UNITED STATES DEPARTMENT OF THE INTERIOR
OFFICE OF THE SECRETARY
Appraisal and Valuation Services Office
Albuquerque, NM 87102

Date: February 12, 2021

To: Raymond Suazo
BLM Arizona State Director

Through: Gerald Davis
BLM Arizona Deputy State Director for Resources and Planning

From: Katherine Williamson
AVSO Acting Chief Appraiser

KATHERINE WILLIAMSON Digitally signed by KATHERINE WILLIAMSON Date: 2021.02.12 13:46:29 -07'00'

Subject: Cost Recovery for Commercial Leases and Fair Market Value Determinations

In providing valuation services, AVSO is responsible for providing credible and impartial valuation services that are equitable to the United States and any non-Federal parties involved. When AVSO appraisers provide valuation services they must comply with the type and definition of value in the authorizing statute, regulation, policy, the Uniform Appraisal Standards for Federal Land Acquisition (UASFLA), the Uniform Standards of Professional Appraisal Practice (USPAP), or a combination of these authorities and applicable standards.

According to 43 CFR § 2920, BLM's authority for these leases, and the FLPMA lease template, the rental fee for commercial or "concession" leases are based upon the market value appraisal in accordance with FLPMA regulations 43 CFR 2920.8. The regulation states the rental shall be based upon the fair market value of the rights authorized in the land use authorization. It also states rental fees for leases may be adjusted by the authorized officer.

The cost recovery fees include both direct and indirect costs for monitoring and managing the lease. Addressing BLM's obligation to recover costs for the administration of the lease is beyond the scope of the appraisal problem of determining fair market rent for the rights authorized in the land use authorization and stated in the lease.

Because BLM is now charging cost recovery fees in addition to the FMV annual rent as determined by the appraisal, it has been suggested an adjustment equal to the amount of the annual cost recovery would be subtracted from the FMV, as determined through the appraisal process, to calculate the annual rental amount. Since the BLM authorized officer has the ability to adjust the rental fees associated with the lease, any adjustments including those to account for cost recovery should be done administratively outside the scope of the appraisal process and AVSO and within the BLM's range of operation and authority.

If you have any questions please contact Katherine Williamson, Acting Chief Appraiser, AVSO at (505) 248-7418 or at katherine_williamson@ios.doi.gov.

Cc: Timothy Hansen, Director, AVSO
Shirley Milli, Principal Deputy Director, AVSO