capital	Construction Capital	Start Date	Distance from Fort Bragg	Location	Closest Gravel Supply	Description
Pudding Creek Bridge Widening	Na	\$ 8,666,000	Summer 2023	2	Central Coast	Geoaggregates / Kibisilla Rock	Caltrans proposes to rehabilitate the existing Pudding Creek Bridge (Caltrans Bridge 10-0158) on State Route 1 (SR1) in Fort Bragg in Mendocino County (post miles 61.9). The project includes widening the bridge to accommodate two 12-foot-wide lanes, two 8-foot-wide shoulders, two 6-foot walkways and new bridge railings to meet current standards.
Jack Peters Bridge Widening	\$ 717,000	\$ 9,596,000	May 2023 - October 2024	9.8	Central Coast	Geoaggregates / Kibisilla Rock	The Jack Peters Creek Bridge Widening and Rail Upgrade Project is located on State Route 1 (SR1) in Mendocino County (post miles 51.87). The project includes widening the bridge to accommodate two 12-foot-wide lanes, two 6-foot-wide shoulders and a 6-foot wide separated pedestrian walkway on the west side of the widened structure that will link the segment of the California Coastal Trail from County Road 5000 to Lansing Drive.
Albion River Bridge Replacement/Rehabilitation Project	\$ 8,465,000	\$ 58,637,000	5/1/2027	17.1	Central Coast	Geoaggregates / Kibisilla Rock	Albion River Bridge Replacement/Rehabilitation Project in Mendocino County in California. The Project is located on State Route 1 from post mile 43.3 to 44.2.
Salmon Creek Bridge Replacement	Na	\$ 35,409,000	Unknown. Project is under review by DTSC	18.5	Central Coast	Geoaggregates / Kibisilla Rock / Greenwood Aggregates Inc Philo Ca	The California Department of Transportation (Caltrans) proposes to replace the Salmon Creek Bridge on Route 1 in Mendocino County. The proposed Salmon Creek Bridge Replacement project would replace the existing functionally obsolete and structurally deficient bridge with a structure that would ensure the safety and reliability of this critical link on State Route 1 of the state highway system. The Project's purpose includes improving the structural and geometric deficiencies of the bridge and approach roadways to ensure uninterrupted traffic movements in the event of an accident, seismic event, or other catastrophic failure and reduce ongoing maintenance costs; provide wider shoulders for bicyclists and for motorists experiencing breakdowns and providing safe bicycle and pedestrian movement across Salmon Creek.
Salmon Creek Sandblast Waste Abatement	\$ 5,200,000	\$ 9,000,000	Unknown. Project is under review by DTSC	18.5	Central Coast	Geoaggregates / Kibisilla Rock / Greenwood Aggregates Inc Philo Ca	Located along State Route (SR) 1 at post miles 43 through 43.2 in Mendocino County south of the community of Albion and approximately 2.2 miles north of the SR 128 junction. The purpose of the project is to remediate lead-impacted shallow soil in the State Right-of-Way and on the privately-owned parcels adjacent to the Salmon Creek Bridge. The project is needed because historic bridge painting practices resulted in elevated lead concentrations in shallow soils beneath and east of the Salmon Creek Bridge. Caltrans entered into a voluntary cleanup agreement with the California Department of Toxic Substances Control (DTSC) for regulatory oversight of the cleanup project.
Navarro Ridge Safety	\$ 600,000	\$ 3,900,000	Spring 2023 - Fall 2023	28	Central Coast	Greenwood Aggregates Inc Philo Ca	Located in Mendocino County near Albion from 1.5 miles north of the junction of Route 128 to 0.1 mile south of Navarro Ridge Road. This shoulder widening project proposes to widen existing shoulders in both directions to 4 ft., install edge-line rumble strip, perpetuate the existing centerline rumble strip, and install metal beam guardrail. Work will include replacement of four culverts, nine drainage inlets and the extension of three culverts. The project was initiated by District 1 Traffic Safety Office in response to a high incidence of run-off-road collisions.
Gualala Downtown Streetscape Enhancement	NA	\$ 1,820,000	Not scheduled	58.6	South Coast	Greenwood Aggregates Inc Philo Ca	Caltrans, in partnership with MCOG, proposes an enhancement project on State Route 1 (SR 1) through downtown Gualala in Mendocino County (post miles 0.6 to 1.0). The current design of the downtown area of Gualala has several deficiencies that could increase conflicts between motorized users, cyclists, and pedestrians.
Hopland ADA		\$ 11,187,000		77	South 101 Corridor	Granite Construction, Ukiah CA	Caltrans proposes to construct improvements on U.S. Highway 101 in downtown Hopland in Mendocino County (post miles 10.8 and 11.2) for compliance with the Americans with Disabilities Act (ADA). Work would include improving curb ramps, sidewalks, and driveways, reconstructing the roadway, rehabilitating pavement, upgrading drainage systems, signage, and Transportation Management Systems (TMS) facilities.
Total	\$14,982,000	\$ 138,215,000					
Total Coastal		\$ 121,308,000					
Source: https://dot.ca.gov/caltrans-near-me/district-1/d1-projects ; email correspondence with Manny Machado, Public Information Officer, Caltrans District 1, Mendocino/Lake Counties 707-496-6879							

Appendix E: Map of Gravel Suppliers

