

APPENDIX B

FOREST PRODUCTS APPRAISAL GUIDANCE FOR STEWARDSHIP CONTRACTING

APPLICABLE TO ALL APPRAISALS

Conduct and document a current market analysis or qualified appraisal to determine the feasibility of timber and/or fiber removal and utilization, rather than on-site disposal. In situations with established viable markets, analysis is not required. This appraisal guidance is written to apply to a service or construction contract with an embedded forest product “sale.”

APPRAISAL OPTION 1 – Forest Products with Positive Appraised Value(s)

1. Scenario A: Separately appraise the forest products by type (e.g., sawlog v. biomass) or by cutting area. A mixed-type appraisal is acceptable if the same form of utilization is anticipated from the market analysis. Appraise the forest products from the stump to the utilization facility making allowances for all direct costs (e.g., falling, bucking, yarding, hauling, and all necessary legally-enabling environmental mitigations). If the appraised price (stumpage value) is greater than zero, then separately appraise the remaining land management service treatments and/or construction in the overall project (contract) for the service or construction contract bid estimate. The value of the forest products represents the “goods” that will be traded for services in a stewardship contract. This value leverages the appropriated funds, thereby accomplishing the service work at a lower cost to the Government. The contract would be offered with two or more bid items. A separate bid item or items will be established for the forest products with the appraised value of the forest products set as a minimum bid or bids. Other bid items will be established for the service or construction work.

Bidding Process: Generally, offerors would bid on all items on an all-or-none basis for contract award. The bid for the service work minus the bid for the forest products equals the “offset value” or the quantity of appropriated funds that must be obligated and ultimately paid to the Contractor, barring any contract modifications. The offerors bid on forest products with the knowledge that they will not actually pay these prices, rather it represents the value that is traded for services, and they bid on the service or construction work accordingly. The lowest offset value would be considered along with the Evaluation Factors for Award (best value) to select the most qualified bidder.

2. Scenario B: If the forest products appraised price in Scenario A is less than zero, begin an iterative adjustment of the appraisal by deleting costs first from the stump (falling) going all the way to the utilization facility (hauling) until a greater-than-zero appraised value is calculated (if possible). If the sales value (pond value) at the utilization facility is insufficient to cover even the hauling costs (a deficit appraisal with the only allowances being hauling, and profit and risk), either: (1) set the value at zero or 10 percent of pond value, and continue in accordance with the Bidding Process in Scenario A if there is a reasonable possibility that prospective bidders would submit a bid on the forest products; or (2) proceed to Option 2. Continuing with Scenario B, the forest products harvest costs to be covered in the service work appraisal must constitute legitimate (benefiting subactivity concept) use of the intended appropriated fund(s). The loading and hauling to a utilization center may not be a legitimate cost if, for example, to meet fuels hazard objectives using the Fuels Hazard Reduction account it is less costly to pile and burn the material on site. The solicitation would require a greater-than-zero bid to be

submitted for the forest products if the bidder intends to remove the material from the site (presumably it has some value if they intend to utilize it). The contract must also prescribe yarding/landing/loading/hauling requirements and associated environmental mitigations to be followed in the event the Contractor elects to remove the forest products.

APPRAISAL OPTION 2 – Appraisal with a Sizeable Negative Value

There may be situations when there is no known or reasonably anticipated market for the forest products on the contract area, or the calculated appraised value is so negative it is unlikely that a greater-than-zero bid would be submitted. In these situations, the solicitation would be set up with only an appraised price or prices (one or more bid items) for the service or construction work and the contract would grant rights of removal of the forest products. Presumably, if there is a market such that the forest products can be utilized, the successful bid for the service work would be less, and the Government would be “made whole” for any utilization value of the forest products.