



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

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Dear Mr. Wyatt:



Reference is made to your letter to us dated July 13, 1971, requesting us to review the fees charged by the Forest Service, Department of Agriculture, for recreation-residence-site permits on national forest lands.¹ You requested that we consider suggestions made in a letter to you dated June 14, 1971, by Mr. Lamar Tooze of Portland, Oregon, who had a permit for a recreation-residence site in the Metolius River recreation unit in the Deschutes National Forest.

Because the issues raised by Mr. Tooze in his June 1971 letter are similar to issues considered in our past audits of the Forest Service's recreation-residence-site program, we are enclosing copies of the following audit reports for your information.

1. Review of Recreation and Other Selected Land Use Activities, Forest Service, Department of Agriculture (B-125053, Mar. 28, 1963).
2. Follow-up Review of Adjustments Made in Fees Charged for Summer-home Sites on National Forest Lands, Forest Service, Department of Agriculture (B-152490, Jan. 18, 1966).

In response to your request, we reviewed the Forest Service's most recent fee determination for the recreation-residence sites in the Metolius River recreation unit. Our review was directed toward obtaining information regarding the comments or suggestions made by Mr. Tooze in his June 1971 letter. We reviewed pertinent policies and procedures, land appraisal reports, and other records pertaining to the Forest Service's fee determination and interviewed Forest Service officials and the private land appraiser involved in

¹These permits were formerly called summer-home-site permits. The Forest Service defines a recreation residence as a privately owned dwelling, on national forest land, which is used for recreation purposes.

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the determination. We also visited the Metolius River recreation unit.

BACKGROUND

The act of March 4, 1915, as amended (16 U.S.C. 497), authorizes the Secretary of Agriculture to issue permits (leases) for use and occupancy of national forest land for constructing or maintaining summer houses and other structures.

The act does not set forth criteria for determining the amounts of the fees to be charged for the permits but authorizes the Secretary to establish such regulations, terms, and conditions as he may deem proper. The Secretary has established the policy that the fees, the amounts of which shall be prescribed by the Chief of the Forest Service, should be commensurate with the value of the use authorized by the permit (36 CFR 251.3).

The Secretary's policy is in accord with the Government-wide policy on user charges prescribed by the Office of Management and Budget in Circular A-25, September 23, 1959, as amended, which states that (1) a fair market value should be obtained when federally owned resources or properties are leased or sold and (2) charges are to be determined by the application of sound business management principles and, so far as practicable and feasible, are to be in accordance with comparable commercial practices.

Forest Service policy and procedures provide, in determining fees for sites to be used as recreation residences, that:

- The rental and sale value of comparable private lands be considered.
- An annual fee of 5 percent of the value of comparable private lands used for similar purposes be considered a fair rental, subject to a minimum fee of \$25 a year.

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--Fees ordinarily be redetermined every 5 years, but, when a redetermination results in an increase of \$75 or more a year, the increase will take effect on a progressive basis over a 3-year period.

Additional background information on the recreation-residence-site program and related Forest Service policies and procedures is contained in the two enclosed reports on our prior reviews.

In his June 1971 letter, Mr. Tooze explained that the Forest Service had progressively increased his fee from \$15 a year in 1946 to \$225 a year in 1971 and that he had been unsuccessful in appealing the matter to the Regional Forester at Portland, the Department of Agriculture's Board of Forest Appeals, the Chief of the Forest Service, and the Secretary of Agriculture. Mr. Tooze stated that the Forest Service had proposed to increase the annual fee to \$259 in 1972, \$292 in 1973, and \$325 in 1974. These increases were proposed by the Forest Service in 1971 as a result of a private appraisal.

In support of his view that the proposed increases were totally out of line, Mr. Tooze stated that:

--The value of the sites was due primarily to the improvements that had been made by the permittees and not because of anything that represented a Government investment.

--The 5-percent rate applied to the fair market value of the sites to establish the amount of the annual fee should be reduced by one half in view of the fact that the occupancy of the cabins was for only a portion of the year.

Information regarding these matters follows.

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PROPOSED FEE INCREASES WERE BASED ON
FAIR MARKET VALUE OF THE LAND ONLY

The fair market values used by the Forest Service as the bases for computing the proposed increased fees for the sites at the Metolius River recreation unit were established for the land only and did not include increases in values due to structural improvements made by the permittees.

The Forest Service employed a private appraiser in December 1970 to determine the fair market value of the sites at the Metolius River recreation unit. Market data included in the appraiser's report indicated that sales prices of comparable private land in central Oregon ranged from \$66 to \$85 a riverfront foot and that a sales price of \$7,000 for a lot was not uncommon. The appraisal report stated that comparable riverfront lots had sold rapidly.

The appraiser concluded that \$65 a riverfront foot-- which was below the \$66 to \$85 range indicated by the market data used by the appraiser--was the fair market value for the Metolius River sites. At \$65 a riverfront foot, the average fair market value for each lot amounted to about \$6,500. In discussing his appraisal with us, the appraiser stated that his estimate of the fair market value of the sites applied to the land only and did not include the increased values due to the residences or other improvements made by the permittees.

The appraiser's report was reviewed and approved by Forest Service officials at the Deschutes National Forest and at the Portland Regional Office. An official at the regional office noted that the assignment of a market value lower than the sales-price range of the comparable properties was a conservative but defensible approach.

A strict application of a market value of \$65 a riverfront foot would have resulted in many different fee rates for the several sites at the Metolius River because of variances in the sizes of the sites. Forest Service policy, however, provides that the fees for several sites in the same

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tract be as uniform as possible. Therefore instead of applying a value of \$65 a riverfront foot to each site, officials at the Deschutes National Forest adjusted the market values to arrive at four separate fee rates for the many sites at the Metolius River recreation unit.

As Mr. Tooze stated in his letter, this resulted in a proposed fee of \$259 in 1972, \$292 in 1973 and \$325 in 1974 for his permit. If the Forest Service had strictly applied the appraised value of \$65 a riverfront foot to his site, which has a frontage of 110 feet, the proposed fee would have been \$269 in 1972, \$313 in 1973, and \$357 in 1974.

OCCUPANCY OF SITES NOT RESTRICTED
BY FOREST SERVICE

Mr. Tooze commented that the 5-percent rate used by the Forest Service to compute the amount of the fee should be reduced by one half because the cabins were occupied only part of the year; however, a permit entitles the holder to exclusive use of the property as a recreation-residence site. Cabins constructed by the permittees occupy the sites throughout the duration of the permits.

In some cases the use of the cabins by the permittees can be limited by poor access during the winter. Under Forest Service procedures, however, limited access to the property is considered in the appraisal of the fair market value of the land and therefore should not have a bearing on the percentage applied to the fair market value to compute the amount of the fee.

With regard to access the appraisal report stated that:

"The subject property is probably the more desirable recreation river front in the State of Oregon because of its convenient location to Portland and the other major cities in the Willamette Valley and also to the major communities of central Oregon. There is good access from the highway into the Camp

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Sherman area which is the central point of the Metolius River recreation area. ***"

We were advised by Forest Service representatives and by one of the permit holders that access to the Metolius River sites during the winter was not significantly difficult and that some of the permit holders used their cabins year-round.

In past reviews we observed that the 5-percent rate used for establishing the amounts of the fees was less than the rate used by private landowners who leased similar properties. Information obtained in our current review showed that the rental rates charged by two private companies for recreation-residence sites in the State of Washington exceeded 6 percent of market value. One of these companies, unlike the Forest Service, charged an initial fee of from \$1,500 to \$2,800 for the permits.

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We believe that the Forest Service's policies and procedures with respect to fees for recreation-residence-site permits are consistent with the Government-wide policy, as prescribed by the Office of Management and Budget, for leasing or selling federally owned resources or property. On the basis of the information described above, we believe that such policies and procedures were appropriately followed in setting the fees for the sites at the Metolius River recreation unit and that the market data obtained in the appraisal of those sites was conservatively applied.

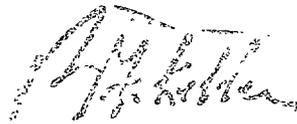
As previously stated the law governing the use of national forest land for recreation-residence sites does not set forth criteria for establishing rental rates. We noted that the Board of Forest Appeals, in its decision to uphold the previous fee determination which was appealed by Mr. Tooze and other Metolius River permittees, had stated that:

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"In view of the fact that the public lands of the United States belong to all of our citizens, we think that a fee policy under which summer home site permittees would pay less than a fair return for the exclusive use of their sites is more appropriately for adoption by legislative action rather than by executive decision."

We are returning the copy of Mr. Tooze's letter which you enclosed with your request.

Sincerely yours,



Deputy Comptroller General
of the United States

Enclosures - 3

The Honorable Wendell Wyatt
House of Representatives

