



**DEPARTMENT OF
NATURAL RESOURCES**

**OFFICE OF THE
COMMISSIONER OF PUBLIC LANDS**
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MS 47001
OLYMPIA, WA 98504-7001

June 30, 2023

The Honorable Bernard Dean
Chief Clerk of the House
338B Legislative Building
Olympia, WA 98504

The Honorable Sarah Bannister
Secretary of the Senate
312 Legislative Building
Olympia, WA 98504

Dear Chief Clerk Dean and Secretary Bannister:

Please accept the enclosed legislative report on the pilot project to evaluate costs and benefits of marketing and selling specialty forest products including cedar salvage, alder, and other hardwood products, submitted on behalf of Department of Natural Resources (DNR), as required in Sec. 310 (20) of the 2021-2023 Operating Budget (ESSB 5092). The bill directed DNR to work with affected stakeholders on the pilot project and report on any suitable areas for hardwood or cedar sales within the administrative areas of the Olympic and Pacific Cascade regions, preparing and conducting sales, and evaluating the costs and benefits from conducting the sales. The report is due to the appropriate committees of the legislature by June 30, 2023.

Should you have any questions, please contact me at 360-486-3469 or Brian.Considine@dnr.wa.gov.

Sincerely,

Brian Considine
Legislative Director
Office of the Commissioner of Public Lands

Enclosure: Legislative Report – Hardwood and Cedar Salvage Specialty Sales on DNR Managed Land

cc:

Members of the Senate Agriculture, Water, Natural Resources, and Parks Committee
Members of the House Rural Development, Agriculture & Natural Resources Committee
Members of the Senate Ways and Means Committee

Members of the House Appropriations Committee

Ruth Musgrave – Senior Policy Advisor, Natural Resources, Office of the Governor

Jim Cahill – Senior Budget Assistant, Natural Resources, Office of Financial Management

Lisa Borkowski – Budget Assistant, Natural Resources, Office of Financial Management

Hardwood and Cedar Salvage Specialty Sales on DNR Managed Land

A Report to the Legislature in Response to ESSB 5092 (Chapter 334, Laws of 2021)



WASHINGTON STATE DEPARTMENT OF
NATURAL RESOURCES

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Washington State Department of Natural Resources

Office of the Commissioner of Public Lands, Hilary Franz
June 30, 2023

Executive Summary

The Washington Department of Natural Resources (DNR) implemented and developed a Hardwood and Cedar Salvage Pilot Project in response to ESSB 5092. This project was designed to answer if revenues from specific hardwood focused timber sales and cedar salvage sales are sufficient to cover the costs of preparing and conducting such sales on DNR-managed lands.

The project evaluated the large bidder pool of cedar salvage along the Washington coast and found most of the cedar salvage material managed by DNR to be in the Olympic region. Bidder pools for hardwood are somewhat more constrained than cedar salvage's substantial pool, but it is still largely adequate to ensure competition for sales. Future prices for hardwoods were uncertain, as hardwood prices are highly variable across years, but it appears that cedar prices will likely remain high or keep increasing over the near future. Constraints to DNR harvesting cedar salvage included available staffing and salvage material being found in riparian and wetland management zones protected by DNR's Habitat Conservation Plan. The implementation of hardwood conversion restoration activities and specialty hardwood focused timber sales is constrained by staffing levels, profitability, and prioritization of meeting overall obligated deliverable volumes. This pilot project offered OLY and PC region added staffing and selective marketing to overcome these constraints.

This report includes findings, public auction results and conclusions drawn from the projects operating period from May 2022 to June 2023. The pilot project sold three cedar salvage sales with a combined total gross revenue of **\$835,250** of which, \$576,322 in revenue went to trust land beneficiaries and \$258,928 contributed to DNR's management fund. The project strategically designed and will sell two hardwood focused timber sales later this year with a combined estimated future gross revenue of **\$766,000** of which \$528,540 of anticipated revenue will go to trust land beneficiaries and an estimated \$237,460 will be contributed to DNR's management fund. Using the Riparian Forest Restoration Strategy (RFRS) the project added 140MBF of additional hardwood volume to two sold timber sales that generated a combined gross revenue of **\$54,684** of which, \$37,732 in revenue went to trust land beneficiaries and \$16,952 contributed to DNR's management fund. With the assistance of regional DNR staff the total combined sold and estimated gross revenue associated with this project is **\$1,655,934**. These financial benefits to trust land beneficiaries and to DNR as an agency encompass and proved the success of this project. Following the successes of the project DNR recommends the continued marketing of specialty hardwood focused timber sales, further and continued implementation of RFRS when feasible and the expansion of DNR's cedar salvage program.

Project Overview

DNR was given guidance through a proviso in the 2021-2023 Operating Budget (Chapter 334, Laws of 2021) to implement a pilot project to evaluate the costs and benefits of marketing and selling specialty forest products including cedar salvage, alder and other hardwood products. The geographic extent of this project was limited to Olympic and Pacific Cascade Regions of DNR managed lands and was to evaluate the cost and benefit from conducting such sales. The proviso reads as follows:

(20) \$175,000 of the general fund—state appropriation for fiscal year 2022 and \$175,000 of the general fund—state appropriation for fiscal year 2023 are provided solely for the department to implement a pilot project to evaluate the costs and benefits of marketing and selling specialty forest products including cedar salvage, alder, and other hardwood products. The pilot project must include: Identifying suitable areas for hardwood or cedar sales within the administrative areas of the Olympic and Pacific Cascade regions, preparing and conducting sales, and evaluating the costs and benefits from conducting the sales.

(a) The pilot project must include an evaluation that:

(i) Determines if revenues from the sales are sufficient to cover the costs of preparing and conducting the sales;

(ii) Identifies and evaluates factors impacting the sales, including regulatory constraints, staffing levels, or other limitations;

(iii) Compares the specialty sales to other timber sales that combine the sale of cedar and hardwoods with other species;

(iv) Evaluates the bidder pool for the pilot sales and other factors that impact the costs and revenues received from the sales; and

(v) Evaluates the current and future prices and market trends for cedar salvage and hardwood species.

(b) The department must work with affected stakeholders and report to the appropriate committees of the legislature with the results of the pilot project and make recommendation for any changes to statute by June 30, 2023.



Figure 1: Western Red Cedar Salvage blocks cut on the Mahi Mahi Salvage Sale ready to be flown to the road.

Bidder Pools and Geographic Areas

Hardwood: The end purchasers for Hardwood, or more specifically Red Alder and Big Leaf Maple, are primarily dominated by three manufactures across western Washington: Port Angeles Hardwood (Port Angeles), Cascade Hardwood (Chehalis) and Northwest Hardwood (Centralia and Longview). In addition to these three manufacturers, log-merchandising companies, owner operated logging companies, and large manufactures participated in auctions during this project. The four hardwood mills in Washington source wood from all over the state, neighboring states and internationally from Canada. Based on this project's scope and the locations of the hardwood mills, the project focused on DNR's Pacific Cascade (PC) and Olympic (OLY) Regions.

Cedar Salvage: The cedar salvage bidding pool is substantial in western Washington, and most purchasers are found throughout the coastal Washington geographic area. This project identified and strategically marketed sales to 18 different small business/owner operated shake or shingle mills or brokers scattered across Grays Harbor County, Jefferson County, Clallam County, Pacific County and Lewis County. Pursuant to this project's scope, PC and OLY Regions were focused on when evaluating cedar salvage opportunities and correlate to where previously downed red cedar salvage exists in most abundance. In addition to PC and OLY regions, Northwest (NW) Region was identified as a potential source of red cedar salvage that will be evaluated at a later date.

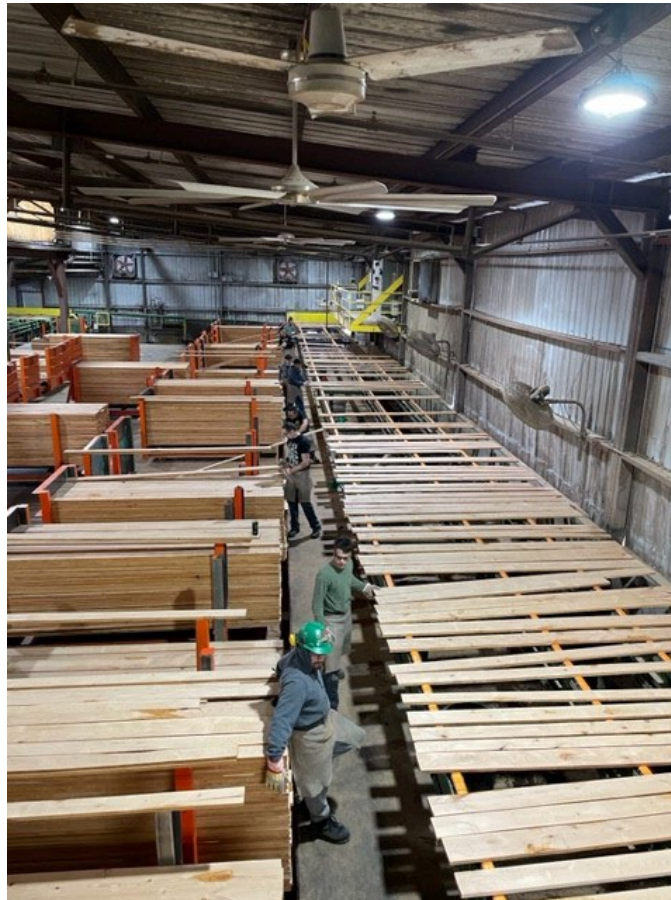


Figure 2: Photo taken during a Hardwood mill tour provided to DNR staff in Lewis County.

Constraints

Hardwood: In general, Red Alder and Big Leaf Maple are found in wet areas across the landscape and DNR managed lands. Many of these wet areas and the overwhelming majority of hardwood volume found on state lands are located in riparian management zones (RMZ) or wetland management zones (WMZ), both of which are protected under the Forest Practices Act and DNR's own habitat conservation plan (HCP). DNR also holds long term deferral and NAP/NRCA conservation lands across the state that are non-operable acres. These special management restrictions and conservation areas are in place to preserve ecological functions, slope stability, and water quality into the future. In total, DNR's HCP protects these sensitive areas and conserve roughly 48% of all western Washington DNR managed lands.

A primary focus of this project pertains to DNR's HCP Riparian Forest Restoration Strategy (RFRS). The RFRS was "Developed in collaboration with the U.S. Fish and Wildlife Service and National Oceanic and Atmospheric Administration Fisheries Service" (DNR RFRS p.3) and allows for DNR to conduct restoration focused harvest within otherwise reserved typed water buffers down to 25'. According to RFRS policy, "The procedures will guide the management and restoration activities in the 300,000 acres of forested riparian and wetland areas across the 1.6 million acres of Westside forested state trust landscape. The objective of this restoration strategy is to use thinning activities to hasten the development of riparian forests toward long-term structurally complex, fully functional forests. The strategy focuses on the growth of large, site-adapted conifer trees, down woody debris (on the forest floor), layering of the tree canopy, and important structural components such as large snags" (DNR RFRS p.4). Within RFRS policy, a hardwood conversion is "appropriate when a riparian forest is dominated by deciduous trees, typically red alder. Such stands, with a hardwood basal area of greater than 50 percent, might be manipulated to bring about a "conversion" to coniferous trees. The goal is to cultivate a forest that contains large diameter conifers. It is thought that this type of restoration will be appropriate at many sites. The presence of old conifer stumps clearly shows that at one time a conifer forest occupied these sites; the red alder-dominated riparian area is likely the aftermath of past forestry practices. If left untreated, many of these red alder-dominated stands may be replaced by salmonberry, rather than conifers" (Hibbs and Giordano 1996) (RFRS p.25).

The use of RFRS hardwood conversion prescriptions is currently limited by DNR's sustainable harvest calculation policy. The model that calculates the sustainable harvest target uses operable acres, which excludes RMZs and WMZs. This means that volume from acres using a RFRS treatment was not included in deliverables and does not contribute to DNR's sustainable harvest calculation. This has created a situation in which DNR managers are not incentivized to conduct RFRS commercial restoration opportunities in lieu of standard timber harvests that require less work and contribute to a management units target deliverables. RFRS hardwood conversions also carry a significant amount of risk associated with the future success of the restoration and therefore requires more compliance and monitoring of the stand into the future to achieve a desirable result. Field Staffing concerns are found throughout PC and OL regions and contribute to DNR's inability to hit sustainable harvest volumes, let alone contribute additional RFRS volume on state lands. Although the situation has since improved, PC and OLY regions had Upland staffing at 85% in of January 2023. Staffing levels impact the size of a timber sales DNR offers because with limited staff DNR layout foresters are encouraged to layout somewhat larger sales in an attempt lessen the paperwork and required presales staff hours needed to bring a timber sale to auction.

A smaller specialty focused timber sale requires a similar amount of paperwork and sale administration time as a larger timber sale. DNR's average sold timber sale volume (MBF) from January 2018 until March 2023 was 5,439 MBF for OLY region and 4,783 MBF for PC region. According to the hardwood purchasing community these averages are too large and have discouraged their participation at our timber sale auctions. With more staffing, DNR could focus on crafting specialty timber sale offerings with below average advertised volume to encourage higher bidder participation.

Cedar Salvage: Operational costs, workload competition, and agency policy choices that have prioritized achieving the sustainable harvest volume represent the most significant constraints to conducting specialty salvage sales. Staffing in OLY Region has been an issue with many upland entries level layout forester position remaining vacant; in March of 2023 the Region's upland staffing level was 75% staffed. Cedar salvage contributes 600 board feet (bf) per cord of cedar removed to the Region's sustainable harvest. This 600 bf makes very little contribution to the annual harvest volume because Region assigned deliverable volumes has been prioritized to hit sustainable harvest volumes, therefore cedar salvage opportunities have received lesser attention. Besides the presales portion needed for a cedar salvage sale, post auction, a single cedar salvage sale involves similar staff hours as a volume oriented DNR timber sale. Administering a cedar salvage contract requires documentation, frequent site inspections and overall compliance to protect state lands and administer the sale properly.



Figure 3: Finished hardwood lumber in Lewis County.

Comparing Specialty Sales to Other DNR Sales

Hardwood: DNR focuses on capturing available upland hardwood volume on the landscape, however due to western Washington species composition it can be very difficult to segregate timber sale proposals and offerings into strictly hardwood focused sales. From January 2018 to March 2023 in PC and OLY regions, DNR sold in total 1,107.83MMBF of total volume through DNR board approved timber sales and of this volume, hardwood species made up roughly 5% of the total sold timber volume. This project focused on crafting specialty hardwood timber sale opportunities for our hardwood purchasing community with above average percentage of advertised hardwood and with a smaller advertised sale volume. The focus was to create smaller sales with a more mixed species composition and overall percentage of hardwood on the sale. The hope was to entice more bidders to participate at our auctions and in turn increase competition and value to the state. DNR regularly offers contract harvest sort sale opportunities for our hardwood purchasing community however, during the project purchasers expressed a desire for the project to focus on stumpage timber sales offerings in which they have control over and therefore sort sales were not a focus during this project. Most timber sales are dominated by conifer species, and ultimately appeal more to the large sawmill manufactures focusing on dimensional lumber and veneer derived from conifer species. Log merchandising principles guide all purchasers to sell undesirable logs, or logs they do not or cannot consume, to other manufactures across the industry. The average DNR timber sale is merchandised by purchasers to maximize value on the timber they have purchased for themselves and the wood they intend to sell. To capture the highest valuation on the most species possible, this project created two small sales in OLY Region that both advertised 14% hardwood and a diverse species composition for an average sale volume of 1086 MBF. DNR identifies a timber sale as being hardwood focused when 50% of the total sale volume is made up by hardwood species. Finding a financially sound timber sale and operable stand that is made up of 50% or more hardwood can be difficult on state lands. The purchasing hardwood community is not limited by a finite percentage of hardwood volume on a sale but rather the feasibility, economics, and industry partners they work with as it relates to each sale. This project aimed to focus on maximizing bidding participation from both these specialty purchasers and our regular purchasers. For the two sold sales associated with this project, the average number of bidders was 3 bidders, and we anticipate increased participation at auction later this summer on the TCB23 and Alderaan Timber sales due to their favorable size volume. From January of 2018 to March 2023, the average number of bidders on all board approved timber sales in PC and OLY Regions combined was 2.4 bidders.

Cedar Salvage: The combination of lump-sum timber sales and the sale of cedar salvage has been a common practice of DNR for many years. Under this scenario there is one purchaser who buys a timber sale at auction that includes the standing timber and the rights to harvest preexisting downed red cedar within the timber sale boundaries. This method simplifies the transaction of cedar salvage in conjunction with timber harvest; however, it is difficult to document and evaluate revenue generated from cedar salvage within an individual timber sale because there is no financial separation between the two. After reviewing many completed timber sales, it was determined that purchasers were not valuing cedar salvage opportunities equally. Some purchasers conducted extensive salvage operations within their timber sale boundaries, and some did not partake in any meaningful salvage. Considering these observations, DNR decided to prioritize and craft cedar salvage sales as standalone sales in which valuation and bidder competition could be tracked according. Over the course of this project, the cedar

salvage purchasing community voiced regularly in favor of standalone salvage sales for public auction, noting that the ability of being able to select when these sales are salvaged and how they are managed added extra value to their bids compared to buying it second hand from a timber sale purchaser. For all sold cedar salvage sales associated with this project, the average number of bids was 3.7. The average number of bidders on board approved timber sales in OLY Region from January 2018 to March 2023 was 2 bidders.

Current and Future Market Trends

Hardwood: DNR conducts monthly log price surveys in order to evaluate and appraise timber sales based on current market conditions. Using this information, we can understand market trends and anticipate future hardwood delivered log values. Looking at the chart below, DNR's May 2023 log price survey, we can see the price of Red Alder #3 saw delivered log prices has fluctuated between roughly \$450- \$800 per MBF and has an average of \$600/MBf over the past three years. Like many marketable western Washington species, Red Alder pricing is relatively difficult to predict with absolute certainty. Red Alder and Big Leaf Maple delivered log values trend with log availability, housing market conditions, domestic and international demand, local weather patterns and many other market indicators.

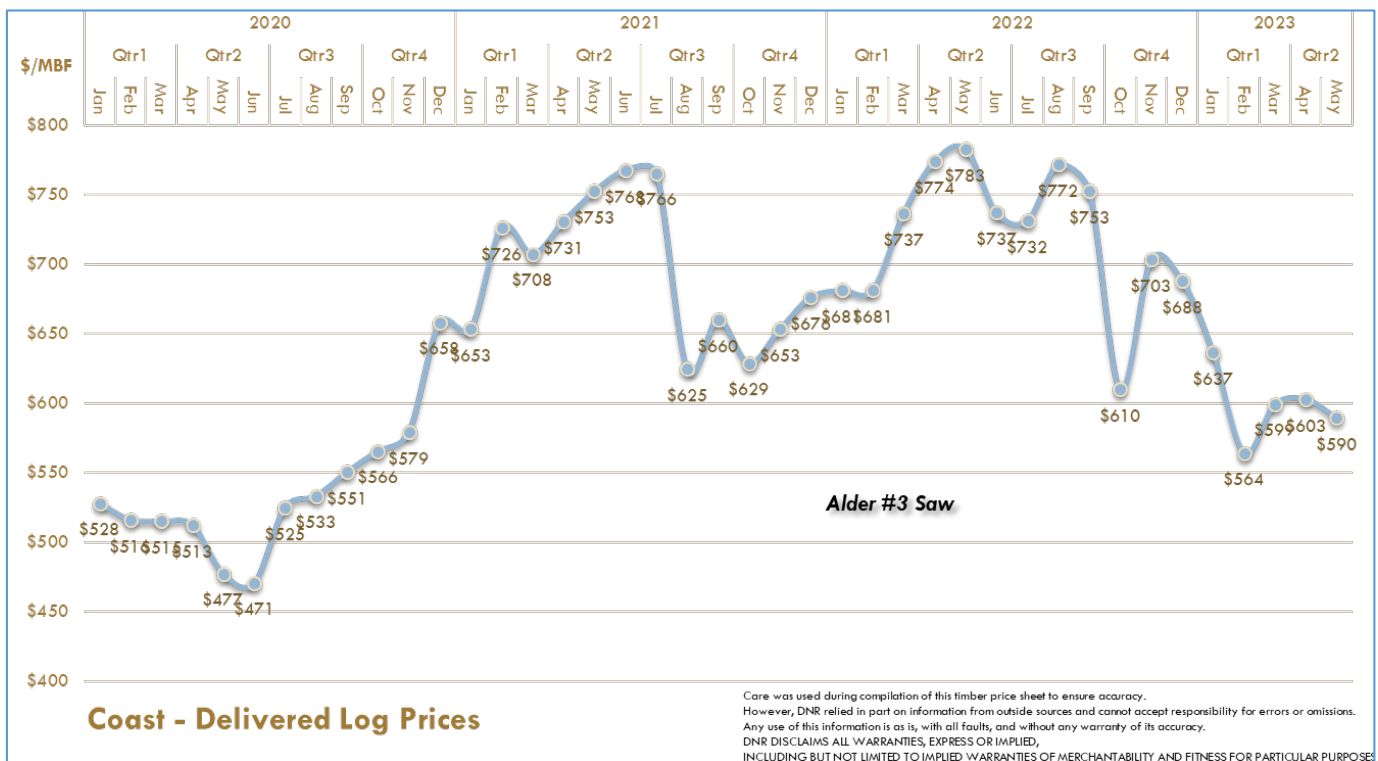
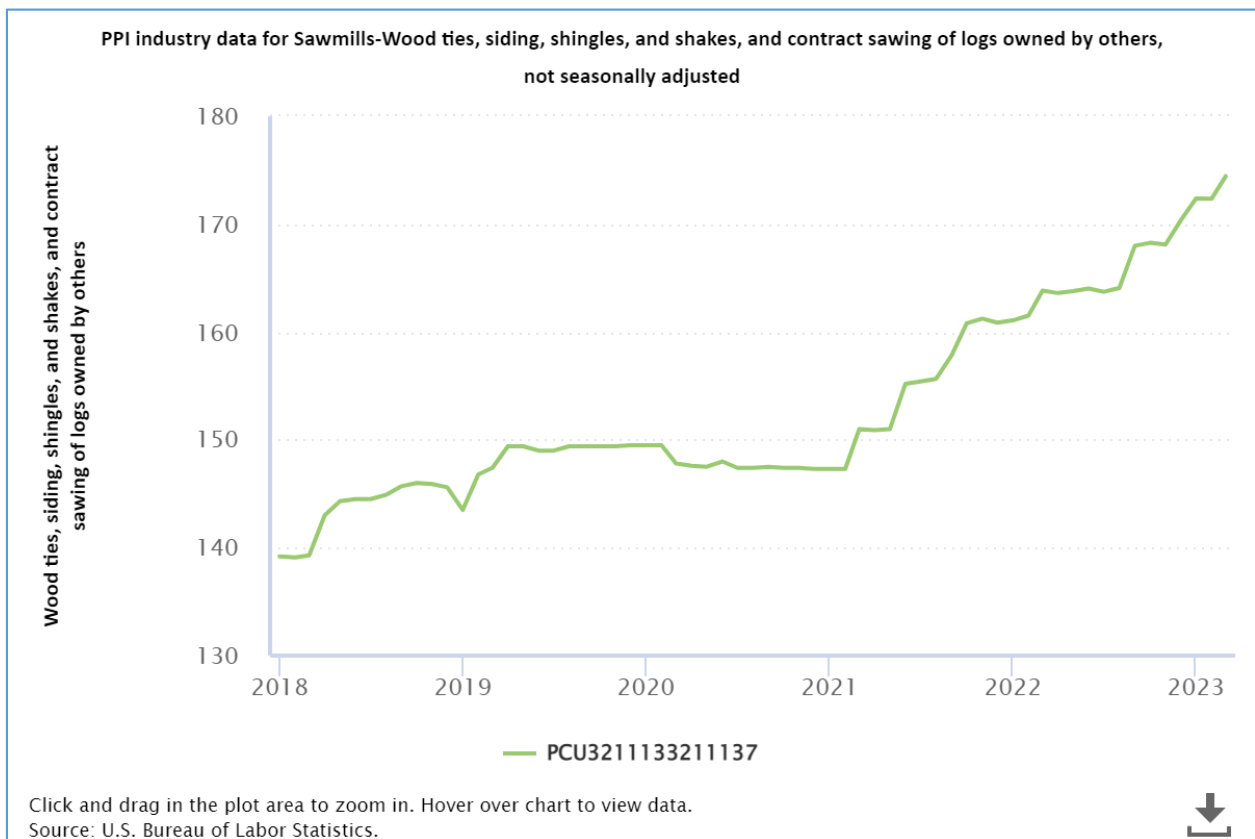


Figure 4: WA DNR Red Alder saw log price survey January 2020 to May 2023.

Cedar Salvage: Cedar salvage is purchased by the cord (128 cubic feet) and quoted prices ranged during this project from \$500/cord to over \$2000/cord in the summer of 2022. Cedar salvage pricing is not easily trackable nor shared regularly by the purchasing community, and there are no available lumber futures when it comes to salvage cordage pricing. However, the cedar salvage market in WA is strong and has

been present for many years. Some mills have been operating in Jefferson County for over 60 years, and the sheer number of manufacturing locations speaks to the demand for these wood products. Internationally and historically, most Western Red Cedar shake and shingle raw material is sourced in British Columbia’s old growth forests and imported into the US under a US Department of Commerce exemption from duties generally placed on softwood lumber coming into the US. This exemption allows for shake and shingle finished products to flood domestic markets and has created added competition for local western WA manufactures. This steady flow of finished products changed in 2021 when British Columbia put a temporary pause on the logging of old growth forests on most government land. This temporary pause is still in effect today and has drastically reduced the supply of available cedar shakes and shingles within the US domestic marketplace. Mills in WA have in turn seen an increase in demand, and the available supply of cedar shake and shingle finished products has changed accordingly over the past two years. Below is a US Bureau of Labor and Statistics consumer price index chart showing the dramatic increase in price since 2021 for cedar shakes and shingles (US BLS, 2023).



Project Accomplishments and Economic Feasibility

Hardwood: This pilot project prioritized two main tools involving hardwoods. The first tool was the implementation of additional hardwood conversion areas using RFRS management strategies and

procedures. Existing FY 2023-2025 timber sales were examined in PC Region, and RFRS units were added to some of these sales. The second strategy was offering smaller and more diverse timber sales to increase bidder participation by offering more manageable size timber sales to expand potential bidder polls and increase competition. This strategy was implemented on two small timber sales in OLY Region. This project also stimulated a change in perspective among DNR foresters and a reinvigorated emphasis on the importance of hardwood volume for the overall log market and local hardwood manufacturers. With the help of the Washington Hardwoods Commission (WHC), three separate hardwood sawmill tours were conducted, and 33 DNR Region staff members attended and observed the manufacturing process. Sale results indicate that the implementation of RFRS hardwood conversion areas generated revenue and that specific hardwood focused smaller timber sales resulted in a higher bidder participation. Specific timber sales and results associated with this project were:

- Uptick Timber Sale in Pacific County: was a previously planned timber sale that sold in March of 2023. After an initial site visit under this project, DNR added two RFRS hardwood conversion units. An additional 59 hours of labor was required for 1.6 acres and resulted in an added **17MBF** of Red Alder to the advertised sale volume. At the March 2023 auction, Cascade Hardwoods was the apparent high bidder on the Uptick Timber Sale, with an accepted bid of \$765,465. This bid resulted in a stumpage valuation of \$365/MBF and a **\$6,205** gross total valuation of the added RFRS units. Labor costs associated with the additional RFRS areas were \$3,068. However, DNR receives at most 31% of generated revenue from timber sales as management costs. Therefore, these additional RFRS acres contributed only \$1,924 to DNR's management fund and failed to cover the costs of implementation for the department, although the sale contributed \$4,282 in additional revenue to the trust beneficiaries. This cost/benefit analysis does not account for future silviculture costs associated with these acres. These costs are estimated at \$639/acre or \$1,022.4 for the 1.6 acres of RFRS conversion acres associated with this sale's future silviculture treatments.
- Wilson Timber Sale is in Wahkiakum County: was a previously planned and laid out timber sale that sold in March of 2023. Acting in an advisory role only, this project offered guidance on the HCP RFRS prescription for 4.7 acres of added hardwood conversion areas. Management costs were very low for these RFRS acres because the timber sale layout and RFRS layout were done in conjunction with one another and prior to this project starting. There were three bidders on this sale with Merrill and Ring Forest Products being the successful purchaser with a bid of \$1,049,966.00 and a stumpage valuation of \$394.13/MBF. Although not directly a causation of this project, it is worth reporting these results for future consideration. The 4.7 acres of added RFRS hardwood conversion areas contributed **123 MBF** of additional Red Alder Volume to the timber sale volume and carried a gross valuation of **\$48,478** in additional revenue of which \$33,450 was distributed to the trust land beneficiaries and \$15,028 was contributed to DNR's management fund because of this RFRS implementation.
- TCB 23 Timber Sale is in Clallam County: was originally associated with a much larger timber sale near Port Angeles, WA. In accordance with this project, TCB 23 was identified as a potential small timber sale to be offered in July of 2023. This project contributed to regional planning, layout, permitting and cruising of this timber sale. TCB 23 offers a diverse species composition; Red Alder and Big Leaf Maple are the primary species and make up **146MBF** of the sale's overall volume of 1,047 MBF. The hope with this sale is to increase our bidder pool at auction and give the local hardwood manufacturers and loggers a more reasonable timber sale volume to bid on. We expect many bidders on this sale given

its volume, species diversity, quality, and favorable logging conditions. These acres were a part of a previously planned timber sale for the OLY region, and this volume would have been packaged differently without this project's assistance. No RFRS volume was added. The anticipated minimum bid valuation for this sale is **\$227,000**, and 100% can be attributed to this project with the assistance of regional staff.

- Alderaan Timber Sale is in Clallam County: was original associated with a much larger timber sale near Joyce, WA. In accordance with this project, this stand was identified as a potential smaller timber sale to be offered in August of 2023. This timber sale offers a diverse species composition with Red Alder and Big Leaf Maple accounting for **159 MBF** of the sale's total cruise volume of 1,130 MBF. Alderaan was strategically designed under this project to increase overall bidder participation by incentivizing the local hardwood manufacturers and small logging companies to bid in addition to the large manufacturers who bid sales regularly. We expect many bidders on this sale given its species composition, log quality and manageable volume. The anticipated minimum bid for this is **\$529,000** and 100% can be attributed to this project with the assistance of regional staff.
- Alderoca Timber Sale: was tertiary to the scope of this project's working area of PC and OLY Regions; however, it was considered and evaluated during this project. This sale is in the South Puget Sound Region and was examined following the prompting of WHC members. Although still early in development, Alderoca will be a hardwood focused timber sale scheduled to be sold in FY25. This sale will be strategically designed similarly to the TCB 23 and Alderaan timber sales and carries a high percentage of Red Alder. Updates on this sale will be provided under this project's future reports.

Cedar Salvage: A focused cedar salvage program on state lands can provide significant revenue to state land beneficiaries. The initial goals for this portion of the project were to establish relationships with the cedar salvage purchasing community, craft a usable and consistent cedar salvage contract statewide, and sell and administer standalone DNR cedar salvage contracts. Cedar Salvage purchasers were identified, and the project conducted field and mill tours to understand the unique nature of the business and how state managed lands can fit into purchasers' programs and procurement strategies. A vetted DNR cedar salvage contract was created by evaluating multiple salvage contracts from various agencies and private companies, to produce a standard contract to be used across all DNR administrative units. Prior to the development of this contract, cedar salvage was inconsistently sold as part of DNR timber sale agreements which led to little value contribution to state land beneficiaries and harbored ongoing theft across state lands. Several thousand acres have been evaluated for cedar salvage potential under this project. To date, three cedar salvage sales have been sold and three additional cedar salvage sales have been identified for auction. Sale results indicate that revenue generated from cedar salvage sales far outweighs the cost of preparing and conducting such a sale. Specific sales and results associated with this project were:

- Mahi Mahi Cedar Salvage is in Jefferson County: sold in August 2022, it received six bids with the highest bidder being Perez Shingle, LLC with a bid of **\$746,250**. The timing of this sale and the robust cedar salvage market at the time of the auction represent what is possible when salvaging cedar on state lands. Estimated management costs with this sale, and most salvage sales on state lands, will be relatively low compared to standard DNR timber sales. Field review, unit layout, and permitting is all done during an original timber sale offering and results in a relatively easy implementation and second offering as a cedar salvage sale using the same footprint and documentation. Management costs

associated with this salvage were just \$4,524 and resulted in \$231,337 (31%) retention for DNR’s management fund and \$514,912 in net revenue for trust land beneficiaries. Future management costs post auction is anticipated to be equivalent to that of a standard timber sale contract with sale compliance accounting for most costs. The Mahi-Mahi Cedar Salvage Sale was the pilot salvage sale for this project and included the creation of an original vetted salvage contract, auction procedure, and compliance monitoring that will all be used on all future DNR cedar salvage sales.

STATE OF WASHINGTON DEPARTMENT OF NATURAL RESOURCES BIDDING RECORD FOR SALE OF VALUABLE MATERIAL		
Auction Date:	<u>August 24, 2022</u>	
Sale Name:	<u>Mahi Mahi Cedar Salvage</u>	Agreement No. : <u>30-103899</u>
Bid Method:	<u>Lump Sum</u>	Estimated Volume: <u>60 Mbf</u>
Minimum Bid:	<u>\$80,000.00</u>	
Bidder's Name	Amount Bid	Check Apparent High Bid
JBC Cedar LLC	\$280,250.00	<input type="checkbox"/>
Pacific Shingle	\$104,405.00	<input type="checkbox"/>
Perez Shingle LLC	\$746,250.00	<input checked="" type="checkbox"/>
4 DF Shingle Inc.	\$185,750.00	<input type="checkbox"/>
5 Pacific NW Products LLC	\$318,999.00	<input type="checkbox"/>
6 SC Salvage	\$426,000.00	<input type="checkbox"/>
7		<input type="checkbox"/>
8		<input type="checkbox"/>
9		<input type="checkbox"/>
10		<input type="checkbox"/>
11		<input type="checkbox"/>
12		<input type="checkbox"/>

Figure 5: Auction results for the Mahi Mahi Salvage Sale.

- Spruce Tower Cedar Salvage is in Jefferson County: sold in May 2023, it received two bids with the highest bidder being NJL INC with an apparent high bid of **\$28,000**. Management costs associated with this sale were \$3,380 and resulted in \$8,680 (31%) retention for DNR’s management fund and \$19,320 in net revenue for trust land beneficiaries. The offering of this sale required a new Forest Practices Application and made up most of the management time. Management costs post auction are anticipated to be equivalent to those of a standard timber sale contract with sale compliance accounting for most costs.
- Higher Grounds Cedar Salvage is in Jefferson County: sold in May 2023, it received three bids with the apparent high bidder being NJL INC with an apparent high bid of **\$61,000**. Management costs associated with this sale were \$2,236 and resulted in \$18,910 (31%) retention for DNR’s management fund and \$42,090 in net revenue for trust land beneficiaries. The offering of this sale required a new Forest Practices Application and made up most of the needed management time. Management costs

post auction are anticipated to be equivalent to those of a standard timber sale contract with sale compliance accounting for most costs.

- Favorable Cedar Salvage is in Wahkiakum County: brought to auction in November 2022 with a minimum bid of \$40,000. However, we received no bids. Feedback from the purchasing community included comments about not enough volume to justify bringing in a helicopter, poor access given the elevation and approaching winter, and lower than anticipated cord pricing. Management costs associated with this sale were \$3,380. This salvage sale will be reevaluated, repackaged, and reoffered later.

Recommendations

The project demonstrates that careful planning for specialty focused hardwood timber sales, the continued implementation of RFRS and the expansion of DNR's cedar salvage program can more than make up the management cost associated with their implementation while generating positive revenue. It is in the best interests of all trust land beneficiaries and DNR to continue the efforts of this project, and therefore DNR recommends:

Hardwood: DNR will continue to develop and offer hardwood focused specialty sales to maximize revenue for state land beneficiaries. DNR's State Uplands HCP and RFRS procedures will continue to be implemented and evaluated where feasible with considerations for positive revenue generation for the trust land beneficiaries while accounting for DNR's allotted management percentage, ecological function, and future risk to the state. DNR should continue to look for ways to create additional hardwood-oriented timber sale opportunities and will work with the purchasing community and WHC during the extended funding of this proviso.

Cedar Salvage: When staffing availability allows, DNR recommends offering cedar salvage sales on all DNR-managed lands. Cedar salvage will be sold separately from normal timber sale contracts, and the template cedar salvage contract created under this project will be used throughout the state. DNR will continue outreach and marketing to the salvage purchasing community while examining future salvage opportunities.

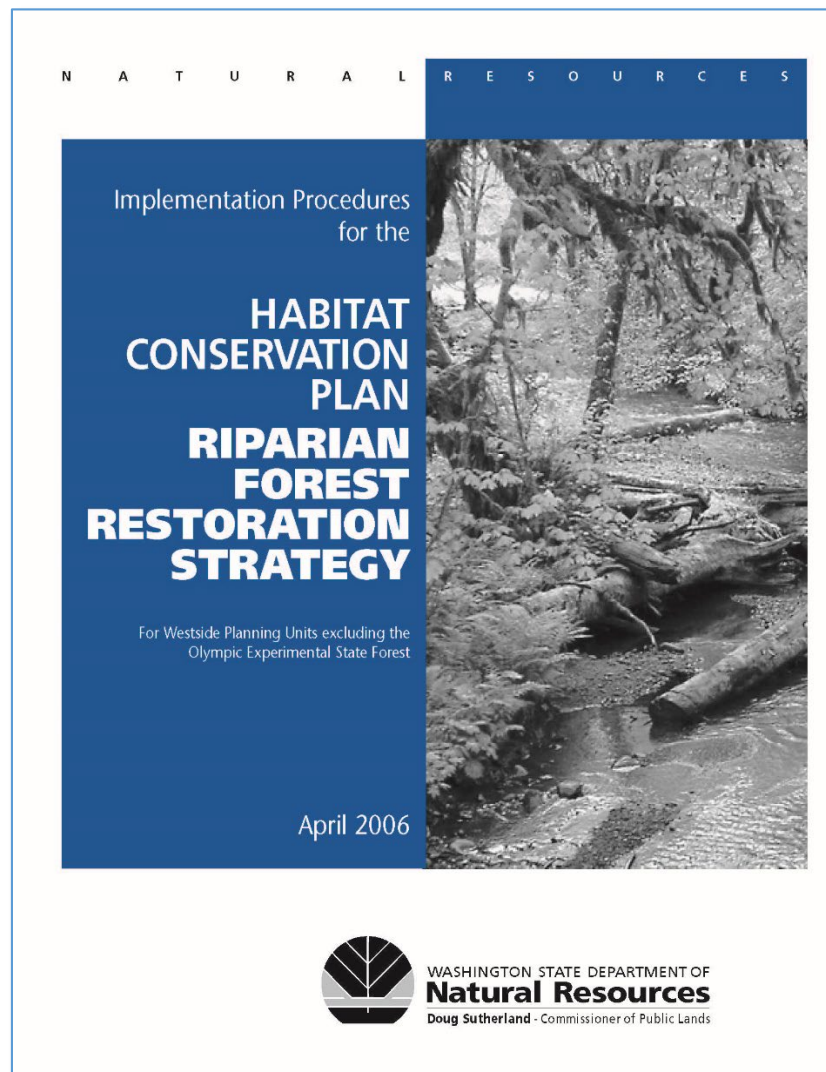
No statute changes are recommended currently.

References

Hibbs, D. E., and P. A. Giordano. 1996. Vegetation characteristics of alder-dominated riparian buffer strips in the Oregon Coast Range. *Northwest Science*. 70(3):213-222.

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Washington State Department of Natural Resources. 2006. Implementation Procedure for the Habitat Conservation Plan Riparian Forest Restoration Strategy (RFRS). Washington State Department of Natural Resources. Olympia, Washington.



Tables

Timber Sale Name	Region	Gross Project Valuation	Management Costs	Gross Revenue for Trust	DNR Management Fund Contribution	HWD MBF
Uptick Timber Sale	PC	\$6,205.49	\$3,068.00	\$4,281.79	\$1,923.70	17
Wilson Timber Sale	PC	\$48,478.16	\$780.00	\$33,449.93	\$15,028.23	123
TCB 23 Timber Sale*	OLY	\$242,000.00	\$6,500.00	\$166,980.00	\$75,020.00	146
Alderaan Timber Sale*	OLY	\$524,000.00	\$6,292.00	\$361,560.00	\$162,440.00	548
Alderoca Timber Sale	SPS	TBD	\$1,092.00			TBD
Total		\$820,683.65	\$17,732.00	\$566,271.72	\$254,411.93	834

Cedar Salvage Sale Name	Region	Gross Project Valuation	Management Costs	Gross Revenue for Trust	DNR Management Fund Contribution
Mahi Mahi Cedar Salvage	OLY	\$746,250.00	\$4,524.00	\$514,912.50	\$231,337.50
Spruce Tower Cedar Salvage	OLY	\$28,000.00	\$3,380.00	\$19,320.00	\$8,680.00
Higher Grounds Cedar Salvage	OLY	\$61,000.00	\$2,236.00	\$42,090.00	\$18,910.00
Favorable Cedar Salvage	OLY	TBD	\$3,380.00		
Total		\$835,250.00	\$13,520.00	\$576,322.50	\$258,927.50

**appraised valuation*