

**Recreation Residence Program**  
***Cabin Fee Act of 2011***



**National Forest Homeowners**

**Irvine, CA**

**April 16, 2011**

# Today's Topics

- The Cabin Fee Act – Our Solution
- Our Journey Continues – 2010 Successes!
- CFA Fundamentals – How are Fees Determined?
- The CFA Transition Period
- Benefits of the CFA
- Next Steps
- Questions & Answers

# Five Guiding Principles

*that address overall Program Viability*

- Affordable now and in the future (Fee Certainty)
- Simple, Understandable and Predictable
- Revenue Neutral
- Address 'windfall profit' cabin sale situations
- Maintain Cabin Value and Marketability

# The Cabin Fee Act, our solution...

The CFA, if successfully signed into law in 2011, will implement a two fee system.

1. **Annual Use Fee** - that is affordable now and can only change with changes in the IPD-GDP index.
2. **Transfer Fee** – that is assessed only at the time a cabin changes ownership.

# 2010: A year of successes

1. Feb. 2010, HR4888 introduced by Rep. Doc Hastings (WA)
2. April, 2010 hearing before the NR subcommittee on National Park, Forests and Public Lands. A Success!
3. July, 2010 'mark-up' session in House Natural Resources. Passed with unanimous consent.
5. Sept. 2010, CBO score received and responded to with changes to the tier structure.
6. Oct. 2010, S.3929 introduced by Sen. Jon Tester (MT)
7. Nov. 2010, CBO ruling of revenue neutrality.

# House Natural Resources Committee 'Markup'

## Revisions to the Bill from Hearing/post-Hearing feedback

1. All appraisals completed prior to setting tier structure.
2. Three year deadline for completing appraisals.
3. Time adjust appraisals (normalize) before assigning to tiers.
4. Provision added to determine fees to be paid during CFA 'transition period', including fee cap of \$4,500.
5. Appeal language clarified.
6. Set a Dec. 31, 2012 deadline for Rules and Regulations.
7. Forest Service Fee Retention (REMOVED)

# Congressional Budget Office (CBO)

Independent agency determines impact to Federal Budget for all legislation

1. Considered information supplied by the Forest Service & our Bill Sponsors (information prepared by C2)
2. Initial CFA determination – significant revenue gap
3. Action taken by C2 / Bill Sponsors
  - ✓ Removed USFS fee retention
  - ✓ Revised user fee structure from 5 to 9 Tiers
  - ✓ Revised upward mix of permits assigned to tiers
4. Revisions raised CFA annual revenue from \$26M to \$34M
5. CBO final determination scored CFA ‘Revenue Neutral’

# How are CFA Fees Determined?

I'm concerned about my fee!

What should I expect?

When will I know for sure?

# Step #1: The 'Transition Period', complete CUFFA appraisals!

- All appraisals under CUFFA must be completed.
  - Including second appraisals and potential appeals.
  - Only 60% complete to date (FS reported).
  - California projected to complete in 2012, but
  - Second appraisals will extend into 2013.
  
- 2014 is the earliest possible year of full CFA fee implementation, possibly 2015.

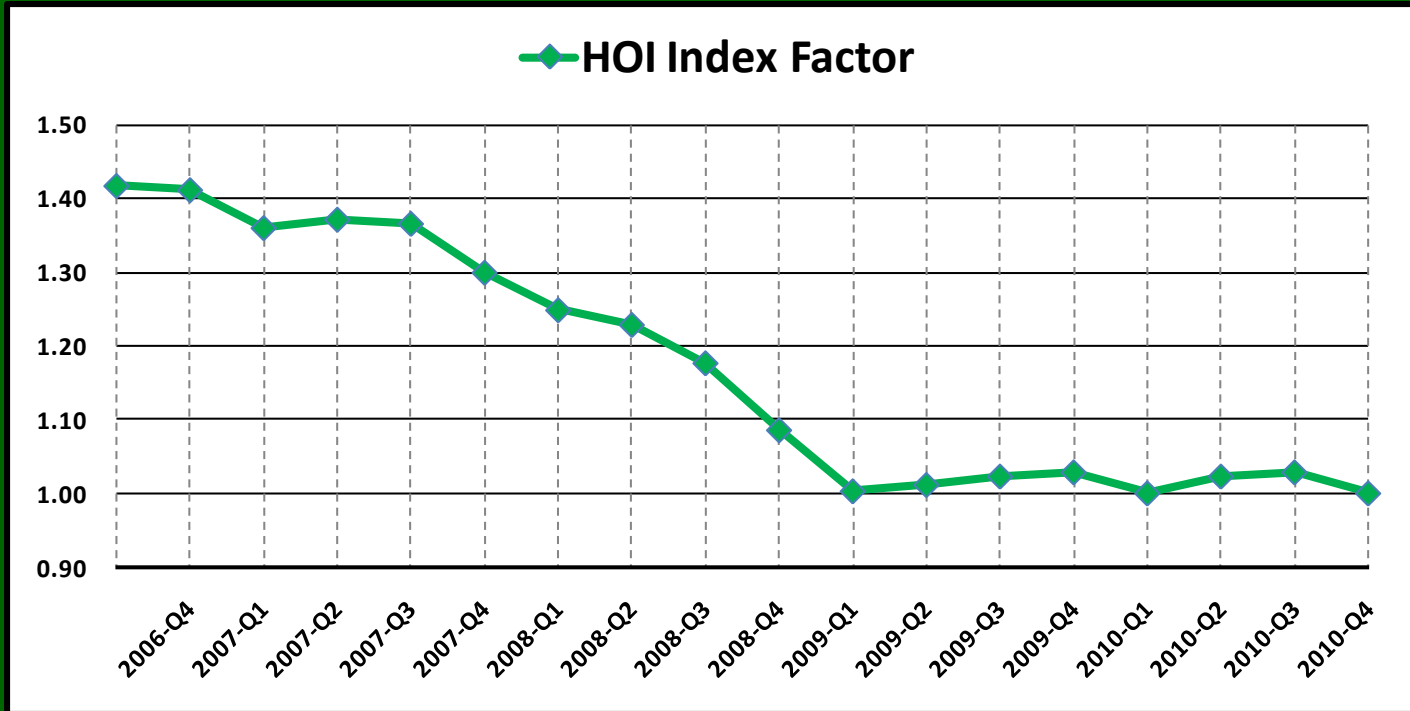
# Step #2 Appraisal Normalization

Normalization corrects for value differences due to the wild fluctuations during the long (7-8 years) delayed appraisal process under CUFFA. (2006 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.

# Appraisal Normalization: How is it calculated?



1. Index factor determined by appraisal date (quarter/year).
2. Divide appraised value by factor.
3. Result is then rank ordered among all 14,000 cabin appraisals *before* assignment to fee tier.

**National Association of Home Builders (NAHB) / Wells Fargo Housing Opportunity Index.**

# Step # 3: Rank Ordering

All 14,000 '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

Tier	Target Tier	No. of Permits	User Fee	User Fee Revenue
1	8%	1,120	\$500	\$560,000
2	12%	1,680	\$1,000	\$1,680,000
3	12%	1,680	\$1,500	\$2,520,000
4	14%	1,960	\$2,000	\$3,920,000
5	14%	1,960	\$2,500	\$4,900,000
6	14%	1,960	\$3,000	\$5,880,000
7	11%	1,540	\$3,500	\$5,390,000
8	8%	1,120	\$4,000	\$4,480,000
9	7%	980	\$4,500	\$4,410,000
<b>Total</b>	<b>100%</b>	<b>14,000</b>	<b>\$2,400</b>	<b>\$33,740,000</b>
Transfer Fee Revenue				\$600,000
<b>Total Program Revenue</b>				<b>\$34,340,000</b>

# Step #5: Current Projections

- All appraisals normalized to 2<sup>nd</sup> Q 2010\*
- Some CFA fees will be slightly higher than they would be under CUFFA initially, but the CFA fee will be more favorable over the long term.

Tier	Appraisal Value Range*	No. of Permits	Target % of Permit	User Fee	CUFFA Fee Range
1	\$0 - \$13,052	657	8%	\$500	\$125 - \$875
2	\$13,107 - \$22,469	1,022	12%	\$1,000	\$650 - \$1,550
3	\$22,603 - \$28,342	959	12%	\$1,500	\$1,150 - \$1,900
4	\$28,460 - \$38,000	1,199	14%	\$2,000	\$1,450 - \$2,525
5	\$38,038 - \$50,786	1,397	14%	\$2,500	\$2,000 - \$3,300
6	\$51,143 - \$62,593	1,164	14%	\$3,000	\$2,500 - \$4,150
7	\$62,650 - \$82,589	922	11%	\$3,500	\$3,150 - \$5,550
8	\$83,256 - \$104,322	681	8%	\$4,000	\$4,200 - \$6,850
9	> \$104,322	564	7%	\$4,500	\$5,225 - \$76,250
<b>Total</b>		<b>8,565</b>	<b>100%</b>	<b>\$2,412</b>	

# CFA Fee Determination

## Step by Step Example

### STEP 1:

\$60,000 Appraisal  
June, 2008



Determine HOI  
Factor = 1.23

### STEP 2:

$\$60,000 / 1.23 = \$48,780$   
Normalized Value



Appraisal Date	HOI Factor
2008 I	1.25
II	1.23
III	1.18
IV	1.09
2009 I	1.00
II	1.01
III	1.02
IV	1.03
2010 I	1.00
II	1.02
III	1.03
IV	1.00

# Step by Step Example (cont)

## STEP 3:

\$48,780 Normalized Value  
ranked in national order



## STEP 4:

Assigned to Tier 5  
CFA Fee = \$2,500

Tier	Appraisal Value Range*	User Fee
1	\$0 - \$13,052	\$500
2	\$13,107 - \$22,469	\$1,000
3	\$22,603 - \$28,342	\$1,500
4	\$28,460 - \$38,000	\$2,000
5	\$38,038 - \$50,786	\$2,500
6	\$51,143 - \$62,593	\$3,000
7	\$62,650 - \$82,589	\$3,500
8	\$83,256 - \$104,322	\$4,000
9	> \$104,322	\$4,500
<b>Total</b>		<b>\$2,412</b>

# What about the Transfer Fee, how are they determined?

A Transfer Fee is paid when a cabin is sold *and* a new permit is issued. It is intended to address the 'wind fall profit' issue by assessing an additional fee for cabins sold at higher values.

1. If a cabin sells for less than \$250,000, including cabins gifted or inherited, a transfer fee of \$1,000 is paid.
2. If a cabin sells for more than \$250,000, but less than \$500,000, a fee of \$1,000 + 5% of the sales amount over \$250,000 is paid.
3. If a cabin sells for more than \$500,000, a fee of \$13,500 + 10% of the sales amount over \$500,000 is paid.

# What is the 25% cap provision?

*Our sponsors* added the **25% cap on annual increases**, to avoid overly large annual fee increases. During the ‘Transition Period’ cabin owners pay fees based on the fee structure determined under CUFFA. However, according to the CFA and the 25% cap provision...

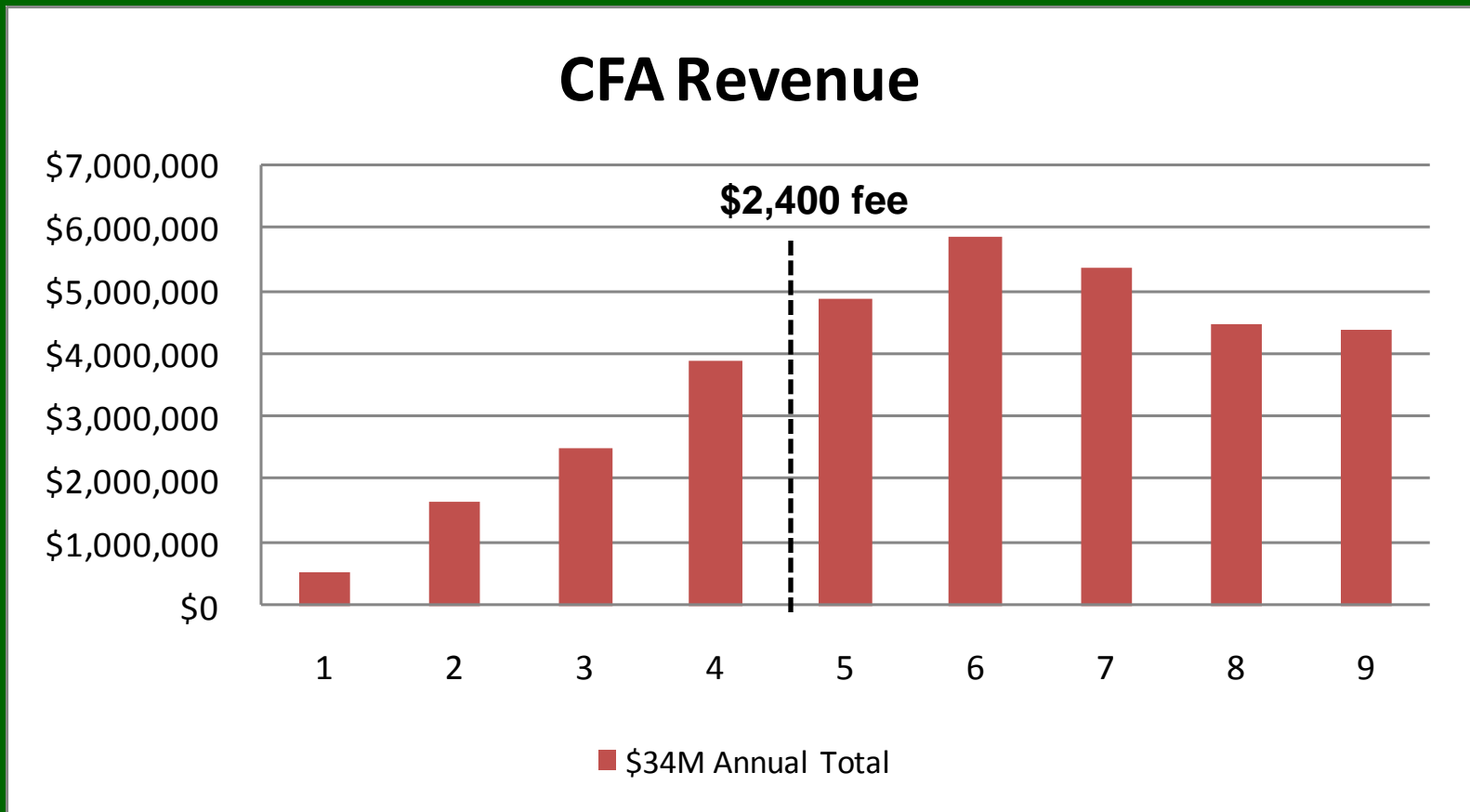
- No fee can be higher than \$4,500.
- No fee can increase more than 25% in any given year until one reaches their fully implemented CFA determined fee.
- 25% annual fee cap replaces the ‘over/under’ provision.
- Inflation indexes will be applied (IPD-GDP).

*We will monitor this new provision as it progresses through committees in the House and the Senate.*

# Comparison of the Cabin Fee Act to CUFFA

Standards	Current CUFFA	CABIN FEE ACT (CFA)
<b>Cabin Retention</b> (est. cabins remaining by 2016)	2,100 lost (11,900)	100% Retained (14,000)
<b>Average Annual Permit Fee</b> (projected at full implementation)	\$1,571 (2010) \$3,533 (2016)	\$2,400
<b>Average Fee Range</b>	\$125 - \$76,000	\$500 - \$4,500
<b>Transfer Fee Upon</b>	No	Yes
<b>Future Permit Fee Increases</b>	High?	Modest
<b>Predictable Fee</b>	No	Yes
<b>Administrative Process and Costs</b>	Complex High	Simple Low
<b>Program Revenue (2011 estimated)</b>	\$24 Million	\$34 Million

# CFA Revenue by Fee Tier



74% of Program revenue generated from User Fees > \$2,400 avg fee

# Benefits of the CFA

For cabin owners, benefits include:

- Stability and predictability of future fees.
- Eliminates the risk of dramatic fee increases making cabins unaffordable.
- Retains cabin marketability.
- Continuation of the Cabin Program for the long-term as a source of healthy and educational family-based recreation for the middle class.

# Benefits of the CFA

For the Forest Service, benefits include:

- A less costly program to administer.
- Far simpler program administration.
- A fair and reasonable return for taxpayers.
- Continuation of the Cabin Program as a reliable and long term source of revenue to the US Treasury.

# Next Steps

1. Re-introduce the CFA in both the Senate and House. (new bill numbers)
2. Possible House Hearing: NR, National Parks, Forests and Public Lands – Rep. Doc Hastings (R-WA)
3. Senate Hearing: ENR, Public Lands and Forests – Sen. Wyden (D-OR) & Sen. Barrasso (R-WY).
4. Senate PL&F mark-up and passage.
5. Passage by the House and Senate!

**Your Questions?**