

The Cabin User Fee Fairness Act of 2000 (CUFFA)

An Overview of the Current Situation

Today we cabin owners are at a crossroads as participants in the recreation residence program. One road assures the continued long-term survival of the cabin program and the other will almost certainly result in an early demise. We will first look at the social and economic value of the cabin program and then we'll learn about the impending excessive permit valuations that we face.

As we work to find a solution, we seek the sensible, informed involvement and support of thoughtful leaders in the Forest Service and Members of Congress on behalf of 14,000 cabin permit holders and the thousands of others who share the use of our cabins. Our partnership with the Forest Service has been mutually beneficial and is one we would like to see continue for us and our children for many generations to come.

These questions about the value of the cabin program have been asked.

What benefits does the presence of cabins on the National Forest provide to citizens generally?

What values are maintained and enhanced by the presence of cabins on the National Forest?

What Forest Service objectives are being fulfilled?

Economic Benefits

The 2006 NFH Economic Impact Cabin Survey showed that a typical Year of Cabin Use involves 66 days spent at the cabin, 4 people per visit, which results in 3.7 million individual daily visits per year! While on the National Forests, cabin owners make many valuable contributions to the health and vitality of their local forests and nearby communities. They . . .

are proud forest stewards and have been for many generations,

pay taxes, permit and access fees,

shop at local stores and businesses,

support local fire & emergency agencies,

attend local churches,

and are fully part of the local community fabric.

The Cabin Program (13,940 cabins nationally) inspires a personal connection to the natural world, unavailable with other forms of recreation, for urban children, the elderly and the disabled. The intergenerational appeal of the Cabin Program extends these outdoor values to enthusiasts of many kinds including the hiker, fisherman, canoeist, botanist and birder!

The cabin program has a large impact on local economies. On average each cabin spends \$6,555 for food, drink, staples, recreation, improvements and repairs within 50 miles of their cabin every year. Cabin owners make \$549 in charitable donations locally. 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 impact of the Recreation Residence Program is clear. The presence of cabins on the national forest stimulates local economies and provides valuable tax dollars to local, state and federal governments. Cabin owners are active stewards of the forest, volunteering their time, labor and money. They teach their children and grandchildren about the wonders of the natural world.

Appraisal Issues

We have a serious problem. The new appraisal cycle has begun and across the country cabin owners are shocked at the increase in cabin lot valuations. Comments from appraisers at several cabin tracts indicate that very high fees will result. Early concerns were expressed in Idaho, Wyoming, Arizona and Washington. The hard results are now coming in and they clearly confirm those early concerns.

Unresolved value problems also remain at Lake Wenatchee, Washington, where fees under the 1999 appraisal, had they been implemented, would have exceeded \$16,000 per year. The annual fees under CUFFA for the 2010 appraisal are estimated to be well over \$25,000. These cabin owners have attempted to sell their cabins and have had no offers. One cabin owner tried a very well promoted auction and failed to get a single minimum bid of \$50,000. It remains for sale today, listed at \$165,000. No offers in sight.

This situation demonstrates that the excessive annual fee has rendered a normal real estate transaction market inoperable!

Furthermore, considerable research into Fair Market Rates of Return and how they relate to our annual fee of 5% has occurred. The results indicate that, without all of the FS restrictions being included in the appraisal, the 5% is not correct or fair. The implication is very clear: the resulting fees we pay the Forest Service are much above normal market rates of return.

Lease rates for similar recreational land have been researched. Examples include State land leases in Idaho, County and private land leases in Minnesota, and City land leases in Washington for cabins on public lands. The lease rate for Idaho state lands is 2.5% of appraised value with very few restrictions. In 2007 an attempt to increase the fee to 5% for lake front parcels, failed to receive any bidders. Consequently the state is currently reviewing their Endowment Lands leasing policies.

In St. Louis County, Minnesota, in 2005 the annual lease fees set by the County Board were \$300 for a 564-square foot cabin and \$500 for a 764-square foot cabin. Both are adjusted annually according to the consumer price index. Currently, there are 660 non-view cabin leases and another 278 are lakeshore properties. Most existing leases are renewed annually, but no new leases have been issued since 1990.

Private recreation land leases are also provided by the Minnesota Power Company. These leases do not impose restrictions on permanent occupancy and building size as Forest Service permits do. The lessee pays 2.5% of the county assessed value of the land (100% fair market value). There are over 1700 such leases. New leases are also being offered, but potential parties must bid for and pay a one-time purchase price for the lease rights (leasehold interest) in addition to the annual lease fee.

In Washington State, the Lake Cushman Land Company, under a primary lease with Tacoma City Light, provides sub-leases to those who want to build homes or cabins, around or near the Lake. The leases are for 98 years and expire in 2064. The fee is fixed for 5 years and indexed to the Seattle CPI index. The current flat rate fee for backland lots is \$129.68 per year and for waterfront lots is \$583.57 per year.

One “cabin” on Lake Cushman sold last year for about \$550,000. The County Assessor valued the leased land at \$175,000. If this had been Forest Service Recreation Residence land, and the \$175,000 was the appraised value as CUFFA is currently applied, the fee would be \$8,750 dollars, not the \$583.57 that Lake Cushman cabin owners pay. The Lake Cushman fee amounts to only 0.33% of the assessed value of the land. These examples of recreation land leases are comparable to our permits with the Forest Service. The large fee differences between these leases and our permits is evidence that the Forest Service annual 5% fee valuation is grossly flawed.

Early Results

The appraisal process is just beginning and less than 10% of all FS appraisals have been completed. The following results demonstrate that this is just the tip of the iceberg. These new fees are based on official FS appraisals. Shocked cabin owners are beginning to commission second appraisals for verification. Appeals of the FS appraisals will surely follow. More alarming results are expected in June from Priest Lake, Payette Lake and Pettit Lake, Idaho.

Early Appraisal Results

<u>Cabin Tract</u>	<u>2008 Fee</u>	<u>New Fee</u>
Pettiford Creek Bay, NC (9)	\$1,050	\$ 8,750
Little Colorado, AZ (19)	\$1,677	\$10,000
Turpin Meadow, WY (11 no view)	\$3,575	\$13,750
Turpin Meadow, WY (8 view)	\$4,900	\$21,750
Black Canyon, WY (4)	\$3,690	\$27,250

The 5% multiplier is said by the Forest Service to be a *discounted* rate that recognizes the permit restrictions. The presumption is that the discounted rate adjusts *fully and fairly* for the market impact of all of the many and often changing permit restrictions. It does not. Furthermore, documentation supporting the validity of the 5% annual fee has *never* been shared with us by the FS although NFH and others have requested the information numerous times. Recently obtained documents, provided by the Forest Service as a result of a Freedom of Information Act inquiry, still do not support or justify the 5% figure, just that it was decided to be 5%. We also question that since the Forest Service use restrictions vary from Region to Region and often from District to District, how can a *fixed* 5% fee be applied to these *variable* conditions and be real world accurate or fair?

The Cabin Coalition

Under NFH leadership the original Cabin Fee Coalition has been reorganized as Cabin Coalition 2. Members include National Forest Homeowners, American Land Rights Association, Washington State Forest Homeowners Association, Oregon Forest Homeowners Association, California Forest Homeowners, Priest Lake (ID) Lake Wenatchee (WA) Sawtooth Forest (ID) tract associations, and several individual cabin owners. Coalition 2 has met regularly since last November by conference call. The Coalition 2 has confirmed that CUFFA, as written and applied in the field, fails to address the enormous fee increases we are seeing and as the 2008 appraisal results come in, the concrete evidence **An**

mounts and expands! Many possible solutions have been considered. Both administrative and legislative approaches have been evaluated.

AN ADMINISTRATIVE SOLUTION is really an *interpretive* solution. In pursuit of this potential solution, we've had many meetings and discussions with the FS and others exploring various options. None of these approaches have led to a solution. The Forest Service position is, "Though we may recognize the problem, we are only following the law as enacted. There is nothing we can do..." An Administrative solution, therefore, is very unlikely. Our sights are now focused on Legislative change!

A LEGISLATIVE SOLUTION involves going back to Congress for corrective new legislation. Contacts with many of our Senators and Representatives and their staff are occurring. We are working to find those legislators who not only recognize our problem, but who are willing to champion our cause.

WHATEVER THE SOLUTION IS, IT MUST BE A LONG-TERM SOLUTION THAT AFFIRMS THE VALID USE OF THE NATIONAL FORESTS FOR CABINS AND THE CONTINUED VIABILITY OF THE CABIN PROGRAM FOR GENERATIONS TO COME.

Actions Undertaken

The Coalition is working to bring about legislative change!

FIRST, NFH and the Coalition have sent three of their representatives to Washington D.C. to meet with Forest Service personnel central to our concerns. There were meetings with Sally Collins, Deputy Chief of the FS; Gloria Manning, Assoc. Deputy Chief; Greg Smith, Director of Lands; Julett Denton, Special Uses; and Mark Rey, Under Secretary, USDA. The issues have been placed clearly in front of the Forest Service hierarchy.

SECOND, the Coalition has organized a grassroots campaign with a mailing to all cabin owners asking for support for corrective legislation. They are being urged to contact their Senators and Congressmen to inform them of the failure of CUFFA and the problems of excessive valuations of cabin lots. Suggestions for doing this are included in the "call to action" mailing.

THIRD, we are exploring the idea of Coalition 2 contracting with several independent appraisers to establish cabin lot values that include the value of ALL of the permit restrictions that affect the market value. We expect that this process will clearly demonstrate that since we do not have fee simple ownership of the lots, using a fee simple model for valuation is wrong.

FOURTH, we are collecting land lease data from across the country that demonstrates the 5% rate is *not* representative of normal market data for recreational land leases of government lands.

FIFTH, Coalition 2 is beginning to formulate the necessary corrective language for legislation, in addition to exploring other fee determination models.

Cabin owners are deeply invested in their cabins and in the Forest experience and value these unique environments and the recreation experiences afforded "in the woods". Most cabin owners have made substantial investments in improvements, such as local water and wastewater infrastructure as well as roads and other improvements. For example, at the Lake Quinault tract on the Olympic Peninsula of Washington state, cabin owners participated in a local Forest Service sewer project that cost them nearly \$25,000 per cabin.

Our investments in our cabins come from our pocketbooks as well as our hearts. We understand *and accept* the reality of upward pressure on real estate values throughout the nation. We just ask that *fair market value of the rights and privileges authorized by our permits be the real basis for our fees*, a valuation that considers *all* of the restrictions on the use of our cabins and cabin lots.

The Cabin User Fee Fairness Act of 2000 (CUFFA) was intended to provide a fair, market-based appraisal of lot values that would result in a ‘fair fee’ for cabin permits on the National Forests. This necessitated recognizing the full impact of the Forest Service permit restrictions, as well as regional and local restrictions, on market values. CUFFA was supposed to do this and we believe that was the intent of Congress. However, adjusting for most permit restrictions within the appraisal has been disallowed by the Forest Service. Furthermore, we are convinced the ‘reduced fee’, 5% of *fee simple* market value, does not account for the negative impact of all of those restrictions on the use of the lot. That is the heart of the problem.

We believe that CUFFA, as applied by the Forest Service, compares an apple (fee simple ownership with full bundle of rights) to an orange (recreation residence with no ownership rights) and then values that orange as if it were an apple! CUFFA, as it is being applied, takes the permit restrictions out of the appraisal process where market value is established and arbitrarily lumps them all in the FS 5% rate calculation. We say arbitrarily because the FS has not provided any documentation to justify how the addition of all restrictions has affected the 5% on which the fee is based. Not including all use restrictions in the fee determination process that defines market value, results in an inaccurate appraisal and inflates the permit fees. This is a problem. After all, it is within the appraisal process that market trends and property value differences are determined.

A solution to this problem is simple, even though the process of achieving a solution may be difficult. To be fair to both the United States and cabin permittees: All restrictions imposed by the Forest Service permit language must be valued and used to adjust the market value of the subject lot. The language and application of CUFFA have prevented this from occurring; therefore we now are seeking legislative change.

It must be made clear, however, that when we discuss these issues with Congress and the Forest Service, we may find that other fee determination models could provide a better solution for all parties involved. Solutions that ensure the cabin program can remain a “valid use” of the National Forests and yet provide fair and appropriate funds to the US Treasury for our use of the land.

Original Intent

We believe that the spirit and intent of CUFFA were to see that ordinary Americans have the opportunity to experience our national forests through Recreation Residences. The beginning of the Recreation Residence Program was on March 4, 1915 when the Occupancy Permits Act authorized long-term permits to encourage public use, private investment and the building of cabins on the National Forest. This legislation provided for a forest experience for multiple generations of families, their friends, children, and the elderly and physically handicapped.

However, today on many National Forests, this “valid use”, sadly, is being threatened. That is why we ask Congress to act and help us preserve the long and proud history of the Recreation Residence Program and our partnership with the Forest Service. Congress must be aware that the cabin program is one of the few concrete ways left to instill in the next generation the concept of land stewardship that is at the core of the Forest Service mission.

If a solution is not found, many cabin permit holders faced with exorbitantly high fees will be forced to obtain costly second appraisals, file appeals and pursue other legal and political means in an attempt to find a fair, market-based solution. And even this process appears to be institutionally discouraged by the Forest Service and the language in CUFFA.

If no solution is found, ultimately many cabin owners will be forced to put their cabins up for sale; and due to the exorbitantly high fees and use restrictions many will find it difficult, if not impossible, to sell them. The costs will simply outweigh the benefits and no one, not even the wealthy, will pay such a high price for a cabin having such severe use restrictions and high yearly permit fees. This is *not* what was intended by Congress when the cabin program was authorized nearly a century ago, nor what was intended when this issue was addressed in the late 1990's.

Cabin owners must work together!

We need to communicate our concerns and share our problems with our legislators and...

We need to work together to create new legislation or correct the language in CUFFA while...

We continue to engage the FS in meaningful and respectful discussions.

Write your Senators and Representative

- Fax, Email and Letter

Organize your cabin tract into a Tract Association.

Make sure that your own appraisal is done correctly.

Remember:

There is strength in numbers.

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Refer to the [Call to Action](#) mailing for help in writing your thoughts.

Contact information can be found at:

www.visi.com/juan/congress/

Your local newspaper or library.

Or call the Capitol Switchboard (202) 225-3121

to talk directly to your Senators or your Representative.

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