Recreation Residence Program

Cabin Fee Act of 2013

Pete Bailey & Doug Gann
National Forest Homeowners
Regional Forum - Medford, Oregon - September 14, 2013
The Recreation Residence Program benefits local forests and nearby communities. Cabin owners...

- proudly take forest stewardship to heart,
- pay taxes, permit and access fees,
- we shop at local stores and businesses and
- support local fire & emergency agencies,
- we attend local churches
- and are fully part of the local community fabric.
Impact on Local Economies
from the 2006 NFH Cabin Survey

- **3.7 million individual daily visits** occur per year because cabins exist on the National Forest.

- **Cabin owners spend $6,555** within 50 miles of their cabin every year for food, recreation, repairs, and more…

- They make local **charitable donations of $549 annually** to churches, fire and emergency agencies...

- They **volunteer 56 hours annually** (valued at $1051), *most of which is on our local Forests* and helps the Forest Service manage these valuable resources.

- That’s **$8,155 per cabin** injected into the local cabin community every year!
The Spirit and intent of CUFFA was that ordinary Americans have the opportunity to experience our national forests through Recreation Residences. …but that has not resulted. Instead, we have cabin owners fighting for their very existence.

…in short it is a Program worth defending!
The Problem with CUFFA Fees

Appraisals have proven to be highly inconsistent and often result in extreme fees.

- Fees are based on land value, not the value of the highly restricted recreation land use.
- Some fees are too low, less than the recreational value, and in some cases, less than the cost to administer the program.
- Some fees are too high, beyond a typical cabin owner’s ability to pay and often so high that marketability is lost when cabins don’t sell.
- The 10-year appraisal cycle places all fees under a cloud of uncertainty, even if your current fee is somewhat reasonable.
What are we Fighting for?

The loss of 10% to 15% of Recreation Residence cabins, while reducing future fee uncertainty and costs which impacts all cabin owners.

- C2 engaged since Oct. 2007
  - Countless volunteer hours,
  - passionate, widespread grassroots activism, and
  - significant financial support.

- Battled the dysfunction in Washington DC!
  - Stymied our progress towards passage of the Cabin Fee Act in 2012.
  - CFA one of 120 other ENR bills that did not move!
## Unsustainable Fees under CUFFA

<table>
<thead>
<tr>
<th>Cabin Tract</th>
<th>2008 Fee</th>
<th>CUFFA Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pettiford Creek Bay, NC (9)</td>
<td>$1,050</td>
<td>$8,750</td>
</tr>
<tr>
<td>Little Colorado, AZ (19)</td>
<td>$1,677</td>
<td>$10,000</td>
</tr>
<tr>
<td>Parksville, TN (62)</td>
<td>$1,625</td>
<td>$9,000/12,000</td>
</tr>
<tr>
<td>Priest Lake, ID (121)</td>
<td>$6,130</td>
<td>$12,500/16,700</td>
</tr>
<tr>
<td>Turpin Meadow, WY (11 no view)</td>
<td>$3,575</td>
<td>$13,750</td>
</tr>
<tr>
<td>Turpin Meadow, WY (8 view)</td>
<td>$4,900</td>
<td>$21,750</td>
</tr>
<tr>
<td>Black Canyon, WY (4)</td>
<td>$3,690</td>
<td>$19,250/27,250</td>
</tr>
</tbody>
</table>
High Fee Demographics

1. Approx. 10% of permit fees are greater than $5,000/yr
2. Most all of these are from ‘07 and ’08 appraisals.
   - A. Paying higher fees since 2000 / No CUFFA protection.
   - B. Valued at market peak, no market decline benefit. (40%)
   - C. Few did 2nd appraisals / FS recommendation. (30%)
   - D. Appraisal education has been much greater since ’09
3. These 10% generate 30% of all CUFFA revenue
4. Many cannot pay these fees. Who would??

*The Program suffers if we loose these folks!*
So where are we today?  
...in the House of Representatives

- Chairman Doc Hastings (R-WA) of Natural Resources has reintroduced HR 1159 this past spring.
- We fully support this 10 tier version of the CFA! And we have bi-partisan support in the House.
- However, we received an unfavorable CBO revenue ruling due to the forward shift of the 10 year evaluation period and now are waiting for an updated CBO review following changes and new data.
- We wait… again!
Where are we in the Senate?

- Senator John Tester (D-MT) introduced Senate bill S.1341 this summer. An ENR committee hearing will be required. We anticipate ENR committee action soon.

  \[\text{\ldots and you can help!}\]

- Senator Ron Wyden (D-OR) is now chair of the ENR committee. His support prioritizing the CFA is critical for passage. Oregon cabin owners must continue to be heard. Passage of the CFA this year is critical. Next year may be too late!
The Biggest Obstacle to Passage?

A favorable Congressional Budget Office (CBO) opinion is required!

- A high CUFFA revenue projection would require unfavorable changes to the CFA fee schedule,
- Forcing many CFA fees to be higher than CUFFA fees for many, possibly beyond normal “rounding”.
- Loss of cabins and the subsequent loss of revenue has been considered by the CBO.
The Second Obstacle to Passage!

Favorable action by the Senate Energy and Natural Resources (ENR) committee. We must have a hearing very soon with minimal changes to the bill and a prompt vote…

• OR residents must continue their contacts with Senator Wyden – *We need your commitment to achieve success this year.*

• *All* cabin owners must stay engaged.

Finally, the Forest Service has acknowledged the value of the CFA and has been working with us!
How are CFA Fees Determined?

1) Annual User Fee
2) Transfer Fee upon sale of Cabin

Once the CFA Passes….

- What will be my fee?
- How does the transition work?
- What should I expect?
Step #1: The ‘Transition Period’, complete CUFFA appraisals!

- All appraisals under CUFFA must be completed.
  - Including second appraisals and potential appeals.
  - 94% of appraisals completed to date (FS reported).
  - All appraisal work was projected to be complete in 2013,
  - But, second appraisals extend into 2014.

- 2015 is the earliest possible year of full CFA fee implementation, possibly 2016.
Fees during the Transition

During the Transition Period cabin owners continue to pay fees based on the fee structure determined under CUFFA, including fee increases. The CFA transition language provides the following protection……

- No fee can be higher than the highest CFA tier (i.e. $5,500)
- No fee can increase more than 25% in any given year until one reaches their fully determined fee
- Inflation indexes will be applied (IPD-GDP)
Step #2 Appraisal Normalization

Normalization corrects for value differences due to the wild fluctuations during the long (7 years) appraisal process under CUFFA. (2007 to 2013)

- Determine year & quarter of your appraisal, according to the appraisal ‘date of value’.
- Divide appraised value by the table factor for your year and quarter or ‘date of value’. This is your normalized appraisal value.

The index factors (chart) will be updated with finalization of all appraisal data.
1. Index factor determined by appraisal date (quarter/year).
2. Divide appraised value by factor.
3. Result is then rank ordered among all 13,900 cabin appraisals before assignment to fee tier.

National Association of Home Builders (NAHB) / Wells Fargo Housing Opportunity Index.
Step # 3: Rank Ordering

All 13,900 ‘normalized’ cabin appraisals are ranked from lowest value to highest value.

- Your CUFFA appraisal *does not* determine your fee directly, it determines where in the rank order you will be placed.
- Second appraisals *may* be a good decision because it could change your rank order position.
Step #4: Assignment to Fee Tiers

- For example, a *normalized* appraisal value of $43,000 would currently rank at 66% of all appraisals nationally (66% have lower values)
- This permit would be placed in Tier 4 above = $2,000 annual fee

<table>
<thead>
<tr>
<th>Tier</th>
<th>Target Tier</th>
<th>% Rank</th>
<th>No. of Permits</th>
<th>User Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>6%</td>
<td>0-6%</td>
<td>834</td>
<td>$500</td>
</tr>
<tr>
<td>2</td>
<td>16%</td>
<td>6-22%</td>
<td>2,224</td>
<td>$1,000</td>
</tr>
<tr>
<td>3</td>
<td>26%</td>
<td>22-48%</td>
<td>3,614</td>
<td>$1,500</td>
</tr>
<tr>
<td>4</td>
<td>22%</td>
<td>48-70%</td>
<td>3,058</td>
<td>$2,000</td>
</tr>
<tr>
<td>5</td>
<td>10%</td>
<td>70-80%</td>
<td>1,390</td>
<td>$2,500</td>
</tr>
<tr>
<td>6</td>
<td>5%</td>
<td>80-85%</td>
<td>695</td>
<td>$3,000</td>
</tr>
<tr>
<td>7</td>
<td>5%</td>
<td>85-90%</td>
<td>695</td>
<td>$3,500</td>
</tr>
<tr>
<td>8</td>
<td>3%</td>
<td>90-93%</td>
<td>417</td>
<td>$4,000</td>
</tr>
<tr>
<td>9</td>
<td>3%</td>
<td>93-96%</td>
<td>417</td>
<td>$4,500</td>
</tr>
<tr>
<td>10</td>
<td>3%</td>
<td>96-99%</td>
<td>417</td>
<td>$5,000</td>
</tr>
<tr>
<td>11</td>
<td>1%</td>
<td>99-100%</td>
<td>139</td>
<td>$5,500</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td></td>
<td>13,900</td>
<td>$2,055</td>
</tr>
</tbody>
</table>
Fee Range = Balance of Principles

Recreation Use Permit

- License to place cabin on USFS land
- Limited to Recreation Use
- Non-exclusive Land Use
- Restricted Occupancy
- Restricted Structure, Size, Materials, Color
- Site Maintenance
- Subject to termination
- Same for All

Location Influence

- Recreation Use Experience
- Seasonal Access
- Availability of Utilities
- Proximity to Population Centers
- Recreation opportunities (Hiking, Skiing, Boating, Fishing, Hunting)
- Water & View Influence
- Varies by Location

Fee Range

$500 - $5,500

Highest 10X Lowest

- The minimum fee of $500 covers the cost of program administration
- A fee of $5,500 is the maximum we believe the market is willing to pay
A Transfer Fee is paid when a cabin is sold and a new permit is issued. It was intended to address the “wind fall profit” issue by assessing an additional fee for cabins sold at higher values.

1. For all cabin sales, including cabins gifted or inherited, a transfer fee of $1,200 is paid.

2. If a cabin sells for more than $250,000, but less than $500,000, an additional 5% of the sales amount over $250,000 is paid.

3. If a cabin sells for more than $500,000, an additional fee of $12,500 + 10% of the sales amount over $500,000 is paid.
### FEE TABLE

<table>
<thead>
<tr>
<th>Tier</th>
<th>Target Tier</th>
<th>User Fee</th>
<th>User Fee Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>6%</td>
<td>$500</td>
<td>$417,000</td>
</tr>
<tr>
<td>2</td>
<td>16%</td>
<td>$1,000</td>
<td>$2,224,000</td>
</tr>
<tr>
<td>3</td>
<td>26%</td>
<td>$1,500</td>
<td>$5,421,000</td>
</tr>
<tr>
<td>4</td>
<td>22%</td>
<td>$2,000</td>
<td>$6,116,000</td>
</tr>
<tr>
<td>5</td>
<td>10%</td>
<td>$2,500</td>
<td>$3,475,000</td>
</tr>
<tr>
<td>6</td>
<td>5%</td>
<td>$3,000</td>
<td>$2,085,000</td>
</tr>
<tr>
<td>7</td>
<td>5%</td>
<td>$3,500</td>
<td>$2,432,500</td>
</tr>
<tr>
<td>8</td>
<td>3%</td>
<td>$4,000</td>
<td>$1,668,000</td>
</tr>
<tr>
<td>9</td>
<td>3%</td>
<td>$4,500</td>
<td>$1,876,500</td>
</tr>
<tr>
<td>10</td>
<td>3%</td>
<td>$5,000</td>
<td>$2,085,000</td>
</tr>
<tr>
<td>11</td>
<td>1%</td>
<td>$5,500</td>
<td>$764,500</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100%</strong></td>
<td><strong>$2,055</strong></td>
<td><strong>$28,564,500</strong></td>
</tr>
</tbody>
</table>

**Transfer Fee Revenue** | $600,000
**Total Program Revenue** | $29,164,500

### SUMMARY

- 11 Fee Tiers
- $500 - $5,500 Range
- $1,200 Transfer Fee – no transfer fee surcharge
- Waiting for CBO opinion
- Fee retention for USFS after 10 years
- USFS Review & Report to Congress after 10 years
Periodic Review Clause

IN GENERAL.—Beginning on the date that is 10 years after the date of enactment of this Act, the Secretary shall submit to the Committee on Energy and Natural Resources of the Senate and the Committee on Natural Resources of the House of Representatives a report that—

(A) analyzes the annual fees set forth in the table under subsection (e) to ensure that the fees reflect fair value for the use of the land for recreational residence purposes, taking into account all use limitations and restrictions (including any limitations and restrictions imposed by the Secretary); and

(B) includes any recommendations of the Secretary with respect to modifying the fee system.

(2) LIMITATION.—The use of appraisals shall not be required for any modifications to the fee system based on the recommendations under paragraph (1)(B).
(a) IN GENERAL.—Beginning on October 1, 2023, the Secretary may retain, and expend, for the purposes described in subsection (b), any fees collected under this Act without further appropriation.

(b) USE.—Amounts made available under subsection (a) shall be used to administer the recreation residence program and other recreation programs carried out on National Forest System land.
Current Efforts

- Waiting for an updated CBO opinion
- Seek quick passage in the House and encourage the Senate to adopt the House version…
- However, political realities suggest the Senate will require a hearing and continue with the Senate version of the CFA
- We stand ready to resolve any issues as needed
- Our challenge remains the general dysfunction of Congress and the priority given to the CFA……
- Nevertheless, 2013 passage remains our goal.
Benefits of the CFA

For Cabin Owners:

- Stability and predictability of future fees.
- Eliminates the risk of dramatic fee increases making cabins unaffordable & unmarketable.
- Continuation of the Cabin Program for the long-term as a family-based recreation program for the middle class.

For the Forest Service:

- A far simpler and less costly program to administer.
- A fair and reasonable return for the tax payer.
- Continuation of this USFS recreation program with a reliable and long term source of revenue for the US Treasury.
THANK YOU!
For your feedback, legislative contacts, and financial support.

Questions?