

Value-added Wood Processing/Manufacturing

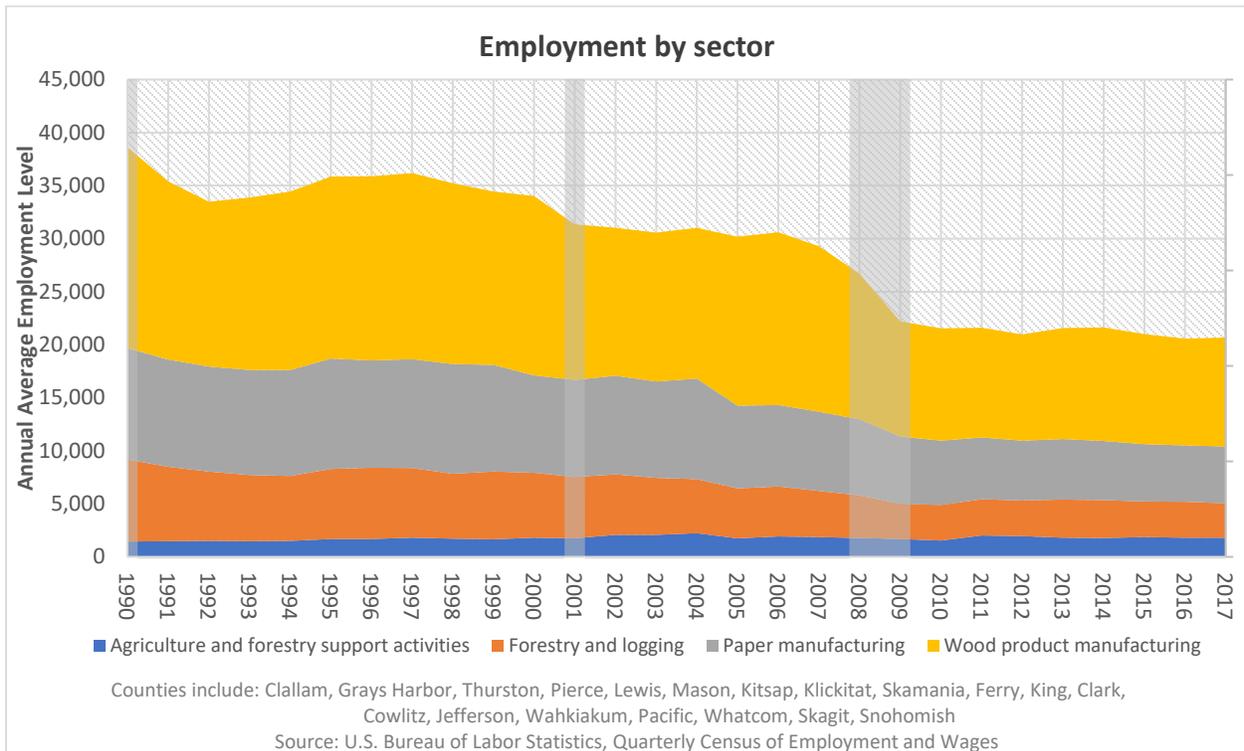
1. Organizing Question

What can be done to encourage the creation of value-added wood processing facilities? To that end, what are the current impediments to their creation?

2. Background and Context

Wood processing facilities have historically been important sources of jobs in predominantly rural areas of western Washington. Increasing the number and variety of value-added facilities—e.g., such as smaller-scale mills, heat-treatment plants, CLT mills—might add valuable jobs to these communities while also supporting and diversifying demand for raw materials.

The following chart shows the decline in wood product manufacturing jobs in western Washington since 1990.



The key question is how (or whether) to promote these kinds of value-added facilities. Importantly, answering that question requires a better understanding of what might be holding them back.

Possibilities include:

- capital financing difficulties: borrowing costs, credit requirements, etc.
- market realities: too great a risk, uncertain markets, cost/benefit ratio, etc.
- lack of tax incentives
- end-use issues: local building codes, public adoption for CLT (need supply before demand)
- supply/sourcing issues

The initial push would involve information gathering, possibly including surveys. In particular, the Port of Port Angeles has been doing substantial work in the development of innovative wood processing and would be a valuable source of information in this area.

3. Potential Opportunities

This is a huge area with many possibilities, some of which would require legislative action. There are also several degrees of DNR involvement, from *consultation* to *DNR support* (staff time, RCPI, legislative collaboration, etc.) to outright *DNR management*. Potential goals could include:

- Develop a better understanding of value-added processing issues to support encouragement of these markets in a thoughtful, targeted way. Potential benefits would be to timber jobs, possibly timber volume (or at least prices), and possibly trust revenue.
- Consider forming a CLT venture, probably a private or public-private partnership, which would develop a business plan and apply for capital funding through the WSIB, other large public or private fund managers, or green bonding. WSIB has a responsible investment portfolio and might be interested in funding environmentally-sustainable milling operations (especially if employee- or minority-owned).

4. Challenges/Uncertainties

As the chart above shows, the over-all trend in milling jobs has been downward for thirty years. Moreover, the trend has also been toward mill consolidation and toward fewer workers per output. Even if efforts to encourage new manufacturing facilities were successful, they would still be susceptible to the vicissitudes inherent in natural resource and construction markets.

5. Potential Next Steps

Stakeholder & Community Outreach

Invite Ideas and Partnerships. Reach out to stakeholders, community leaders, elected officials, and potential partners. Let them know what the Solutions Table is setting out to accomplish and invite their partnership. Seek out efforts (such as the Port Angeles start-up) that may already be underway.

Research & Data Analysis

Viable Products. Determine which value-added wood products can be produced and profitably marketed in Washington. If feasibility is influenced by geography (e.g., forest type, proximity to wood source, distance to markets, building and operating costs), map (yes, map it!) feasibility for each product.

Business Analysis. Estimate generalized financial and operational requirements that would have to be met to construct and operate a processing facility for each viable product.

Regulatory & Financial Incentives

Regulation research and potential streamlining. Research all of the regulatory requirements that would have to be met to construct and operate a value-added wood-processing facility. Estimate time and costs to meet these requirements, identify any that would be difficult to meet, and think of any changes to laws or rules that would expedite the project.

Assistance. Research any and all subsidy and assistance programs that could provide grants, low-interest loans, or other tangible support for constructing a value-added wood-processing facility.

Other Actions

Develop One to Three Specific Projects. Drawing upon the preceding assessments, develop one to three specific pre-proposals for value-added wood processing facilities that could be constructed to create timber jobs and improve rural economies. Each of these must be situated in a rural community and must be 100% green-powered (solar, wind, low-impact hydroelectric, biogas/landfill gas, or geothermal). For each, identify one or more feasible geographic locations (cities or towns), the specific product(s) that would be manufactured, the number of jobs that would be created, and the estimated contribution to the local economy. Review the pre-proposals with stakeholders. Revise the pre-proposal in response to feedback received. Review the revised proposal with community leaders at the potential project sites from the perspective of actually constructing the project. Convert each pre-proposal into a full business plan suitable for presentation to a commercial lender. Meet with commercial or government lenders to secure project funding.