

APPRAISAL REVIEW

**RECREATIONAL OCCUPANCY VESSEL USE
SHASTA AND TRINITY LAKES**

**Shasta and Trinity Counties, California
Shasta-Trinity National Forests**

For: Forest Supervisor, Shasta-Trinity National Forests

**By: Jeanie Kuta, RPRA
Senior Review Appraiser
USDA, Forest Service
Pacific Southwest Region**

**Value: Shasta Lake - \$9,000
Trinity Lake - \$6,300**

**Date of Value: January 20, 2010
Date of Appraisal Report: July 19, 2010
Date of Appraisal Review: September 30, 2010**



**USDA FOREST SERVICE – Pacific Southwest Region
VALUATION SERVICES**

Technical Appraisal Review Report

Appraisal Review of the Recreational Occupancy Vessel Use Appraisal

Prepared by Jeanie A. Kuta, Senior Review Appraiser

Pacific Southwest Region, US Forest Service

This technical appraisal review report is presented in four sections: (1) Appraisal Report Summary, (2) Appraisal Review Purpose, Scope, and Intended Use, (3) Reviewer's Analysis, Comments, and Conclusions, and (4) Reviewer's Certification.

As a result of my review, I approve the Recreational Occupancy Vessel (ROV) Use Appraisal Report that was prepared by Lance W. Dore, MAI and Lourdes M. Alamilla of PGP Valuation Inc. for Agency Use. The report documents the appraiser's Nine Thousand Dollar (\$9,000) opinion of market value for ROV use at Shasta Lake and Six Thousand Three Hundred Dollar (\$6,300) opinion of market value for ROV use at Trinity Lake as of January 20, 2010. The *market value* of the use was appraised because not enough market rent/annual fee comparables were found to support a reliable conclusion of the market use fee for ROV use. The new annual ROV fees will be determined by the authorized officer by applying a rate of not less than 5% to the market value of the ROV use.

The appraisers were not instructed to include any extraordinary assumptions or hypothetical conditions in the appraisal.

Section 1: Appraisal Report Summary

- a. **Owner of Record.** Shasta and Trinity Lakes are located on land owned by the United States of America and managed by U.S. Forest Service.
- b. **Estate Appraised.** The right to operate and maintain a Recreational Occupancy Vessel on Shasta and Trinity Lakes.
- c. **Property Characteristics.** Both Shasta and Trinity Lakes are located within the Whiskeytown-Shasta-Trinity National Recreation Area and are managed by the U.S. Forest Service. They are in scenic rural areas that offer a variety of recreational opportunities.

Shasta Lake is located about 10 miles north of the city of Redding in Shasta County, California. Though Interstate 5 crosses over a portion of the lake, most of the lakeshore is inaccessible by road. The lake is popular for boating, water skiing, house boating, camping and fishing.

Shasta Lake is actually a reservoir that was created by the building of Shasta Dam and is the third largest lake in California. It was formed by containing the Sacramento River, Pit River, Mc Cloud River and several smaller tributaries. At full pool, the lake has an elevation of 1,067 feet above sea level and a surface area of roughly 30,000 acres. The lake has a capacity for nearly 4.5 million acre feet of water, offers 365 miles of mostly steep, forested shoreline and has a maximum depth of 517 feet. Lake levels reached a 10 year low in October, 2009, but recovered significantly in early

2010. There are currently 9 operating marinas at Shasta Lake. These offer a variety of services that include commercial houseboat rentals, gas, convenience stores, restaurants, moorage, access to cabin rentals and other services related to lake activities. The marinas vary in terms of the quality and condition of the facilities as well as the services offered. Bridge Bay Marina was ranked the highest in terms of quality and condition of the facility by houseboat owners surveyed by the appraisers. The Forest Service has 624 ROVs permitted on Shasta Lake.

Trinity Lake is located approximately 20 air miles west of Shasta Lake and about 10 miles to the north of the town of Weaverville. From Interstate 5 in Redding, it's about a 45 mile drive via State Highway 299 and then State Route 3 to the lake. State Route 3 is a designated Scenic Highway and offers attractive views of Trinity Lake and the surrounding wooded landscape. For many, the aesthetics of the area are very appealing and make the trip to the lake enjoyable.

Trinity Lake was created by damming the Trinity River. It's one of the largest reservoirs in California with a capacity of close to 2.5 million acre feet of water, a surface area of 17,000 acres and 145 miles of shoreline. When full, the lakes surface is at an elevation of 2,370 feet above sea level. It has just two marinas that accommodate houseboats; Cedar Stock and Trinity Alps. The Forest Service has 99 permitted ROVs on Trinity Lake.

- d. **Extraordinary Assumptions and/or Hypothetical Conditions:** None
- e. **Highest and Best Use:** Private Recreational Occupancy Vessel Use, the permitted use.
- f. **Effective Date of Value:** January 20, 2010
- g. **Date of the Appraisal Report:** July 19, 2010
- h. **Appraisers:** Lance W. Dore, MAI and Lourdes M. Alamilla of PGP Valuation Inc.
- i. **Value:** Shasta Lake - \$9,000
Trinity Lake - \$6,300
- j. **Date of Appraisal Review:** September 28, 2010

Section 2: Appraisal Review Process

- a. The USDA Forest Service is the only **client** and **intended user** of this appraisal review report.
- b. The **intended use** of the appraisal review report is to provide management with documentation that the appraisal report under review was approved for agency use. The Shasta-Trinity National Forest will use the appraisal to set use fees for Recreation Occupancy Vessels at both Shasta and Trinity Lakes.
- c. **Purpose of the Review Assignment:** The purpose of the review assignment was to judge the appraisal report's compliance with the Uniform Appraisal Standards for Federal Land Acquisitions (UASFLA), the Uniform Standards of Professional Appraisal Practice (USPAP) and the appraisal instructions given to the appraiser. It is

also to develop a credible opinion of the adequacy of the data and appropriateness of the analysis of the data relative to the final conclusions.

- d. Scope of Work:** Robert Basila, Regional Appraiser of the Pacific Southwest Region of the Forest Service, prepared the contract request package for this appraisal assignment, prepared the appraisal instructions and also held a pre-work meeting with the appraiser. Due to timing conflicts with other assignments, Mr. Basila assigned the review of the appraisal to me in August of 2009. I reviewed the appraisal services request package that was submitted by the Forest, the appraisal instructions and Forest Service policy pertaining to Recreational Occupancy Vessels at that time. In October, 2009, the appraisers and I participated in an information sharing meeting with the ROV permit holders from both Shasta and Trinity Lakes that was hosted by personnel from the Shasta Lake Ranger District. In February of 2010 I received the first draft of the ROV appraisal report from the appraisers. I supplied my comments to them in a letter and then met with them to discuss the appraisal. Following this I reviewed several revised versions of the appraisal and discussed these with appraiser, Lourdes Alamilla. During this time I visited both Shasta and Trinity Lakes and a marina at each. I also visited Don Pedro Reservoir and Lake Oroville and visited a marina at each of those lakes as well. I received the final bound appraisal reports on July 20, 2010.

In addition to the above, my review is based on the material submitted in the report, the information about ROV use provided by other Forest Service personnel and ROV permit holders and my knowledge of valuation practices and real estate appraising in general.

Section 3: Reviewer's Analysis, Comments, and Conclusions

The purpose of the appraisal assignment was to estimate the market use fee for the typical Recreational Occupancy Vessel (ROV) permit at both Shasta and Trinity Lakes. The permit is a license for the use of federally owned land and/or water. Therefore, the permit fee is somewhat analogous to a rental rate for utilizing the lakes for the personal recreational use of private houseboats. The ROV permit is only required for houseboats that are more than 31 feet long, and/or wider than 12 feet. Boats larger than 15 feet wide by 56 feet long are not permitted on the lakes except under special authorization for commercial use only.

This unique and unusual appraisal assignment was also a very difficult one due to the lack of known data sources. Forest Service Handbook 2709.11_31.1-1 specifies that comparable rentals from the private market place are to be used to determine the special use fee where there is a clearly established rental market for similar uses. Therefore, the appraisers were instructed to first conduct a survey of lakes with privately owned houseboat use to see if there was adequate data from which the current fee rate could be derived. The appraisers surveyed more than 30 lakes in the western United States and found only one that charged a fee and also utilized a permit system. This was Don Pedro Reservoir in the Central Valley area of California. Lake Oroville also allows private houseboat use, but it requires an annual boat sticker for all types of boats, including houseboats. Since the Lake Oroville program is not specific to houseboats, it was not considered similar to that of the subjects. And, since Don Pedro Reservoir was the only valid comparable was found, the amount of data was considered inadequate to provide a reliable estimate of the market fee rate for ROV use at Shasta and Trinity Lakes.

Forest Service Manual 2721.22 provides the following direction pertaining to this situation. It states "In the absence of market rental data, calculate fees for privately owned and operated houseboats so that these fees equal or exceed the market rent for cabin sites in the adjacent or nearby area." However, the current instructions for ROV appraisals offer another alternative before resorting to the use of nearby cabin fees for ROVs. This methodology was used in the last ROV appraisal and was based on a survey of houseboat sales that indicated sellers were allocating a portion of the total sales price to the ROV permit. No new permits for ROVs are being issued at Shasta or Trinity Lake, so the only way to obtain one is to buy a houseboat that is currently permitted. As long as the new owner meets the Forest Service requirements, the permit associated with the boat they purchased will be transferred to them. So, even though the permit specifications do not allow the permits to be sold, the data shows that buyers are willing to pay for the ability to obtain an ROV permit. This information was used in the last ROV appraisal to analyze the market value of the ROV authorizations and the same process was allowed for the current appraisal. Though the Forest Service has copies of the Bills of Sale for all of the ROV sales on Shasta and Trinity Lakes, the appraisal instructions specified that the sales must still be confirmed with the buyer or seller. The appraisers utilized this option and through their analysis concluded a market value estimate for the right to operate and maintain an ROV on both Shasta Lake and Trinity Lakes.

Summary of Analysis

Market Rent. Don Pedro Reservoir, also called Don Pedro Lake, has a permit system authorizing the use of the lake for private houseboats that is very similar to that used at Shasta and Trinity Lakes. They require permits for houseboats that are greater than 20 feet long and do not allow those longer than 56 feet on the lake. They limit the number of houseboat permits issued and they enforce a set of rules and regulations regarding the use. Don Pedro Reservoir has a capacity of just over two million acre feet, a surface area of about 13,000 acres and about 160 miles of shoreline. There are two full service marinas and moorage fees range from \$224 to \$248 per month. Water and electricity are available on the docks. The permit fee is \$350 per year and a late fee of \$100 is imposed if the fee is not paid by February 1 of each year. An additional \$350 fee is charged for each change in ownership. Don Pedro Reservoir was determined to be inferior overall to Shasta Lake because it is located a long distance from a major highway, is in a more remote location, has fewer amenities such as marinas, has less appealing aesthetic attributes and much less lake capacity and miles of shoreline. However, it is very similar to Trinity Lake in all areas but aesthetics. This comparable suggests that the market fee for Shasta Lake would be considerably more than \$350 per year, and the fee for Trinity Lake would be slightly more than \$350 per year.

Though Lake Oroville was not considered comparable to the subjects, it is worth noting that it is smaller than both Shasta and Trinity Lakes, yet there is no limit on the number of houseboats allowed. It is also much further from a major highway, not in a forested area and use of a shuttle boat is needed to access the houseboat docks. Considering that they charge \$75 for a boat sticker, \$90 for parking and another \$75 for each additional watercraft, the costs can easily add up to \$240 or more for a lake that is less desirable and has fewer amenities.

Market Value. Seven sales of houseboats with ROV permits were confirmed with the buyers or sellers. The price allocated to the cost of the permits ranged from \$5,000 to \$17,000. In order to help determine where in this range the most reasonable indication of the market value of the permit lies, the appraisers considered a variety of additional

information. They surveyed all of the local houseboat brokers and obtained additional permit sale information from them. The brokers also provided their opinions regarding the cost of the permits in the current market and this suggested a range of \$7,000 to \$20,000 for the permit value. The appraisers considered the middle of this range to be the most reasonable indication of value for this data source. They also looked at the historical range of permit values reflected in the Bills of Sale that permit holders provided to the Forest Service. Historically, the average price of the permit listed in the Bills of Sale ranged from \$8,214 to \$20,000. Considering this information and the current down market for houseboats, the appraisers concluded that the historical data suggests a current ROV permit value near \$10,000. Since the Don Pedro Reservoir rental comparable provided the most direct comparison to the subject houseboat use, the appraisers converted its \$350 fee to a \$7,000 indication of market value by dividing it by 5%, the minimum percentage used to derive a special use fee from market value. This suggests a value significantly above \$7,000 for Shasta Lake and just slightly above \$7,000 for Trinity Lake.

In their review of the sales comparison approach data, the appraisers acknowledged that the highest prices paid for permits, were likely tied to the sale of the most expensive boats. Therefore, they eliminated the highest value confirmed sale from market analysis, and the range was revised to \$5,000 to \$10,000. Since all but one of the confirmed sales involved boats on Shasta Lake, the data was initially used to derive an opinion of value for the just the Shasta Lake ROV permits.

In summary, a final range of \$5,000 to \$10,000 for the Shasta Lake ROV permit value was derived from the market analysis of confirmed sales of ROV permits. In addition, the Don Pedro Reservoir rental comparison suggested a value above \$7,000; a review of historic permit prices suggested a value near \$10,000; and the broker survey indicated a value near \$13,200. Based on the data and analysis presented the appraiser concluded a value of \$9,000 for the Shasta Lake ROV permit.

Since the appraisers were only able to confirm one ROV permit sale at Trinity Lake, they analyzed the differences between the two lakes in order to estimate the difference in the value of their permits. Shasta Lake was considered to be superior to Trinity Lake because it has several more marinas and better services; it has good access provided by Interstate 5; it is nearly double the size of Trinity Lake; has more than double the miles of shoreline; and it is close to the city of Redding, a full service community. The appraisers compared the average price of houseboat rental rates at the two lakes and concluded that those at Trinity Lake are roughly 30% less than those at Shasta. Their estimate of the difference in the fee attributable to location, access, size of lake and services also suggested a total downward adjustment of about 30% for Trinity Lake. Based on this analysis, they concluded a value of \$6,300 for the ROV permit at Trinity Lake

Reconciliation of the Approaches to Value. Though only one rental comparable was identified, it was directly comparable to Shasta and Trinity Lakes because the permit process and conditions were very similar to the one in place for the subjects. The market rent analysis indicated a market fee of significantly more than \$350 per year for Shasta Lake and slightly more than \$350 per year for Trinity Lake.

Due to the lack of additional rental data, a market value analysis of the permitted use was also performed. A total of seven confirmed comparable sales were considered that indicated a range of \$5,000 to \$17,000 for the market value of the ROV permits on Shasta Lake. The \$17,000 sale at the high end of the range was considered to be an extreme and was removed from consideration. This resulted in a refined range of \$5,000 to \$10,000. Since the one rental comparable was a strong indicator of the fee for ROV use, the fee was

mathematically converted into an estimate of market value at \$7,000. Since Don Pedro Reservoir was considered to be far inferior to Shasta Lake, this suggests an ROV permit value significantly higher than \$7,000 for Shasta Lake. Historic data and broker surveys were also considered in the analysis and suggested an ROV value for Shasta Lake of \$10,000 and \$13,200 respectively. Considering all of the information that was analyzed and giving most weight to the market analysis of the confirmed sales and the calculated value of the market rent comparable, the appraiser's opinion of value for the Shasta Lake ROV permit is \$9,000. Based on an analysis of the differences between the average rental rate for houseboats at the two lakes and supported by the appraisers' estimate of the value of differences for various attributes of each lake, a value of \$6,300 was concluded for the Trinity Lake ROV permits.

Approval of Appraisal Report. The appraisers followed the appraisal instructions which included the Basic Specifications for Real Property Appraisals and Supplemental Appraisal Instructions. They appropriately documented the purpose, intended use and users of the report, and the applicable market rent and market value definitions. The regional and property information included in the appraisal was informative and adequate for the assignment. They appropriately searched for comparable rental data to support a market fee rate for the subject lakes. And, as instructed, they considered the market value of the permit because of the lack of sufficient market rental data. Though the permits are not allowed to be sold, it was determined in the past that a price for the permit was being added to the price of houseboat sales in the area. Therefore, the Forest Service allowed this methodology for estimating the market value of the permits. The authorized officer will use the market value estimated for the permits to derive the new fees for ROV use at Shasta and Trinity Lakes. The other alternative was utilizing the market rent for nearby cabins as the basis for ROV fees. The cost approach and the income approach were not applicable to the assignment.

The appraiser considered a significant amount of additional data to support their value conclusions. A large area was searched for market rent data, but only one adequate comparable was found. The market rent analysis was appropriate, but was considered to be inconclusive because of the lack of sufficient data.

The Sales Comparison approach was the only approach to value used in the appraisal. The property is not improved or income producing, so this is appropriate. The appraisal followed the format suggested by the Uniform Appraisal Standard for Federal Land Acquisition fairly closely and it was well written. I found no significant omissions or mistakes and found the analysis to be reasonable and fairly easy to follow. Though the appraisal report was identified as a Summary Report, it meets the UASFLA definition of a Self Contained Appraisal Report.

Based on my review, it is my opinion that the subject appraisal report was prepared within a scope of work applicable to the assignment and that it reasonably and adequately complies with the Uniform Appraisal Standards for Federal Land Acquisition and the Uniform Standards for Professional Appraisal Practice.

In summary, it is my opinion that:

- The appraisal data provided is relevant and adequate,
- the analysis is reasonable and appropriate,

- the value conclusions are appropriately supported and
- the appraisal report is complete.

Therefore, I approve the Recreational Occupancy Vessel (ROV) Use Appraisal Report that was prepared by Lance W. Dore, MAI and Lourdes M. Alamilla of PGP Valuation Inc. for Agency Use. The report documents the appraiser's Nine Thousand Dollar (\$9,000) opinion of market value for ROV use at Shasta Lake and Six Thousand Three Hundred Dollar (\$6,300) opinion of market value for ROV use at Trinity Lake as of January 20, 2010.

Section 4: Reviewer Certification – Jeanie A. Kuta

I certify that, to the best of my knowledge and belief that:

- The facts and data reported by the reviewer and used in the review process are true and correct.
- The analysis, opinions, and conclusions in this review report are limited only by any assumptions and limited conditions stated in this review report and are my own personal, impartial, and unbiased professional analysis, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved. Although the USDA Forest Service is my employer, I am acting without prejudice towards that party.
- I have no bias with respect to the property that is the subject of this report or to the parties involved in this assignment.
- My engagement on this assignment was not contingent upon developing or reporting predetermined results.
- My compensation is not contingent on an action or event resulting from the analyses, opinions, and conclusions in this review or from its use.
- My analysis, opinions, and conclusions were developed and this review report was prepared in conformity with the *Uniform Standards of Professional Appraisal Practice* and to the *Uniform Appraisal Standards for Federal Land Acquisitions*.
- My report preparation and presentation conforms to the requirements of the Code of Professional Ethics and Standards of the American Society of Farm Managers and Rural Appraisers.
- I am a member of the American Society of Farm Managers and Rural Appraisers and am current on all continuing education requirements through December 31, 2009.
- I *have made* a personal inspection of the both Shasta and Trinity Lakes and visited one marina at each. I have also visited Don Pedro Reservoir and Lake Oroville, the only two possible rental rate comparables identified by the appraisers.
- No one provided significant appraisal and appraisal review assistance to the person signing this certification.

- I have approved the Recreational Occupancy Vessel (ROV) Use Appraisal Report that was prepared by Lance W. Dore, MAI and Lourdes M. Alamilla of PGP Valuation Inc. for Agency Use. The report documents the appraiser's Nine Thousand Dollar (\$9,000) opinion of market value for ROV use at Shasta Lake and Six Thousand Three Hundred Dollar (\$6,300) opinion of market value for ROV use at Trinity Lake as of January 20, 2010.



JEANIE A. KUTA, RPRA
Certified General Appraiser
CO 40013508, Exp. 12/31/2010

9-30-2010

Date of Review

Title: Senior Review Appraiser

QUALIFICATIONS OF APPRAISER

JEANIE A. KUTA, RPRA

FORMAL EDUCATION

Bachelor of Science Degree, Natural Resources Management, Concentration in Forestry,
California Polytechnic State University, San Luis Obispo, CA

PROFESSIONAL EDUCATION

American Society of Farm Managers and Rural Appraisers Courses

- Course A-10, Fundamentals of Appraisal, 1989
- Course A-12, Standards of Professional Appraisal Practice, 1994, 1999, 2001, 2005, 2008, 2010
- Course A-15, Appraisal Report Writing, 1994
- Course A-20, Principles of Rural Appraisal, 1990
- Course A-25, Eminent Domain, 2003
- Course A-27, Income Capitalization, 2003
- Course A-29, Highest and Best Use, 1996
- Course A-30, Advanced Rural Appraisal, 1992, 2004
- Course A-35, Advanced Appraisal Review, 1995
- Course A-380, Appraisal Review Under UASFLA, 2010
- Federal Land Exchanges and Acquisitions, 1999

Appraisal Institute Courses

- Capitalization Theory and Techniques A, 1991
- Capitalization Theory and Techniques B, 1991
- Seminar – Issues and Valuation of Water Rights in California, 1998
- Seminar – Public Interest Value vs. Market Value, 1999
- Seminar – Appraisal Consultation, 2003

Other

- Appraisal of Partial Acquisitions, International Right-of-Way Assoc., 1992
- Accurate Forest Land Appraisal, Oregon State University, 2004

EXPERIENCE

2009 – Present	Senior Review Appraiser, USDA Forest Service
1998 – Present	Qualified Review Appraiser, USDA Forest Service
1994 – 1998	Real Estate Appraiser, USDA Forest Service
1989 – 1994	Lands Forester/Realty Specialist, USDA Forest Service
1980 - 1989	Forester/Forestry Technician, USDA Forest Service

CERTIFICATION

State of Colorado-Certified General Appraiser, No. CG40013508, exp. 12/31/2010

PROFESSIONAL AFFILIATIONS AND DESIGNATIONS

Member of the American Society of Farm Managers and Rural Appraisers; RPRA
Designation awarded in October, 2004.