

No Net Loss

From the Forest Service Manual (section 2347.1):

Recreation residences are a valid use of National Forest System lands. They provide a unique recreation experience to a large number of owners of recreation residences, their families, and guests. To the maximum extent practicable, the recreation residence program must be managed to preserve the opportunity it provides for individual and family-oriented recreation. It is Forest Service direction to continue recreation residence use and to work in partnership with holders of these permits to maximize the recreational benefits of recreation residences.

The cabins provide a number of benefits to the forest and the communities as evidenced by:

- The Recreation Residence Program generates slightly over \$4,700 in revenue per acre making it one of the highest returns to the Forest Service and the U.S. taxpayer for recreational use of National Forest lands.
- Economic benefit studies, including an extensive report in 2021-2022, found that the Recreation Residence Program brings \$141 million to rural communities. Additionally cabin visitors donate over \$3 million to organizations local to their cabins, the majority to volunteer fire departments, and volunteer over 145,000 hours of which the majority to forest stewardship activities.
- 6.5 million visitor days to the National Forests for unique multi-generational recreation opportunities where 44% of the visitor days are youth 19 and younger.
- The Cabin Fee Act passed by Congress in Dec 2014 stipulates fee retention to the USDA Forest Service beginning in 2025. The estimate is \$35 million will be retained by the Forest Service in 2025. Fee retention makes the Recreation Residence Program not only self-sustaining but retained revenues are greater than the cost to administer and support the program. As per the CFA excess revenue from retained fees must be used on recreation programs in the National Forests.

I have also attached three documents from the NFH Economic Benefit Study Task Force that further illustrate some of the benefits.

- At A Glance - A one page flyer of the economic and non-economic impact of the Recreation Residence Program on a national basis.
- Summary Report - A short report of the extensive survey and study methodology; economic and social benefits to rural communities local to cabin tracts, the positive economic and stewardship impact on the USDA Forest Service, the cabin owner family recreation experience and the challenges facing the recreation residence program.
- El Dorado County Case Study - A two-page visual highlighting the economic and recreational impact of FS cabins in El Dorado County. (Note: This is the county so the results include parts of the LTBMU.)

There is no upside to letting a lot fall into the In-Lieu Lot Program (there is really no real program). NFH has a draft position statement with two action items (and several sub-bullets) related to the In-Lieu Lot program which exists on paper but is not a functional reality. Those two action items are:

- Institute an active In-Lieu Lot program within the Forest Service and among permittees.

- Recommend that the Forest Service develop an inventory of potential In-Lieu Recreation Residence lots

More specifics...

- Permit language

Divestiture of Ownership: If the holder through voluntary sale, transfer, enforcement of contract, foreclosure, or other legal proceeding shall cease to be the owner of the authorized **improvements**, this permit shall be terminated. If the person to whom title to said **improvements** is transferred is deemed by the authorizing officer to be qualified as a holder, then such person to whom title has been transferred will be granted a new permit. Such new permit will be for the remainder of the term of the original holder.

- The county is taxing burned cabin owners on these physical improvements. They reduced the tax on the burned structured to zero but the improvements left are being taxed. The property taxes did not go to zero.
- The improvements include:
 - Power. PG&E charges between \$1,000 and \$5,000 to bring power to a lot that has never had power. These lots all have power with no additional cost
 - Septic systems - Depending on the age of the system, they worth anywhere from \$1,000 to \$10,000.
 - Water systems - Depending on the system there may have been significant outlay to develop the system originally. For example, in one tract, the cost to join the water system if they weren't on it is \$2,800.
 - Retaining walls
 - Walkways
 - Driveways
- In commercial real estate, an improved lot, which these are, sell for much higher prices than unimproved lots. There is value in the improvements.
- In two years when the Cabin Fee Act is fully implemented, all of the monies collected for fees and transfers will go to the FS directly instead of the general fund. 80% - 85% of that is scheduled to come back to the forest directly. For the 177 or so burned cabins using an average ENF fee of \$1,864 that is \$329,916 annually to the Forest Service or \$280,439 annual to Eldorado NF at the 85% allocation. Not to mention future transfer fees.
- There is a lot of interest from people wishing to buy these improvements.
- Allowing these improvements to be sold and re-permitted allows people who would normally be priced out of the market to own a cabin. 36% of the cabin owners nationally have an annual household income of \$100,000 or less with the overall average of \$141,484.
- There is significant economic impact from the cabins to the county. El Dorado County very much wants to see as many cabins as possible rebuilt. The economic impact of the cabins in El Dorado County is \$11.8 million. Spending by cabin owners contributed to additional spending within the county by businesses and local workers. Considering the "value add" of this secondary spending, cabin owners contribute \$17.5 million to the El Dorado County economy annually. This spending supports 115 jobs.

- If the number of cabins in a tract falls below a certain level, they are not as viable as a tract. Also, cabin owners express concerns about security and wanting enough cabins around them.
- If the cabin owner who does not or can not rebuild "walks away", they are required to return the lot to nature. Removal of septic systems, water pipes, retaining walls, walkways, driveways, etc. is disruptive to the forest. Allowing them to sell their improvements reduces this greatly and saves the original cabin owner the costs.
- Many cabin owners do not have the resources or money to return the lot to nature and so will just walk away. The FS can and will, of course, do the work and try to bill the cabin owner. This can be a long drawn out process and costs the FS a fair amount of time and money.
- Since the permits only say "improvements" and do not specify just what that is, there isn't any need for policy change. Just process the change and issue a new permit.
- If nothing else, try it as a pilot program and then evaluate in a year or two. The Eldorado NF has been a proving ground for Recreation Residence Program initiatives over the years (appraisals and early adoptions of co-termination of all twenty year permits being two examples). It has also been a proving ground over the years for cabin association groups such as CCORP. NFH has been looking for an opportunity to have a No Net Loss testing ground. The economics, permittee-to-Forest Service partnership, and El Dorado County support make this an ideal pilot program.

What is the downside of allowing a burned cabin owner to sell their improvements.

- It might set a precedent. It should. There is little reason not to want the cabins rebuild. There was a high of close to 20,000 permits in the 1960s. There were 13,811 cabins when CFA was passed. There are over 440 less now because of wildfires. If nationwide the number falls below some level, the program is no longer viable. That is a loss of recreation opportunity, economic benefits to rural communities and American heritage. Many cabins in the Eldorado NF that did not burn are rated historic. There is more about this in the attached Report Summary.
- The new owner might not build a cabin in a timely manner. The opposite scenario is actually probably more realistic. A good number of cabin owners didn't have any insurance. Those that did were grossly under-insured. Those cabin owners wishing to try to rebuild may take a long time to rebuild. A new owner will probably not buy the improvements if they don't have the funds to have the cabin completed within two years.