

HISTORIC LEASING IN THE NATIONAL PARK SYSTEM: ASSESSING CHALLENGES AND BUILDING ON SUCCESSES

OVERSIGHT FIELD HEARING

BEFORE THE

COMMITTEE ON NATURAL RESOURCES
U.S. HOUSE OF REPRESENTATIVES

ONE HUNDRED FIFTEENTH CONGRESS

SECOND SESSION

Monday, September 17, 2018, in Hot Springs National Park, Arkansas

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OVERSIGHT FIELD HEARING ON HISTORIC LEASING IN THE NATIONAL PARK SYSTEM: ASSESSING CHALLENGES AND BUILDING ON SUCCESSES

**Monday, September 17, 2018
U.S. House of Representatives
Committee on Natural Resources
Hot Springs National Park, Arkansas**

The Committee met, pursuant to call, at 2:00 p.m., Hot Springs City Hall, 133 Convention Boulevard, Hot Springs National Park, Arkansas, Hon. Rob Bishop [Chairman of the Committee] presiding.

Present: Representatives Bishop, Westerman, Radewagen, and Hill.

The CHAIRMAN. This Committee is meeting today to hear testimony on historic leasing in national parks, assessing the challenges and building on success. I am happy that we have three of our Committee members here. Amata Radewagen from American Samoa is here, and Bruce Westerman, who you all know from this particular area. I am the Chairman from Utah, and I am going to ask you to now consent that Mr. French Hill be added and allowed to sit with the Committee and participate in today's hearing.

Having no objections, so ordered. We will begin with that.

I want to start off with just a simple and very quick opening statement to you as we outline the rest of this. Let me go through a couple of procedural things, first of all. Opening statements will go between myself and Mr. Westerman. Any other Members, since this is a formal hearing, can add statements if they submit it to the record today. I want to start off with the original statement, though, on why I am excited to be here.

STATEMENT OF THE HON. ROB BISHOP, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF UTAH

The CHAIRMAN. As you all know, we have a Park Service that has a maintenance backlog. That is not unusual because we have a BLM that has a huge maintenance backlog as well as the Fish and Wildlife system with a huge maintenance backlog. One of the things we talked about just before we broke last Thursday was that pieces of legislation can actually help provide a mechanism to go forward on how we can reach that backlog, but one of the things we did not talk about in that process is this idea of leasing and lease management. I am excited about this for the simple reason that, in my home district, I am trying to establish another historic park where the rails met at the Golden Spike, which is about 30 miles from my home. I am interesting in seeing how this historic park is actually going to be managed.

And if you actually do a lease process, not only can you get additional revenues coming into the process, but I think you are going to be involved in the community more in the process, and that is one of the things of which I am truly interested of how we can get local communities more involved in our public lands, including the ability of getting them to start becoming the ones we go to to find out the mechanisms of how lands are going to be managed and how the parks will be managed into the future. But far too often, it seems like we import somebody from some other part of the country in here when we have local people who care about this area, who know this area, who should be empowered to make more decisions on how these areas run. I think in the future that will bring a better way of managing the lands, it will bring a better way of attracting visitors, so tourism can develop in those particular areas, and hopefully we can move this entire process further.

[The prepared statement of Chairman Bishop follows:]

PREPARED STATEMENT OF THE HON. ROB BISHOP, CHAIRMAN, COMMITTEE ON
NATURAL RESOURCES

Good Afternoon. Before we get started with opening statements, I want to thank the city of Hot Springs for hosting us today and for all of your help in making this hearing possible. I would like to thank our witness for joining us and sharing their experiences with us. Thank you for giving us your time.

I would also like to thank Representative Westerman for bringing attention to this important program and encouraging us to look at Hot Springs as a model of success.

Today, the House Committee on Natural Resources meets to examine the Historic Leasing Program of the National Park Service. The public-private partnership of leasing in the NPS is truly a win-win. It saves historic buildings and saves taxpayers money. It reduces the maintenance backlog in our national parks and creates jobs. And importantly, it is thinking outside of the box.

Innovative programs like leases between the NPS and private business are the future of how we will manage our parks.

You may have heard that the National Park Service is facing an \$11.6 billion backlog of maintenance needs, and \$37.6 million of that total is right here in Arkansas. It is going to take a wide variety of approaches to fix our parks. Historic leasing is one important tool.

When a business leases a building from the National Park Service, they take on the cost of repairs. That not only saves the NPS money, but also frees up park maintenance staff to perform other priority projects. Putting buildings back into use ensures they get the attention they need. Hard-working tenants perform repairs and catch problems before they become insurmountable. The historic character of buildings is restored using the established standards for the treatment of historic properties.

Leasing also means that boarded-up storefronts become thriving business districts again. The transformation that has occurred here in Hot Springs is remarkable. Your historic downtown is a point of pride once more and an economic driver of this community. We want to see more successes like this all across the country.

We are also here today to see what can be done better. How can we grow the leasing program? How can we make it more user-friendly? Let's get rid of the red tape and bring in more support to fix our national parks.

I'm looking forward to hearing about the Historic Leasing Program here in Hot Springs, what is going well, and where there have been bumps in the road. We can all learn a lot from Hot Springs National Park and the wonderful city of Hot Springs.

Again, I want to thank everyone for being here today.

The CHAIRMAN. With that, I appreciate the fact that we are in a formal hearing. I am now going to do something that is different

and actually going to turn the management of this hearing over to Congressman Westerman, who is not just on the Committee, he is also the chairman of one of our subcommittees and does a great job. But I would remind the audience, once again, this is still a formal hearing, which means the rules of procedure that we have in the House will also have to be followed here. This is not a town hall. This is actually a Committee hearing. We will let Mr. Westerman explain how the timers will be working for you, but for the introduction of our guests and the actual calling of that testimony, I would like to turn the remainder of this meeting over to Mr. Westerman, whether he wants to or not.

**STATEMENT OF THE HON. BRUCE WESTERMAN, A
REPRESENTATIVE IN CONGRESS FROM THE STATE OF
ARKANSAS**

Mr. WESTERMAN. Thank you, Chairman Bishop. It is an honor to have you here with us today, and I appreciate your service, not only to the Members in your district in Utah, but to the country, and the work that you do on the Natural Resources Committee. I was especially glad to see us mark up the bill last week that looked at addressing the maintenance backlog.

I also want to welcome my fellow Committee member, Amata Radewagen, from American Samoa. I visited her district before. It is a beautiful place if you can ever get a chance to get out there. And also welcome my colleague from Little Rock, Representative French Hill, who is joining the Committee today. Thank you for being here. And welcome everyone to Hot Springs, which is also my hometown. I am honored that you visited this wonderful part of the country. The Natural State has a lot to offer both to residents and tourists, and Hot Springs is no exception to that rule. Just to be official here, I am recognizing myself for a 5-minute opening.

Today, we are focusing on one particular success story here in Hot Springs and that is Bathhouse Row, and specifically, we are looking at the National Park Service Historic Leasing Program that has allowed Hot Springs to grow economically while also saving the American taxpayer millions of dollars. It is a program I am eager to explore, to improve, and to potentially provide to other Americans across Arkansas and across the country.

If you walk up Central Avenue, as we will do shortly after the conclusion of this meeting, you will see a magnolia-lined street bustling with economic activity and growth. There is a new boutique hotel going in on one side, with restaurants, small businesses, and more going up on the other. You would never guess that Central Avenue is the dividing line between a national park and a small town. Hot Springs National Park and the bathhouses preserved within are a crucial component to our town. Without the innovation provided by the Historic Leasing Program, our town would not be as successful as it is today.

Hot Springs National Park is our Nation's oldest protected land, predating the Park Service, Yellowstone National Park, and the state of Arkansas itself. Set aside as a national reserve in the early 1800s, for generations people have flocked here for the healing thermal waters and public bathhouses. Hot Springs is the home to baseball spring training, and this is our resident Cubs' expert here

to my right, the Chairman. We are going to also get to take a tour of the historic baseball trail.

The CHAIRMAN. And if I can interrupt for just a second, I was met by a couple of Cardinals fans out there. If any of you are Cardinals fans, you are dismissed now.

Mr. WESTERMAN. We don't have a professional team here in the state, but I believe still 60 percent of the people who are in the baseball Hall of Fame participated in spring training right here in Hot Springs and a big part of that was because of the bathhouses, which we will fill you in on during the tour.

However, as time passed and the interest in the thermal waters waned, attendance to the bathhouses dropped. By the 1980s, nearly all the bathhouses had closed their doors, draining jobs from Hot Springs, killing tourism, and saddling the National Park Service with millions of dollars in restoration and maintenance work. Without innovation, these bathhouses, and perhaps the prosperity in Hot Springs as a whole, were headed in the wrong direction.

Now enter the Historic Leasing Program. By law, the National Park Service has the authority to rent out unused buildings to entrepreneurs and local businesses. These businesses, in exchange for use of the space, must pay rent to the Park Service. More importantly, they must take on the maintenance cost of the buildings.

For Hot Springs, this meant two things: (1) it breathed new life into a faltering downtown. The private businesses that began to inhabit the bathhouses anchored us through a catastrophic fire in 2014 and have continued to drive tourism and investment downtown; and (2) it saved the American taxpayer millions of dollars. It took the cost of refurbishment and yearly maintenance off the Park Service books, freeing up dollars for other investment around the park and around the system.

The focus of this field hearing is simple. We are here not only to highlight the success of Hot Springs National Park, but we are here to examine the challenges facing the Historic Leasing Program. Nationally, the Park Service is facing nearly a \$12 billion maintenance backlog. While the Historic Leasing Program is not a silver bullet, it is a valuable tool in the toolbox we need to consider when addressing the backlog. This hearing is, in part, to help identify the challenges with the program, and I am eager to hear from today's witnesses about how best we can improve the process and how to best distribute the program to other parts around the country.

As we sit here right now, the Park Service has two things going on: (1) it has a \$12 billion maintenance backlog, and (2) it has thousands of unused buildings and spaces that are contributing to that debt. As we are about to discuss, Hot Springs National Park figured out a way to put the unused buildings to work, while helping the local economy. I am eager to hear from our witnesses about the good work they have done promoting this program. I want to, again, thank everyone for traveling to my hometown, and I cannot wait to get this program implemented more nationally.

[The prepared statement of Mr. Westerman follows:]

PREPARED STATEMENT OF THE HON. BRUCE WESTERMAN, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF ARKANSAS

Mr. Chairman, members of the Committee, thank you for holding this hearing today, and welcome to my hometown of Hot Springs. I am honored that you have visited my wonderful part of the world. The Natural State has a lot to offer both residents and tourists, and Hot Springs is no exception to that rule.

Today, we are focusing on one particular success story here in Hot Springs. Bathhouse Row, and specifically, the National Park Service Historic Leasing Program, has allowed my hometown to grow economically, while also saving the American taxpayer millions of dollars. It is a program I am eager to explore, improve, and potentially provide to other Americans across Arkansas and across the country.

If you walk up Central Avenue, as we will do shortly after the conclusion of this meeting, you will see a magnolia-lined street, bustling with economic activity and growth. There is a new boutique hotel going in on one side, with restaurants, small businesses, and more going up on the other. You would never guess that Central Avenue is the dividing line between a National Park and a small town. Hot Springs National Park, and the Bathhouses preserved within, are a crucial component to our town. Without the innovation provided by the Historic Leasing Program, our town would not be as successful as it is today.

Hot Springs National Park is our Nation's oldest protected lands, predating the Park Service, Yellowstone National Park, and the state of Arkansas itself. Set aside as a National Reserve in the early 1800s, for generations people have flocked here for the healing thermal waters and public bathhouses. Hot Springs is the home to baseball's spring training, as our resident Cubs' expert to my left mentioned, and over the years this town has hosted everyone from celebrities to gangsters.

However, as time passed and interest in the thermal waters waned, attendance to the Bathhouses dropped. By the 1980s, nearly all the bathhouses had closed their doors, draining jobs from Hot Springs, killing tourism, and saddling the National Park Service with millions of dollars in restoration and maintenance work. Without innovation, these bathhouses, and perhaps the prosperity of Hot Springs as a whole, were headed for the gutter.

Enter the Historic Leasing Program. By law, the National Park Service has the authority to rent out unused buildings to entrepreneurs and local businesses. These businesses, in exchange for use of the space, must pay rent to the Park Service. More importantly, they must take on the maintenance cost of the buildings.

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The focus of this field hearing is simple—we are here not only to highlight the success of Hot Springs National Park, but we are here to examine the challenges facing the Historic Leasing Program. Nationally, the National Park Service is facing nearly a \$12 billion maintenance backlog. While the Historic Leasing Program is not a silver bullet, it is a valuable tool in the toolbox we need to consider when addressing the backlog. This hearing is in part to help identify the challenges with the program, and I am eager to hear from today's witnesses about how we can best improve the process, and how to best distribute the program to other parks around the country.

As we sit right now, the Park Service has two things going on: (1) it has a \$12 billion maintenance backlog, and (2) it has thousands of unused buildings and spaces that are contributing to that debt. As we are about to discuss, Hot Springs National Park figured out a way to put the unused buildings to work, while helping the local economy. I am eager to hear from our witnesses about the good work they have done promoting this program. I want to again thank everyone for traveling to my hometown, and cannot wait to get this program implemented nationally.

Mr. WESTERMAN. Now I will introduce our witnesses. Our first witness is the Honorable Pat McCabe, the Mayor of Hot Springs, who has a unique interest in the bathhouses that he will share later. We have Ms. Tracy Simmons, the Chief of Commercial Services for the Midwest Region of the National Park Service, out

of Omaha, Nebraska. We have Mr. Cole McCaskill, the Vice President of the Hot Springs Chamber of Commerce, who has worked very closely not only with the bathhouse projects but all the redevelopment downtown.

Cole, I was telling somebody earlier that this past summer, Senator Boozman and I were able to meet with the Chamber of Commerce for the opening of the 100th new business since the fire in 2014. We appreciate your leadership on that.

We have Mr. Tom Cassidy, the Vice President of Government Relations and Policy with the National Trust for Historic Preservation, out of Washington, DC. And we also have Mr. Bob Kempkes, the owner of the Quapaw Bathhouse and Spa. He is also an architect and has done a lot of work on not only the bathhouse side of Central Avenue but also many of the other businesses along Central Avenue.

I want to remind everyone about the sound system we have. The microphones are hot at all times, so you can see the green light here. If you need to mute your microphone at any point, just press and hold the button down, but as soon as you release the button, your microphone is hot again.

Just a few pieces of housekeeping here. You will see the timers situated around. When you begin your testimony, the lights on the timers will turn green. After 4 minutes, the yellow light will come on. I know in Arkansas when we see a yellow light, a lot of times that means we speed up before the red light, and you probably want to speed up because when the red light comes on, your time is over. And to keep us on track, we will have to follow those time limits pretty strictly.

Again, I would also like to remind our audience that this is a congressional hearing, not a town hall, and unfortunately, there will be no time for public comment during the meeting.

We will now hear testimony from our witnesses, and to start off, the Chair recognizes Mayor Pat McCabe for 5 minutes.

STATEMENT OF THE HONORABLE PAT McCABE, MAYOR, CITY OF HOT SPRINGS, HOT SPRINGS NATIONAL PARK, ARKANSAS

Mr. McCABE. Thank you very much.

As mayor of Hot Springs, let me welcome you to our community. We are very pleased that the House Committee on Natural Resources has elected to hold a meeting here to explore the feasibility of expanding the leasing programs to other national parks across the country. The vibrancy of any community can be measured with a stroll through their downtown. The heart of downtowns across America have not been without challenge.

The city of Hot Springs has had similar challenges over the years. Bathhouse Row had been very vibrant up to the 1970s, but from that point forward until recent years, not so much so. The Buckstaff Bathhouse for years was the only facility on Bathhouse Row that was operational. Today, the only structure which is vacant is the Maurice Bathhouse. When visitors and locals alike now stroll Bathhouse Row, they are able to avail themselves to the very bathhouses that have now been refurbished.

Without the leasing program of the National Park Service, the bathhouses would remain vacant. We thank the National Park

Service for their assistance in the revitalization of our downtown. I would like to personally thank former Hot Springs National Park Superintendent Josie Fernandez for her efforts in this regard. We also look forward to working in partnership with Superintendent Laura Miller as we strengthen ties and complete the build-out of Bathhouse Row and the business side of Central Avenue.

On a personal note, my wife, Ellen, and I were interested in implementing a business in downtown Hot Springs. We inquired of our architect friends, Bob Kempkes and Anthony Taylor, as to structures that might be available on the business side of Central Avenue. Upon entering the Hale Bathhouse, we were greatly surprised and pleased that the National Park Service years before had removed the lead-based paint and asbestos thereby leaving the structure bare of interior finish. The ability of the National Park Service to ready any facility in this manner makes it very desirable for leasing since the abatement process can be time-consuming and expensive.

Following the walk-through, we completed the application of the National Park Service for a lease. A letter of intent was issued in June of 2014. After working 18 months with a local bank and another entity, the local bank elected not to finance the project. We were without wind in our sails. One of the challenges in securing financing, in part, was the fact that my wife and I would not be owners of the building. Therefore, the bank, to get comfortable with their ability to be made whole should we fail was a challenge for them because the building could not be used as collateral, nor could the physical improvements to the building. The National Park Service needs to be sensitive that collateralizing projects of this size can be a challenge for the banks.

The lease that was proposed by the National Park Service was a lease that the lending institution felt was overweighted in favor of the National Park Service in providing great exposure to the lending institution. A significant area of concern was the distribution, or lack thereof, of insurance proceeds if the structure was significantly destroyed or destroyed in total during our occupancy. The original agreement allowed the National Park Service to retain all the insurance proceeds and elect not to rebuild, leaving my wife and I with no ability to satisfy the loan except through personal funds. The financing entity was able to negotiate a provision within the lease that would insulate them as well as ourselves should the Park Service elect not to have a structure rebuilt if the historic nature of the facility was compromised.

A loan must be guaranteed by the Small Business Administration, and they have their issues as well and need to have their agreements modified specifically pertaining to the collateral agreements so that the Federal Government would be protected and exposure would be minimized. However, some of the concern should not have been that great given that the funds being expended on this project were going into a Federal building and into a structure owned by Ellen and Pat McCabe. If we were to fail, the taxpayers would not really be out anything.

Developing the plan for reuse can be a challenge even as we receive more input from others. I would encourage that the decision making on the build-out of bathhouses be left at the regional office

level. Superintendent Fernandez and I agreed early on to remove ourselves from that process and allow the professionals to take the lead. The regional office has the expertise to work with our local project architect to make those decisions that need to be made.

There are a lot of great things going on within the lease. There are about four factors that I did mention that are very, very strong and very, very positive. The areas that I mentioned were only those that I felt could be addressed.

In closing, this quasi public-private partnership in the restoration of Bathhouse Row has been a win for the National Park Service, a win for the taxpayers, a win for the Hot Springs community, and a win for the leaseholders. The ability to establish a program that allows others to develop creative ideas within these fine structures ensures that they will be safeguarded and available for years to come without any holding costs to the Federal Government.

Thank you very much.

[The prepared statement of Mr. McCabe follows:]

PREPARED STATEMENT OF PAT MCCABE, MAYOR, CITY OF HOT SPRINGS, ARKANSAS

As Mayor of Hot Springs, let me welcome you to our community. We are very pleased that the House Committee on Natural Resources has elected to hold a meeting here to explore the feasibility of expanding the Leasing Program to other National Parks across the country. The vibrancy of any community can be measured with a stroll through their downtown area. The heart of downtowns across America have not been without challenge. Many have seen businesses move to fancy centers out of the heart of the city, leaving vacant buildings and storefronts. The city of Hot Springs has not been without similar style challenges over the years. Hot Springs differs from other communities in that a large footprint within the downtown area is the Hot Springs National Park. Bathhouse Row had been very vibrant up to the 1970s, but from that point forward until recent years not so much so. The Buckstaff Bathhouse for years was the only facility on Bathhouse Row that was operational. Today, the only structure which is vacant is the Maurice Bathhouse. When visitors and locals alike now stroll Bathhouse Row, they are able to avail themselves to the very bathhouses that have been repurposed.

Without the Leasing Program of the National Park Service, the vacant Bathhouses would have remained vacant. We thank the National Park Service for their assistance in the revitalization of our downtown. I would like to thank former Hot Springs National Park Superintendent, Josie Fernandez, for her efforts in this regard. We also look forward to working in partnership with Superintendent Laura Miller as we strengthen ties and complete the build-out of Bathhouse Row and the business side of Central Avenue.

The business side of downtown Central Avenue has also undergone a renaissance of sorts. This occurred, in part, with the creation of the Thermal Basin Fire District in November of 2013. The Thermal Basin Fire District required structures within its boundaries to provide a fire suppression system if the structure was three floors or greater. This resulted in a number of property owners selling their structures in lieu of meeting the new standard. New buyers of these buildings did so with creative ideas for new business opportunities. Recently, we celebrated the hundredth new business in downtown since February of 2014. Now, both sides of downtown Central Avenue are very robust and provide an economic engine to the community.

On a personal note, in September of 2013, my wife, Ellen, and I were interested in implementing a business in downtown Hot Springs. I inquired of our architect friends, Bob Kempkes and Anthony Taylor of Taylor Kempkes Architects, as to structures that may be available on the business side of Central Avenue. They indicated that, while there were no buildings available for lease/purchase on the business side of downtown Central Avenue, there were a couple of bathhouses available within the National Park. We immediately scheduled a day and time to walk through the Ozark Bathhouse and the Hale Bathhouse. My wife and I had a concept of establishing a boutique hotel with dining area within a downtown structure. While the Ozark Bathhouse appeared to be in exceptional condition for immediate use, the configuration of the rooms would require substantial demolition prior to

repurposing as a boutique hotel with a restaurant. Upon entering into the Hale Bathhouse, we were greatly surprised and pleased that the demolition had already occurred, and we would be in a position to begin a restoration process with minimal additional demolition. The National Park Service years before had moved forward with the abatement of lead-based paint and asbestos, thereby, essentially leaving the structure bare of interior finish. The ability of the National Park Service to ready any facility in this manner makes it very desirable for leasing since the abatement process can be time consuming and expensive.

Following the walk-through, we contacted the Hot Springs National Park Administrative office to determine the next steps. We received the Request for Proposal and set out to complete and provide the same. We did so in late February of 2014 in advance of the deadline of February 27, 2014. Toward the end of June 2014, the National Park Service issued a Letter of Intent which we executed and began the process of securing financing following receipt of cost estimates from the architect. After working 18 months with a local bank and another entity, the local bank elected not to finance the project. Therefore, we were caught without any wind in our sails. However, the other entity was still onboard, but needed to have a bank partner which we then sought. One of the challenges in securing financing, in part, was the fact that my wife and I would not be owners of the building. Therefore, for the bank to get comfortable with their ability to be made "whole" should we fail was a challenge for them since the building could not be used as collateral nor could the physical improvements to the building be held as collateral, as the bank would not be able to remove the physical modifications to the facility, such as electrical, plumbing and heating and air. This would leave the financing entities with only items such as beds, mattresses, tables and chairs, refrigeration units, stove, etc. as collateral. The National Park Service needs to be sensitive that collateralizing projects of this size can be a challenge for the banks.

The Lease that was proposed by the National Park Service was a Lease that the lending institution felt was overweighted in favor of the National Park Service and provided greater exposure to the lending institution. A significant area of concern was the distribution, or lack thereof, of insurance proceeds if the structure was significantly destroyed or destroyed in total during our occupancy. The original Agreement allowed the National Park Service to retain all the insurance proceeds, elect not to rebuild, leaving my wife and I with no ability to satisfy the loan balance except through personal funds. The financing entity was able to negotiate a provision within the Lease that would insulate them, as well as ourselves, should the Park Service elect not to have the structure rebuilt if the historic nature of the facility was compromised. As such, it took no less than 9 months for the financial entity and the National Park Service to negotiate an appropriate Lease.

Our loan was to be guaranteed by the Small Business Administration, and they had their issues as well and needed to have agreements modified, specifically pertaining to the Collateral Agreement so that the Federal Government would be protected, and the exposure would be minimalized to the greatest extent possible. This too required some time and energy, though it was significantly less than that of the Lease negotiation. However, some of these concerns should not have been as great given that the funds being expended on this project were going into a Federal building and not into a structure owned by Pat and Ellen McCabe. If we were to fail, the taxpayers would not really be out anything, as the McCabe's would not have profited since the funds expended would have gone into a Federal building. Perhaps there can be some recognition of this fact and the ability for the SBA to gain comfort could be reviewed. In speaking with our leading financial institution, it appeared that the goals of the Park Service and the SBA were polar opposites in this regard.

Developing the plan for the reuse can be challenging, and even more so when a number of varied players inject themselves into the design process. Superintendent Fernandez and I agreed early on to remove ourselves from the process and allow the professionals; the Project Architect, the Historic Architect of the Midwest Region, Health Inspector and the Life Safety Codes Officer to be responsible for decisions relating to how the varied codes would be met. The Regional Office has the capability of working directly with the Project Architect. While we all desire to have the National Park Superintendent accept an ownership role within their respective parks, the repurposing of this bathhouse would result in looking at varied ways in which to meet the required standards which would not necessarily be contained within the skill sets of a Superintendent. I would recommend that the National Park Service focus on being an advocate for repurposing these styled structures with decision making at the Regional Office level.

The National Park Service was very thoughtful in the development of the Lease in many ways. The National Park Service allowed the Lease to be \$1.00 a year for the first 3 years prior to elevating to the full Lease price. In this manner, the holder

of the Lease would be able to build out the project and become operational with essentially zero Lease expense for the first 3 years. We anticipate being operational before year end which will allow us approximately 20 months of operations at \$1.00 per year Lease expense. After which, we will increase to the stated amount in the Lease document. We will be well on our way to stabilizing business operations.

Furthermore, the National Park Service provided credit in the Lease for the renovation costs of the facility. Here again this becomes favorable to the tenant, as the renovation costs are prorated over the term of the Lease reducing the effective monthly Lease expense. Without this credit for renovation costs, the Bathhouses may not have been renovated.

The Lease requires that 2 percent of all gross sales be placed in a Capital Improvement Fund. Access to these funds can be used to repair and replace major plant and equipment. This better ensures that the tenant will always have funds to make major repairs and capital improvements should the need arise.

The National Park Service provides for up to a 60 year lease. Ellen and I secured a 55 year Lease. While we certainly do not anticipate operating the project through the 55 years, we wanted to ensure that those that would come behind us would not be concerned that the Lease was about to expire. We felt that the project could change hands a number of times in advance of the expiration of the Lease. Consequently, those who would assume the project will know that they had the ability to purchase the operations and not have the Lease expire from underneath them.

In closing, the Quasi-Public Private Partnership in the restoration of Bathhouse Row has been a win for the National Park Service, a win for the taxpayers, a win for the Hot Springs community and a win for the Lease Holders. The ability to establish a program that allows others to develop creative ideas within these fine structures ensures that they will be safeguarded and available for years to come without any holding costs to the Federal Government.

Thank you for the opportunity to address the Committee today.

Mr. WESTERMAN. Thank you, Mayor.

Just a reminder, if you can't cover everything in your testimony, the written testimony will be part of the record, so if there were some areas you didn't get a chance to cover, we will have all those in the written record.

And then a little more housekeeping details. After all the witnesses, we will have time where we will have questions, so we can pose any questions to you at that point.

Next, the Chair recognizes Ms. Tracy Simmons to testify for 5 minutes.

STATEMENT OF TRACY SIMMONS, CHIEF OF COMMERCIAL SERVICES, MIDWEST REGION, NATIONAL PARK SERVICE, U.S. DEPARTMENT OF THE INTERIOR, OMAHA, NEBRASKA

Ms. SIMMONS. Mr. Chairman and members of the Committee, I appreciate the opportunity to appear before you today. We thank the Committee for approving H.R. 6510, the Restore Our Parks and Public Lands Act, on September 13. This initiative, which would direct up to \$6.5 billion toward reducing the deferred maintenance backlog at our national parks and other public lands, is Secretary Zinke's Number one priority, and we appreciate the Committee's support.

In addition to supporting the direct investment of Federal dollars through H.R. 6510, the National Park Service is committed to using every tool at its disposal to tackle the deferred maintenance backlog. One of these tools is to enlist willing lessees in assuming the maintenance responsibilities of our historical assets through the effective use of leasing authorities.

The National Park Service has authority to lease historic buildings and other structures under two laws: the Historic Preservation Act of 1966 and the National Parks Omnibus Management Act of 1998. This authority allows us to enter into public and private partnerships to use properties that are not needed for park purposes. In some cases, it has enabled major rehabilitation projects that would have otherwise not been possible. One key provision in the statute is the authority to adjust the fair market value rent to take into account the cost of restoring and maintaining structures.

Nationwide, the National Park Service currently has approximately 160 leases that cover over 340 structures. In Fiscal Year 2017, these leases generated over \$9 million, money that was retained by the National Park Service.

The National Park Service leasing program provides support to parks and regions of all aspects of the leasing process, including assisting with drafting requests for proposals, drafting lease documents, determining regulatory compliance, and increasing awareness of opportunities that are available through the leasing authority. The leasing program continues to develop formal training for staff to expand capacity across the National Park System.

The historic bathhouses in Hot Springs National Park have often been cited as an example of success of the National Park Service's leasing program. Several facilities on Bathhouse Row have been rehabilitated and repurposed through leases and in combination with the historic tax credit program. The Quapaw was opened in 2008 as a bathhouse and spa under a 55-year lease. This was followed by the Ozark in 2009. The Ozark lease was eventually terminated but was later repurposed as an art museum operated by the Friends of Hot Springs National Park. The Superior Bathhouse, which reopened as a brewery in 2013, continues to successfully operate under a long-term lease. The Hale Bathhouse is being converted to a boutique hotel and is expected to open in the coming year.

Elsewhere, three of our most notable projects are the Cavallo Point Lodge north of San Francisco, the Argonaut Hotel in San Francisco, and Williams Transco Facility in New York City. All three have resulted in large amounts of deferred maintenance costs being eliminated.

While these examples demonstrate how the National Park Service leasing authority can be used to redevelop, repurpose, and revitalize park structures, this authority has not always resulted in a valuable lease. Despite the National Park Service's investment of millions of dollars to stabilize the bathhouse structures in Hot Springs over the years, numerous attempts to find operators for the last two bathhouses, the Maurice and the Libby, have been unsuccessful.

In general, market conditions and market demand pose the greatest challenges to expanding the current leasing program. The majority of successful National Park Service leases have been located around large metropolitan areas, in particular New York, San Francisco, and Philadelphia, where there is greater demand to lease facilities.

Challenges have also been encountered when working to lease parties to other government entities. While an authority called

Service First allows the Departments of the Interior and Agriculture to enter into agreements to share resources, other fellow agencies do not have an authority to enter into a lease with the National Park Service. Instead, they must use the services provided by the General Services Administration, which entails a much more lengthy and complex process than the process available through Service First.

The National Park Service leasing program continues to learn from the market and develop best practices, while expanding the portfolio of the lease properties across the system.

Mr. Chairman, this concludes my statement, and I would be pleased to answer any questions you or other members of the Committee may have.

[The prepared statement of Ms. Simmons follows:]

PREPARED STATEMENT OF TRACY SIMMONS, CHIEF OF COMMERCIAL SERVICES,
MIDWEST REGION, NATIONAL PARK SERVICE, DEPARTMENT OF THE INTERIOR

Mr. Chairman and members of the Committee, I appreciate the opportunity to appear before you today at this oversight field hearing on "Historic Leasing in the National Park System: Assessing Challenges and Building on Successes."

We thank the Committee for approving H.R. 6510, the Restore Our Parks and Public Lands Act, on September 13. This initiative, which would direct up to \$6.5 billion toward reducing the deferred maintenance backlog in our national parks and other public lands, is Secretary Zinke's Number one legislative priority and we appreciate the Committee's support.

In addition to supporting the direct investment of Federal dollars through H.R. 6510, the National Park Service is committed to using every tool at its disposal to tackle the deferred maintenance backlog. One of those tools is to enlist willing lessees in assuming the maintenance responsibilities of our historical assets through the effective use of leasing authorities.

LEASING PROGRAM OVERVIEW

The National Park Service (NPS) has general authority to lease historic buildings and other structures, including associated property, under the Historic Preservation Act of 1966 (54 U.S.C. 306121) and the National Parks Omnibus Management Act of 1998 (54 U.S.C. 102102). These authorities allow the NPS to enter into public-private partnerships through leases that allow the lessee to use properties that are not needed for park purposes. In some cases, it has enabled major rehabilitation projects that would have otherwise not been fiscally possible.

The NPS's leasing authority under the Historic Preservation Act of 1966 and the National Parks Omnibus Management Act of 1998 are implemented by Part 18 of Title 36 of the Code of Federal Regulations. These regulations require parks to make the determinations that the lease: will not result in the degradation of the purposes and values of the park; will not deprive the park of property necessary for appropriate park protection, interpretation, visitor enjoyment, or administration; will contain terms and conditions that will assure the leased property will be used for activity and in a manner that are consistent with the purposes established by law for the park; is compatible with the programs of the NPS; is for rent at least equal to the fair market value rent of the leased property; will adequately insure the preservation of historic property; and is of a term length of 60 years or less. These regulations also require parks to make the determination that the proposed activities under the lease are not subject to authorization through a concession contract, commercial use authorization, or similar instrument.

The NPS is also authorized by statute to adjust the fair market value rent to take into account the costs to the lessee for preservation, maintenance, restoration, improvement, or repair and related expenses. This flexibility has been a valuable tool for the NPS to require the lessee to address deferred maintenance and continue to maintain and improve the facility during the lease term. It is often the case for facilities with a large amount of deferred maintenance that the lessee pays little or no rent during the lease term, because lessee's rent is reduced by these costs.

Nationwide, the NPS currently has approximately 160 leases that cover over 340 structures. These leases generated \$9,371,006 in total revenues in FY 2017 that

were retained by the NPS. A few of the NPS's recent leases include a master residential lease at First State National Historical Park; a lease with Navajo Nation Hospitality Enterprises, a wholly owned subsidiary of the Navajo Nation, at Canyon De Chelly National Monument; and a lease with the U.S. Forest Service of two buildings at Fort Vancouver National Historic Site. Efforts to increase the portfolio of leased properties continue by identifying properties eligible for leases.

The NPS leasing program provides support to parks and regions on all aspects of the leasing process, including assisting with drafting requests for proposals (RFPs), drafting lease documents, determining regulatory compliance, and increasing awareness of opportunities that are available through the NPS's leasing authority. The leasing program continues to develop formal training for staff to expand capacity across the NPS to initiate and manage park-level leasing programs.

NPS LEASING SUCCESSES

The historic bathhouses in Hot Springs National Park have often been cited as an example of the success of the NPS leasing program. Several facilities on Bathhouse Row have been rehabilitated and repurposed through leases and in combination with the Historic Tax Credit program.

The first bathhouse to be renovated and repurposed through a lease was the Quapaw in 2008. The Quapaw was opened as a bathhouse and spa under a 55-year lease. This was followed by the Ozark in 2009, which was repurposed as an art museum. The Ozark operated until 2013 when the lessee was unable to generate enough revenue to continue operations and asked to terminate the lease. The Ozark is currently operated by the park's non-profit supporting organization, the Friends of Hot Springs National Park, through an agreement with the park. It currently houses the Hot Springs National Park Cultural Center and displays artwork from the park's Artist-In-Residence Program. The Friends make the Ozark available for private events for a fee.

The Superior bathhouse, which reopened as a brewery in 2013, continues to successfully operate under a long-term lease. The Hale bathhouse is expected to open as a boutique 10-room hotel in 2019.

While these examples demonstrate how the NPS's leasing authority can be used to redevelop, repurpose, and revitalize park structures, there are instances where this authority has not resulted in an active lease. Despite the NPS's investment of millions to stabilize the bathhouse structures over the years, numerous attempts to find operators for the last two bathhouses, the Maurice and the Libby, have been unsuccessful. The most recent RFPs for the Maurice, issued last year, did not attract any offers.

The NPS has had success with major leasing projects elsewhere in the National Park System. Three of our most notable projects are the Cavallo Point Lodge in Golden Gate National Recreation Area, the Argonaut Hotel in San Francisco Maritime National Historical Park, and the Williams Transco facility in Gateway National Recreation Area. All three have resulted in large amounts of deferred maintenance being eliminated as a result of multi-million dollar investment from the private sector in projects involving renovation of historic assets. In all three cases, special park-specific leasing authorities were used in conjunction with system-wide general leasing authorities.

FEDERAL REHABILITATION TAX CREDIT (HISTORIC TAX CREDITS)

Some lessees have been able to take advantage of the benefits offered by the Federal Historic Preservation Tax Incentives program, which is administered by the NPS in conjunction with the Internal Revenue Service and State Historic Preservation Offices. This program encourages private sector investment in the rehabilitation and re-use of historic buildings through tax credits on income-producing (commercial) properties. Examples include the Cavallo Point Lodge, the Argonaut Hotel, the Quapaw Bathhouse, and the Fort Mason Center for Arts and Culture in Golden Gate National Recreation Area.

Navigating the multiple steps involved in obtaining historic preservation certification from the NPS is a complex process. Also, historic rehabilitation tax credits and other forms of third-party financing often require long-term leases. The NPS takes this into consideration when negotiating the final lease terms with a potential lessee and is always looking for ways to further partner with the private sector in the most seamless and appropriate manner.

LEASING CHALLENGES

While the examples given above highlight successes that have been achieved under the current leasing authority, the NPS has also faced a number of challenges in trying to utilize leases to reuse, rehabilitate, and revitalize our aging infrastructure. Some of the RFPs that have been issued by parks have received limited responses, or none at all. That was the case for a number of residential houses at Natchez Trace Parkway in Mississippi and for The Inn at Sleeping Bear Dunes within Sleeping Bear Dunes National Lakeshore in Michigan.

Nowhere are the challenges more evident than at Fort Hancock within the Sandy Hook unit of Gateway National Recreation Area, where there are over 30 vacant structures. The park is making steady progress and has now entered into seven letters of intent that cover 13 separate buildings. However, the NPS has put a lot of effort into finding potential lessees and working with them to develop restoration plans that will fit the lessees' desired design and use. Given the historic nature of these structures, it is often difficult to negotiate terms that allow for the preservation of the historic fabric of the structure while at the same time providing the lessee flexibility to renovate the structure to meet their needs. Depending on the complexity of the restoration requirements, negotiations have sometimes taken years to complete.

In general, market conditions and demand pose the greatest challenge to expanding the current leasing program. In intensely urban areas, there appears to be a greater demand from the public to lease facilities in parks for residential use, office space, or other commercial activity. The majority of successful NPS leases have been located around large metropolitan areas, in particular New York, San Francisco, and Philadelphia.

In addition, developers and investors are often more interested in purchasing outright fee title to property, rather than investing in the rehabilitation of a property that is owned by, and possession of which will eventually be returned to, the Federal Government. Also, the lease opportunities available within parks may not provide a viable business opportunity given the higher costs associated with the restoration or rehabilitation of the structures compared to the lower rents that may be available, especially in rural and sparsely populated areas.

Finally, NPS sometimes has difficulty executing leases with other government entities. The NPS has been able to enter into leases with other agencies within the Department of the Interior and the Department of Agriculture utilizing the Service First authority (43 U.S.C. §1703) which allows the two departments to enter into agreements to share resources. However, with respect to other Federal agencies, while the NPS has authority to enter into leasing agreements, the other agencies generally do not have a reciprocal authority to enter into a lease with the NPS. Instead, they use the services provided by the General Services Administration, which entails a much more lengthy and complex process than the process available through Service First.

Mr. Chairman, the NPS greatly appreciates the Committee's interest in the leasing issue and looks forward to continuing to work with you on ways to further utilize public-private partnerships to help preserve and maintain the NPS's historic assets for future generations to use and enjoy. The Secretary remains committed to improving how this process works to make it more feasible and stable for historic leasing to occur. We look forward to working with you and your colleagues toward that end. This concludes my prepared statement and I am happy to answer any questions.

QUESTIONS SUBMITTED FOR THE RECORD BY CHAIRMAN BISHOP TO MS. TRACY SIMMONS, CHIEF OF COMMERCIAL SERVICES, MIDWEST REGION, NATIONAL PARK SERVICE, U.S. DEPARTMENT OF THE INTERIOR

Ms. Simmons did not submit responses to the Committee by the appropriate deadline for inclusion in the printed record.

Question 1. The focal point of NPS historic leasing appears to be on the use of NPS buildings for commercial or business purposes. In addition to this use, it is clear that historic leases can be issued also for other purposes, such as residential and agricultural use. Has NPS issued historic leases for these purposes and do you agree that NPS favors broad and flexible use of historic leasing for a wide range of purposes—not just to run businesses?

Question 2. NPS has testified that historic leasing is appropriate for buildings that are not used for “park purposes.” This is a very broad concept that could preclude almost any use of properties for historic leasing. We assume that “park purposes” would have a narrow definition for this limitation and would apply only to those instances where NPS itself intends to use and occupy a building for administration, management, public health and safety, or other similar purposes. For example, lessees can perform interpretation as well as NPS in many cases and we assume that interpretation of a historic site would NOT be considered the kind of “park purpose” that prohibits its use for historic leasing. Please confirm that our understanding is correct and provide any additional insight on the meaning of this phrase as applied to historic leasing.

Question 3. It is commonly understood that one of the impediments to the use of historic leasing has been resistance at the local level, and from within individual parks, to adopt this innovative tool. Some superintendents are reluctant to yield their total control over buildings and historic properties to outside parties. Despite this well-known fact, it appears that NPS has continued to look to local park managers for a list of appropriate buildings for historic leasing. What is NPS doing from the HQ and regional office level to ensure that a broad and inclusive list of appropriate facilities is developed for historic leasing? Also, will NPS establish a process where third parties and potential lessees can identify those properties that would be the subject for historic leasing and, in doing so, activate a meaningful review process that is not subject solely to the whims of local officials?

Question 4. Given the vast number of buildings that are available for historic leasing, we are surprised that only 47 properties have been identified by NPS as priority targets. What is NPS doing to look at the longer list of 9,000 or so buildings from which candidates for historic leasing can be drawn.

Question 5. Much of the focus in the hearing has been on the use of historic leasing for buildings already in the maintenance backlog. It is clear that historic leasing can also be used as a strong tool to prevent structures from even being placed on the backlog. Does NPS agree that historic leasing should be used in a proactive manner to avoid the need to even put properties into the backlog? What steps has NPS taken to encourage the use of historic leasing to avoid a problem rather than just eliminate a problem that has already arisen.

Question 6. On November 21, 2013, the NTHP responded to an NPS request by submitting a list of 12 NPS units that are prime candidates for historic leasing. A copy of that letter is attached. Did the NPS act upon the NTHP recommendations? Are most of those properties now under active leases?

Question 7. One of the parks on the NTHP list of priority locations for historic leasing is the Apostle Islands National Lakeshore. Is there any prohibition that would prevent the use of historic leasing in this park?

Question 8. The General Services Administration (GSA) is the commercial real estate expert for the Federal Government. Does the NPS reach out to GSA for subject matter expertise? Has the Park Service considered adapting GSA job aides or training curriculum for use in the NPS? What is the NPS doing to ensure staff have the resources and training they need?

Question 9. What recommendations did the NPS implement after the completion of the 2010 “Leasing Program Assessment”—a report that was completed by the Center for Park Management at the request of your agency?

Question 10. The Northeast Region of the NPS has a high number of leases in place. Has the NPS implemented any Northeast Region practices service-wide to promote the success and expansion of historic leasing?

Question 11. Many leases require lessees to deposit a percentage of their gross revenues into a maintenance reserve fund. While ensuring that funds are available for major repairs is important, a significant amount of capital can accumulate in those funds, as businesses grow and repairs are checked off. Would the Park Service consider establishing a cap on the total funds that need to be deposited into the maintenance reserve fund?

Mr. WESTERMAN. Thank you, Ms. Simmons.

The Chair now recognizes Mr. Cole McCaskill to testify for 5 minutes.

STATEMENT OF COLE McCASKILL, VICE PRESIDENT, HOT SPRINGS CHAMBER OF COMMERCE, HOT SPRINGS NATIONAL PARK, ARKANSAS

Mr. McCASKILL. Thank you very much, Mr. Chairman. I appreciate the opportunity to be here today to represent the business community of Hot Springs. The bathhouse leasing program has had an intensely positive impact on Hot Springs. I am going to share three observations that help to illustrate this point.

Prior to the leasing program, the majority of the bathhouses sat empty, dark, and vacant. Since the program was created and filled these new bathhouses with new businesses, the national park side of the street appears to be open for business.

So, it is a common principal in economic development that private investment follows public investment, so economic developers are always mindful to steer capital in a fashion that will catalyze further investment in an area. What is great about this scenario is that instead of shouldering the burden of capital outlay to open these bathhouses to the public, the national park leveraged the private sector's creativity to put this real estate back into productive use in financing the final property improvements privately, all the while retaining oversight of the land, real estate, and business.

This reactivation of public space due to the leasing program will serve as a catalyst for private investment and business growth in our downtown historic district. As you have heard now, we have had over 100 new businesses open in the downtown area and over \$80 million has been reinvested just in the past few years. I truly don't believe that would have been possible if the national park side of the street appeared to be closed for business.

A second observation is that the businesses that are now occupying these bathhouses get an extraordinary amount of national and international attention, which pays dividends for our community when it comes to tourism. Due to the unique nature of these businesses and the uniqueness of the lease with the national park, the press loves these businesses.

Just one example, the Superior Bathhouse Brewery operates the business on Bathhouse Row that is most fundamentally different from the original bathing experience. They sell beer that is brewed with thermal water. This is a very unique practice. In fact, it is the only business in the world that is doing this, and because of that, and because the beer is good, they get a tremendous amount of national exposure. In just 1 year, they were covered by the *Chicago Tribune* and featured on the CBS Sunday Morning show with the rest of the national park. Our local tourism agency, Visit Hot Springs, estimates that just those two pieces of coverage reached nearly 3 million people and was worth over \$120,000 in retail advertising value. That is exposure that we didn't have to pay for.

This type of international coverage is very impactful on our local economy because it generates tourism interest from very credible editorial sources, and as you know, tourism is the Number one sector in our economy, employing over 22 percent of the workforce.

My third observation is that the leasing program has a general reputation for being complicated, which may deter applicants. The average citizen of Hot Springs doesn't know the exact specifics of the leasing program. However, there is a perception that it is an

extremely complicated and lengthy process. This perception is fueled by the drawn-out timeline of the process. Oftentimes, there is an announcement of a new business and then months and years can go by before the public sees any activity.

The difficulty of this process is magnified when compared to the process of leasing historic space just a few dozen feet across the street in a privately-owned building, which a simple lease agreement and a few days is all you might need to move your business in, and a business oftentimes cannot take that long of a time period between announcing the business and actually moving in without revenue coming back in.

This issue is also reflected in the fact that the few folks that do hold these leases are highly regarded in our community as having an extraordinary aptitude for success. These are not ordinary citizens. Pat McCabe is the mayor of Hot Springs and he has been the CEO of the hospital for nearly two decades. Anthony Taylor and Bob Kempkes are both successful architects and own multiple businesses under real estate developers. So, the fact that only the most exceptional people are holding these leases to the bathhouses makes me question the ability of the average businessperson to see this process through.

In closing, the leasing program has an extremely positive impact on our community, especially the downtown area. I think it has set a foundation for the tremendous wave of investment we have seen over the past 2 years, and I am sure that none of this would have happened if the national park side of the street would have appeared to be closed for business.

Thank you.

[The prepared statement of Mr. McCaskill follows:]

PREPARED STATEMENT OF COLE MCCASKILL, VICE PRESIDENT OF ECONOMIC
DEVELOPMENT, HOT SPRINGS METRO PARTNERSHIP

INTRODUCTION

Hot Springs National Park's Bathhouse Leasing Program has had an incredible impact on the community and economy of Hot Springs, Arkansas. In this testimony, I will illustrate some of the most important factors related to the benefits to the community of this leasing program.

NUMBER ONE

It's a common principle in economic development that private investment follows public investment. Economic developers are always mindful to steer capital in a fashion that will catalyze further investment from the private sector. Hot Springs National Park's Bathhouse Row along the eastern side of Central Avenue, is a significant public institution that is uniquely intertwined with the city of Hot Springs' historic downtown district on the western side of Central Ave., where the vast majority of the land and improved property is privately owned.

Prior to the bathhouse leasing program, the majority of the eight bathhouses along Bathhouse Row sat empty, dark and vacant. Since the leasing program has filled these bathhouses with new businesses, the eastern national park side of the street has come alive with activity.

Instead of shouldering the burden of the full capital outlay to open these structures to the public, Hot Springs National Park solicited business ideas from the private sector that would put this real estate back into productive use, reactivate the square footage, and finance the final property improvements privately. The only compromise that the national park has had to make, is to allow businesses to fill these spaces that sell a product or service that is not identical to the thermal bathing of 100 years ago for which these structures were built.

When these bathhouses were built 100 years ago, before the invention of penicillin, thermal bathing was a popular treatment for many illnesses. The demand for bathing has decreased significantly since that day and caused most of the bathing businesses in the bathhouses to close by the 1980s.

The bathhouse leasing arrangement has allowed the public institution to offload the ideation and capital investment needed to put this property back to work to the private sector while still retaining oversight of the land, real estate and business.

It's also important to consider the genesis of the Bathhouse structures themselves. They were built by the private sector on Federal land for the purpose of operating as private businesses, so in Hot Springs this concessioner concept is over 100 years old.

This reactivation of public space due to the bathhouse leasing program has served as a catalyst for private investment and business growth in the City of Hot Springs' downtown historic district, where these two areas are so uniquely intertwined. Where nearly all of the bathhouses on the eastern side of the street appeared closed and dark, they are now open for business. The new businesses that have occupied the bathhouses have proved some interesting new markets in Hot Springs and set the foundation for a tremendous wave of investment in recent years. In downtown over the past 4 years, over 100 new businesses have opened, over 80 historic commercial properties have been bought and sold, and over \$80 million of private capital has been invested. I'm sure none of this would have been possible if the Hot Springs National Park side of downtown remained "closed for business."

And even better for Hot Springs National Park, instead of a sizable public investment, private capital has been used to improve, preserve and maintain the bathhouse properties. That capital was attracted by the opportunity of the bathhouse leasing program and the unique markets that exist in Hot Springs.

NUMBER TWO

The businesses that occupy these bathhouses get an extraordinary amount of national and international attention, which pays dividends for our community. Due to the unique nature of their business and to a certain degree, the uniqueness of the lease with the national park, the press loves these businesses.

The Superior Bathhouse Brewery operates the business on Bathhouse Row that is most fundamentally different than the original bathing experience; they sell beer that's made with the thermal water from Hot Springs National Park. This is a very unique practice. In fact, this is the only business making beer with naturally thermal water in the world. Because of this unique quality, and because the beer is good, Superior gets a remarkable amount media exposure nationwide.

Just two examples of this type of national coverage in 2016 are that Superior was featured on the CBS Sunday Morning Program and in the Chicago Tribune. Visit Hot Springs, our city's tourism agency, estimates the reach of these two pieces alone at nearly 3 million people with a retail advertising value of just over \$120,000.

Additionally, owners of The Quapaw Baths & Spa attended an international summit on thermal bathing in Japan representing Hot Springs, Arkansas, where they were the only attendees from the United States of America.

This type of national and international coverage is very impactful on our local economy, because not only does it promote exciting new businesses, the news coverage always introduces Hot Springs as the setting for this interesting activity. This equates to great exposure from very credible editorial sources that generates tourism for Hot Springs.

Tourism is very important to Hot Springs. It is the largest sector in the Hot Springs economy, supporting 7,592 jobs or roughly 22 percent of the workforce in our area. Visitors spent \$799 million in Hot Springs last year.

NUMBER THREE

The Bathhouse Leasing program has a general reputation for being onerous and the business owners who have completed the process are regarded as exceptionally capable people.

The average citizen in our community does not know the exact specifics and particulars related to completing the bathhouse leasing process. But there is a perception among the general population of Hot Springs that it is an extremely complicated and lengthy process which may deter potential applicants.

This perception is fueled by the elongated timeline of the process. Many of these prospective lessees make very highly visible announcements announcing their intent to lease a bathhouse. In many cases, years pass by before any tangible progress is seen, either through construction or occupation of the real estate. A multiyear timeline to open a business is not feasible for most businesses and most cannot

sustain a business through this period without revenue coming in. Other factors are involved in extending the timeline for opening with financing being central among them, but the leasing process is always the most visible public obstacle.

The difficulty of this process is magnified when compared to the process for leasing a private commercial space just a few dozen feet across Central Avenue in the City of Hot Springs' downtown historic district. A simple lease agreement between two parties is usually all that's needed and in a best-case scenario where the property is ready to be occupied, a tenant business could have the opportunity to move in within days. This scenario looks more favorable to most businesses, but the bathhouses offer the unique benefit of access to the thermal water which is important enough for most of the businesses who have leased bathhouses to opt for this more difficult lease route.

This issue is also reflected in the fact that many of the bathhouse lessees are highly regarded in our community as having an exceptional aptitude for success. These people show extraordinary tenacity in their everyday lives and the management and execution of their businesses and they exhibit characteristics of extremely competent and successful people. Pat McCabe is the Mayor of Hot Springs and has been the CEO of Levi Hospital for nearly two decades. Anthony Taylor and Bob Kempkes are both accomplished architects, business owners, and real estate developers. Rose Schweikhart is an accomplished musician, business owner and beer brewer. The fact that only the most exceptional business people are holding leases to the bathhouses makes me question the ability of the average business owner to see this process through to completion.

CONCLUSION

The Bathhouse Leasing Program has had an extremely positive impact on Hot Springs and especially the downtown area. What was once an entire half of downtown that appeared closed and dark is now open for business. The new businesses that have occupied the bathhouses have set the foundation for a tremendous wave of investment in recent years. In downtown over the past 4 years, over 100 new businesses have opened, over 80 historic commercial properties have been bought and sold, and over \$80 million of private capital has been invested. Many other factors were involved in the development of downtown Hot Springs over the years, but I'm sure none of this would have been possible if the Hot Springs National Park side of downtown remained to appear "closed for business."

Mr. WESTERMAN. Thank you, Cole.

The Chair now recognizes Mr. Tom Cassidy for 5 minutes.

STATEMENT OF TOM CASSIDY, VICE PRESIDENT, GOVERNMENT RELATIONS AND POLICY, NATIONAL TRUST FOR HISTORIC PRESERVATION, WASHINGTON, DC

Mr. CASSIDY. Chairman Bishop, members of the Committee, Mayor McCabe, and other distinguished guests, I appreciate the opportunity to present the National Trust testimony on the challenges and successes of historic leasing as a strategy to abate the maintenance backlog. But first, Chairman Bishop, on behalf of the hundreds of organizations, some of which are here today, who support your bipartisan Restore Our Parks and Public Lands Act, thank you for successful markup of the legislation last Thursday. We look forward to continuing to work with you on getting that across the finish line by the end of the year.

We appreciate the attention you are focusing on historic leasing. While leasing is not a magic or silver bullet that will solve the backlog, leasing is not the solution to ensure that national icons such as the Statue of Liberty, Independence Hall are maintained for the American public. And under current concessional law, numerous public services that are necessary and appropriate to visitation in parks, such as Yosemite and Canyonlands, are the appropriate subjects of concession contracts. The leasing of historic

buildings is an important improvement but still an underutilized strategy to rehabilitate and bring back to economic life and public enjoyment abandoned or underutilized historic resources.

Hot Springs demonstrates the successes and the continued future opportunities. The Trust published a major report on historic leasing 5 years ago. It provided an overview of policy concerns, legal authorities, recommendations, and case studies from parks throughout the country, including Hot Springs. Since then, we have visited numerous parks to evaluate existing and potential leases and we continue to meet with National Park Service leadership to encourage expanded leases. I would note that long-term leases of 55 to 60 years enable lessees to utilize the Federal historic tax credit, by far the most significant investment in historic preservation. But the tax credit has been used in only a small number of Park Service leases, including the Quapaw Bathhouse, and we hope soon Hale and Superior bathhouses.

So, what are the barriers and how can they be overcome? We are impressed and humbled by the remarkable staff of our National Park Service. There are few finer interpreters of our shared national stories. But little girls and boys who dream of being a park ranger, dream of being a ranger in Yosemite or Denali, or the smart ones, perhaps Zion, Golden Spike, and Hot Springs, And I would venture that very few imagine becoming a commercial real estate specialist.

The fact is there is very little practical experience with commercial leasing within the Service either at the park, region, or headquarters level. There are a number of outstanding real estate professionals, but they are often concentrated in individual parks over few regions. They are not well distributed throughout the agency.

And related to this fact is that Park Service practice and culture precludes experts in one region from assisting park officials in another region, and national staff are reluctant to offer advice to parks unless there is a request from the region. Our recommendation—and this actually emerged in a conversation we had with Acting Director Danny Smith—is that the Park Service should commit to catalyze historic leasing by creating a “tiger team” of real estate specialists knowledgeable in park regulations and policies and perhaps, most importantly, commercial real estate, to assist individual parks and regions in advancing specific projects and innovative adaptive reuse partnerships. The Park Service also has to provide the financial support to fund the necessary staff training.

We also have opaque guidance from headquarters. In April 2016, the Park Service issued a memorandum to the regional directors that explicitly addressed a bias against leasing, and that was an important first step. It included a decision guide to choosing a lease or a concession contract, but the underlying policies and interpretations remain confusing.

Speaking personally, I have suffered brain damage trying to understand the distinction between necessary and appropriate and how that implicates a lease or a concession contract and to still find its practical application. One simple recommendation is that the Park Service should develop a set of more specific examples to

describe how existing leases are consistent with policy or what would be examples of leases that might violate policy, and particular care is needed to ensure there are clear standards to determine when a concession agreement is required and leasing is appropriate.

The red light indicates I am done. I would be happy to answer any questions, especially on other successful examples besides the great ones here in Hot Springs.

[The prepared statement of Mr. Cassidy follows:]

PREPARED STATEMENT OF THOMAS J. CASSIDY, JR., VICE PRESIDENT OF GOVERNMENT RELATIONS AND POLICY, NATIONAL TRUST FOR HISTORIC PRESERVATION

Chairman Bishop, Ranking Member Grijalva and members of the Committee, I appreciate the opportunity to present the National Trust for Historic Preservation's testimony on the challenges and successes of historic leasing as a strategy to bring abandoned and underutilized buildings back to public enjoyment and use, while also abating the \$11.6 billion maintenance backlog of our national parks. My name is Thomas J. Cassidy, Jr. and I am the Vice President of Government Relations and Policy.

The National Trust for Historic Preservation is a privately-funded charitable, educational and non-profit organization chartered by Congress in 1949 in order to "facilitate public participation in historic preservation" and to further the purposes of Federal historic preservation laws.¹ The intent of Congress was for the National Trust "to mobilize and coordinate public interest, participation and resources in the preservation and interpretation of sites and buildings."² The National Trust has more than 1 million members and supporters. With headquarters in Washington, DC, 9 field offices, 28 historic sites, and a national network of partners in states, territories, and the District of Columbia, the National Trust takes direct, on-the-ground action when historic sites are threatened, advocates to save America's heritage, and strives to create a cultural legacy that is as diverse as the Nation itself, so all can take pride in the American story.

The National Trust has worked closely with many stakeholders on a legislative solution that would provide dedicated funding to address the maintenance backlog. We strongly endorse the bipartisan Restore Our Parks and Public Lands Act (H.R. 6510) introduced by Chairman Rob Bishop and Ranking Member Grijalva which enjoys the support of nearly 160 co-sponsors. Thank you again, Mr. Chairman, for your successful markup of this legislation last Thursday.

We also support the Restore Our Parks Act (S. 3172) introduced by Senators Portman, Warner, Alexander, and King that to-date has secured support from over a quarter of the U.S. Senate. We believe these bills can make a substantial and meaningful investment in our national parks. We are also pleased the legislation provides dedicated funding financed by unobligated Federal mineral revenues in such a way that allocations to the Land and Water Conservation Fund and Historic Preservation Fund are not impacted. The National Trust is a strong supporter of both these programs and believes that both should receive the dedicated funding they have long been promised.

Thank you for the attention the Committee is focusing on historic leasing, an underutilized tool to abate the NPS maintenance backlog. Historic leasing is not a magic bullet that will solve the maintenance backlog. Leasing to a third party is not the solution to ensure that national icons such as the Statue of Liberty, Independence Hall, or the Jefferson Memorial are maintained for the American public. And, under current concession law, numerous public services that are "necessary and appropriate" to visitation in many of our large rural parks such as the Grand Canyon, Yosemite, Great Smoky Mountains, and Yellowstone are the appropriate subjects of concession contracts. But, leasing of historic buildings in national parks is an important and proven, but still underutilized strategy, to rehabilitate and bring back to economic life and public enjoyment abandoned or underutilized historic resources.

¹ 54 U.S.C. §§ 312102(a), 320101.

² S. Rep. No. 1110, 81st Cong., 1st Sess. 4 (1949).

THE NEED

The National Park System is an astonishing national treasure. It is absolutely one of our Nation's best ideas—a network of 417 parks and sites that protect spectacular historic, cultural, and natural resources and tell the stories of remarkable people and events in our country's history. Three-quarters of national park units were established to protect our country's most important historic and cultural resources. These places include such national treasures as Ellis Island National Monument, Gettysburg National Battlefield, Chaco Cultural National Historic Park, and the Washington Monument. Over the past two decades, the NPS has added over 30 new park units that are predominantly historical and cultural. These new parks that help tell the stories of all Americans include Rosie the Riveter World War II Home Front National Historical Park, César E. Chávez National Monument, Tuskegee Army Airman National Historic Site, Reconstruction Era National Monument, and the Birmingham Civil Rights National Monument.

The National Park System includes more than 84 million acres across all 50 states, the District of Columbia, and many U.S. territories. NPS protects and interprets an estimated 2 million archaeological sites, 4,200 historic statues and monuments and more than 27,000 properties listed on or eligible for the National Register of Historic Places, including 9,600 buildings.

National parks, and the historic and cultural sites they protect, are some of our Nation's most popular attractions and were visited by over 331 million people last year. In 2017 alone, these visits generated visitor spending of an estimated \$18.2 billion in nearby communities—spending that supported 306,000 jobs and provided a \$35.8 billion boost to the national economy.

I will address two issues in this testimony. First, the need for direct Federal investments through annual appropriations and the proposed “National Park Service and Public Lands Legacy Restoration Fund.” Second, the challenges and opportunities available to rehabilitate and maintain historic properties through historic leasing.

DIRECT FEDERAL INVESTMENTS

The NPS maintenance backlog of \$11.6 billion demonstrates that additional investments and new strategies are necessary if NPS is to meet its stewardship responsibilities. We are encouraged, Mr. Chairman, by your successful markup last Thursday of H.R. 6510. We are impressed by the many statements of support by numerous Senators, Secretary of the Interior Ryan Zinke, and hundreds of organizations nationwide for reducing the maintenance backlog and prioritizing this issue as part of policy proposals to invest in our Nation's infrastructure.

For several years the National Trust has focused on increased funding for the NPS line items for Repair and Rehabilitation and Cyclic Maintenance to alleviate the maintenance backlog and ensure adequate preservation and protection of resources in our parks. Both the House and Senate-passed versions of the FY19 Interior Appropriations bills would increase funding for these two accounts. The Senate bill adds \$15 million while the House bill increases those accounts by \$40 million compared with FY18. Notably, the FY18 total for these accounts was already about \$100 million more than it was just 3 years prior—a roughly 55 percent increase. We support continued increases in appropriations for these accounts.

But the scale of the backlog demonstrates the need for a reliable, dedicated Federal funding source distinct from annual appropriations to address the deferred maintenance backlog. And, if we are successful in securing enactment of the Restore Our Parks and Public Lands Act, we will also need to be mindful of the need to provide sufficient staffing to preserve properly historic sites, maintain buildings and infrastructure in safe condition, and keep our parks open and accessible to the public.

HISTORIC LEASING

The National Trust published a major report in September 2013: “Historic Leasing in the National Park System: Preserving History Through Effective Partnerships.”³ Our study provided an overview of policy concerns, legal authorities, policy recommendations, and a set of 17 case studies from throughout the country. Since then, we have visited numerous parks to evaluate successful leases and opportunities to expand leasing. We have updated 4 of our case studies and expect to

³Historic Leasing in the National Park System: Preserving History Through Effective Partnerships; <http://forum.savingplaces.org/viewdocument/historic-leasing-in-the-national-pa?>; September 2013.

complete 4 more in the near future, a number of which are summarized below. We have also continued to meet with National Park Service leadership and Congressional staff to encourage additional use of historic leasing.

Leasing of historic buildings in the National Park System to non-NPS entities is an effective and proven public-private partnership that can be used as part of a suite of options to abate the deferred maintenance backlog in our national parks. Historic leases alleviate the burden on the National Park Service to maintain historic buildings. Long-term commercial leases of 55–60 years also enable lessees to utilize the Federal 20 percent historic tax credit for qualified rehabilitation expenses. We were very pleased that Congress chose to maintain the historic tax credit (HTC), championed by President Ronald Reagan, in the Tax Cuts and Jobs Act of 2017. The HTC has proven to be the most significant Federal investment in historic preservation. Since 1982, it has rehabilitated more than 43,000 buildings, creating 2.4 million jobs and leveraging \$131 billion in private investment. As described below, the HTC has been used in only a small number of NPS leases, including at the Quapaw Bath House here in Hot Springs. We know that it can and should be used more extensively than it is now.

Congressional support for leasing has long existed, as evidenced by grants of authority to enter into leases and historic leases,⁴ which Congress has extended to the NPS over the years. In addition, there has been consistent direction from the Interior Appropriations Subcommittee and Full Committee encouraging historic leases to abate the maintenance backlog. For example, the Interior FY12 House Interior Appropriations Report stated:

The Committee encourages the Park Service to pursue the use of cost-effective, innovative solutions like historic leases when practical and when the arrangement comports with a park unit's enabling legislation. These solutions can help mitigate a growing backlog of historic structures in need of preservation.⁵

In FY16, the Full Committee stated:

Leasing of Historic Buildings. Leasing of historic park buildings has proven to be an effective public-private partnership that has brought private investment to the repair and maintenance of historic park resources. In previous years, the Committee has encouraged the Service to make expanded use of leasing authority. The Committee commends the Service for recent steps it has taken to increase the utilization of this tool, including establishing a leasing manager to oversee and expand the historic leasing program. The Committee directs the Service to provide a report, within 6 months of enactment of this Act, detailing its progress toward expanding use of this authority. Included in this report should be (1) an assessment of how many historic structures are leasable, (2) the cost of undertaking a leasing program, and (3) any statutory or regulatory impediments that now inhibit the enhanced use of leasing of historic structures.⁶

And, in FY17, the Full Committee stated:

Leasing of Historic Buildings. Leasing of historic park buildings has proven to be an effective public-private partnership that has brought private investment to the repair and maintenance of historic park resources. In previous Committee reports, the Committee has encouraged the Service to make expanded use of leasing authority. The Committee commends the Service for recent steps it has taken to increase the utilization of this tool, including establishing a leasing manager to oversee and expand the historic leasing program. The Committee renews its previous request that directs the Service to provide a report, within 6 months of enactment of this Act, detailing its progress toward expanding use of this authority. Included in this report should be (1) a list of structures the Service considers high-priority candidates for leasing, (2) a list of structures currently under a lease arrangement, (3) an estimate of the number of leases that have enabled private sector investments using the Service-administered historic tax credit, and (4) any statutory or regulatory impediments that now inhibit the enhanced use of leasing of historic structures.⁷

⁴See 54 U.S.C., section 102102 and section 306121.

⁵House Report 112–51, H.R. 2584.

⁶FY16, H. Report 114–170, H.R. 2822.

⁷FY17, H. Report 114–632, H.R.

The Department of the Interior, responding to the FY17 report language, reported to Chairman Calvert on January 18, 2017,⁸ that among the 27,000 assets on the List of Classified Structures (LCS), potentially 9,000 structures could be evaluated for re-use through leasing. And in a letter to Chairman Murkowski of March 29, 2018, the Department identified 47 high-priority candidates for leasing, about 350 structures currently subject to a lease, and 3 leases that utilize the historic tax credit.⁹

Barriers to Leasing and Policy Recommendations:

Historic leasing can enhance opportunities for the private and non-profit sector to assist in the preservation, maintenance and use of historic buildings. Even with the availability of leasing authority included in the National Historic Preservation Act and the Concessions Management Act, and congressional encouragement, the NPS has struggled to fully use its authority to preserve historic structures and cultural resources. Barriers to full use of this authority—including unduly restrictive policy interpretations or statutory and regulatory hurdles, as well as staff capacity and expertise—have often stood in the way. If implemented, the following recommendations would help address these barriers and make historic leasing an even more effective tool.

- Lack of capacity and experience in the field: After many years of studying the use of historic leasing in the parks and meeting with park staff on the ground, in regional offices and in DC, we are impressed and humbled by the remarkable staff of the National Park Service. There are few finer interpreters of our shared national stories. But, there is very little practical experience with commercial leasing within the Service, either at the park, region or headquarters level. There are a number of examples of outstanding real estate professionals, but they are often concentrated in individual parks or a few regions—they are not well-distributed throughout the agency.
 - Recommendation: NPS should commit to significantly catalyze historic leasing by creating a “tiger team” of real estate specialists, knowledgeable in park service regulations and policies and perhaps most importantly, commercial real estate, to assist individual parks and regions in advancing specific projects and innovative adaptive reuse partnerships.
- Internal Culture and Policy: Existing park service policy and culture precludes experts in one region from assisting park officials in another region. In addition, national staff is reluctant to offer advice to parks unless there is a request from the region. And, park service leadership has not yet broken through these barriers to make clear that expanded use of historic leasing is a National Park Service priority that will be supported by policy clarifications, small but necessary budget reforms and spotlighting successful models of innovation.
 - Recommendation: NPS should provide financial support to fund staff training and administration of a larger leasing program. Subsequent to our 2013 report, the NPS did add its first leasing program specialist in the Washington office, and we understand that additional capacity is being considered. In many parks, more technical skills are needed before a more robust leasing program can be implemented. The “tiger team” identified above would also address this.
- Opaque Guidance: On April 18, 2016, the NPS Chief Financial Officer issued a Memorandum to the Regional Directors on “Guidance on Authorizing Commercial Services under Concession Contracts or Leases.” It explicitly addressed a bias against leasing based upon a policy interpretation, which is an important policy statement. And it does include a “Decision Guide—Choosing a Lease or a Concession Contract.” However, the underlying policies and interpretations remain opaque. Speaking personally, I have invested significant time trying to understand the “necessary and appropriate” requirement for a concession contract rather than a lease and still find its practical application, and guidance, to be a challenge.
 - Recommendation: NPS should develop a set of more specific examples to describe how existing leases are consistent with policy or what would be

⁸The letter is date stamped “Jan 18 2016” but we believe it is a 2017 letter.

⁹We understand there are at least five current historic tax credit projects including within the following parks: Hot Springs, Fort Hancock, San Francisco Maritime, Fort Baker (GGNRA) and Fort Mason (GGNRA).

examples of leases that would violate policy. The NPS should undertake a thorough review of the laws, regulations, policies, and procedures for historic leasing and address inconsistencies and areas of confusion. Particular care is needed to insure that there are clear standards to determine when a concession agreement is required and when leasing is appropriate.

- The costs of preparing properties for leasing, including appraisals, is often cited as a barrier.
 - Recommendation: A fund should be available to prepare buildings for lease, including necessary historic building surveys, costs of appraisals and, in some cases, funds to stabilize and complete basic improvements to structures. The NPS should define the need for such funding and include it in the FY20 budget request.
- Administrative Costs: The authority for “leasing” permits rental payments to be deposited in a special account for various uses, but not for the costs of administration. The proceeds of a “historic lease,” however, are deposited in a fund and may be used for the costs of administration, but the fund is only 2 year money.
 - Recommendation: Harmonize these sections and permit lease funds to be used for administration without a 2 year limitation on expenditures.

Despite these obstacles, there are numerous examples where historic leasing and public-private partnership agreements have been used to authorize non-Federal entities to operate businesses, provide services and housing, and manage event spaces in historic structures within the National Park System. In many cases, the involvement of non-Federal entities has meant the difference between preservation and reuse or deterioration and neglect of irreplaceable historic resources. The American public has directly benefited from these private investments through increased opportunities to enjoy historic properties that otherwise would have been unavailable. However, despite successful examples of historic leasing being used to rehabilitate historic structures in almost every NPS region, some Superintendents have not used the NPS’s leasing authorities to their full extent.

EXAMPLES OF HISTORIC LEASING

Hot Springs National Park, Arkansas

Every year 1.5 million people visit “The American Spa” in Hot Springs, Arkansas. In the late 19th century, developers turned this area and its 47 geothermal springs into a resort town complete with hotels and bathhouses. The bathhouses fell into disuse as public interest in therapeutic baths declined. In order to restore the eight remaining bathhouses to make them both usable and important for interpretation, the park explored historic leasing opportunities. An initial Federal investment of \$18 million in the early 2000s made the bathhouses “tenant-ready” and attractive to lessees. Today, only one bathhouse remains to be leased. Since becoming a unit of the National Park System in 1921, the park has remained a major economic driver to the city of Hot Springs and draws more than \$99 million in tourist dollars to local communities.

Quapaw Bathhouse

The Quapaw—one of the largest bathhouses—had been vacant since the 1980s until Taylor Kempkes Architects stepped in. An initial \$2.5 million investment, aided by the historic tax credit, and a year of rehabilitation work, led to the reopening of the Quapaw as a luxury spa in 2008, and it remains popular a decade later. As part of the 55-year lease, the NPS is no longer responsible for monthly utility bills or maintenance costs and 2 percent of annual gross revenue must be put into a restricted fund for maintenance work. Quapaw Bath and Spa handles the daily maintenance operations of the building, yet the park remains an active partner by ensuring that any work is consistent with National Park Service standards.

Superior Bathhouse

Aspiring brewer and entrepreneur Rose Schweikhart discovered the natural temperature and pH of the thermal springs were ideal for beer making. She subsequently turned the Superior Bathhouse into a beer-making facility, improving the floors and electric conduits to accommodate thousands of pounds of equipment, pumps, and food facilities. She added features—like a glass wall so visitors could see the beer-making process—without harming the historic fabric. Using the same lease structure as the Quapaw, Schweikhart maintains the integrity of the building

while staying economically viable. The Superior Bathhouse Brewery opened in 2014 and designs for a German-style beer garden are in the works.

Valley Forge National Historical Park, Pennsylvania

After a harsh winter in Valley Forge, the Continental Army emerged from their encampment in June 1778 a more united and disciplined fighting force. This defining moment in the American Revolution motivated civic groups to host rallies and lead preservation efforts until Valley Forge became Pennsylvania's first state park in 1893. When suburban development pressures and funding concerns at the state level threatened the integrity of the park, the commonwealth transferred the management of the park to the National Park Service (NPS) in time for the bicentennial in 1976. Each year more than 2.4 million visitors come to the park and spend approximately \$30 million in local communities. To meet increased visitors' demands and to help compensate for insufficient Federal appropriations, the NPS has pursued historic leasing opportunities. The park utilizes both long- and short-term leases, and a multi-year plan enables the NPS to identify future leasing projects that benefit the park through additional revenue streams, capital improvements, and maintenance savings.

Philander Chase Knox Estate

The late 18th-century Philander Chase Knox Estate sits picturesquely amidst the rolling hills of Valley Forge. The mansion was used as a library and storage facility until a 10-year lease was signed in 2015 with Valley Forge Park Events, LLC—a partnership between The Party Center and Robert Ryan Catering—to create an event space. The company preserved the historic integrity of the house and landscape while completing necessary updates and restorations. The park receives a percentage of the revenue from fees and catering sales at the more than 50 annual events, far exceeding initial forecasts. In this partnership, the park uses half of the house as a library while the event company maintains the indoor and outdoor spaces it leases. The beautifully restored mansion is now accessible to the public and guests can enjoy scenic views that will inspire them to return to the park.

The Montessori Children's House of Valley Forge

The Montessori Children's House was seeking a permanent home when they learned the park was interested in leasing several historic buildings. Following a capital campaign, archaeological and historic surveys, and architectural planning, the Montessori Children's House signed a 40-year lease in 2009 and began rehabilitating the structures. The large house, two-story barn, and cottage were in serious disrepair from water damage, unchecked ivy, wood decay, mold, and asbestos. The school's repair work preserved the historic integrity of key structures and maintained the basic footprint of the site. The park and the school forged a symbiotic relationship wherein the park benefits from annual rent, mortgage, and maintenance payments while the school enjoys use of a beautiful property in a historic setting, with access to park rangers for educational programming.

Golden Gate National Recreation Area, California

One of the largest urban parks in the world, Golden Gate National Recreation Area protects significant historic, cultural, natural, scenic, and recreational resources. In addition to rich natural ecosystems and habitats, the park interprets thousands of years of human history from Native American cultures, to the frontiers of the Spanish Empire, to American maritime and military heritage, to the development of modern-day San Francisco. Established in 1972, the park manages more than 366 historic structures, 5 National Historic Landmark districts, and 13 National Register of Historic Places properties. Every year, more than 15.6 million visitors are drawn to the diverse experiences offered at the park and spend approximately \$392.1 million in local communities. To better steward the historic buildings, the park began to enter into formal historic lease agreements in the early 2000s. Now the park has approximately 30 leasing partners who help to maintain and fund the park while creating new opportunities for visitors.

Fort Mason Center for Arts & Culture

Intermittently over the past 200 years, Spanish, Mexican, and American forces have fortified this hilltop promontory overlooking the San Francisco Bay. Renamed Fort Mason in 1882, the post became incorporated into the park when it was established in 1972. After 40 years of partnering with a local non-profit, the park signed a 60-year lease in 2006 with the Fort Mason Center for Arts & Culture (FMCAC). The lessee pays an annual rent to the park and also contributes to a maintenance reserve fund, where they far exceed their minimum requirement every year. As part of the lease, the park is financially responsible for shoring up the substructure of

the piers and FMCAC develops the superstructure. After identifying a for-profit investor, FMCAC used the historic tax credit to tack Pier 2 and is now looking to rehabilitate Pier 3. FMCAC has subleased many of its buildings to other non-profits and for-profit entities to create a thriving campus for the arts. The campus—which includes five buildings on land and two pier buildings—now hosts five theaters, two art schools, an art supply shop, a bookstore, a café, and two restaurants.

Golden Gate NRA Residential Master Lease

To build on this success, the NPS entered the Golden Gate National Recreation Area Residential Master Lease with Gaetani Real Estate in 2013. The 10-year master lease includes buildings at Fort Mason (including Officer's Row), Fort Barry, and Point Bonita totaling more than 110,00 square feet. Gaetani has currently rehabilitated and leased out 30 housing units. As part of the lease, the NPS makes 71.5 percent of the gross revenue and an additional 20 percent of revenue is added to a repair and maintenance reserve that is nearly expended annually. In less than 5 years, more than \$10 million was paid to NPS in rent and an additional \$3.25 million was used to repair, maintain, and preserve the historic properties.

Cavallo Point Lodge at Fort Baker

Built in 1905 as a U.S. Army post, Fort Baker was the largest military post added to the park in 2002. When the park became interested in leasing the space, the Fort Baker Retreat Group—an ambitious partnership between Passport Resorts, Equity Community Buildings, and Ajax Capital Group—signed a 60-year lease in 2006 with a goal of preserving the fort and rehabilitating it into a hotel and retreat center. The scale of the restoration and the length of the lease allowed the lessee to use the historic tax credit, which was a critical investment component of the project. The Fort Baker Retreat Group preserved 29 historic buildings and built 14 new ones in a green fashion, making the hotel at Golden Gate the first national park lodge with a LEED Gold certification. In addition to paying an amortized base rent, the lessee also spends around \$1 million annually to maintain the premises, which includes 198,000 square feet of buildings within a 30-acre historic landscape. Now a destination spot, the Cavallo Point Lodge offers historic accommodations, cooking classes, a luxury spa, and event spaces.

San Francisco Maritime National Historic Park, California

The Argonaut Hotel is another exemplary leasing example in the Pacific West Region. The hotel is located in the century-old Haslett Warehouse within the San Francisco Maritime National Historic Park. Under a 60-year lease, this one-time fish cannery is now open to the public as a hotel. The rehabilitated historic building includes the park's Visitor Center on site. The length of the lease term allowed the hotel operators to qualify for Federal historic tax credits that made the building's rehabilitation financially feasible. Without the investment of private funds, and the utilization of the Federal historic tax credit, it is likely that these beautifully restored buildings would be sitting unused.

Gateway National Recreation Area, New York/New Jersey

For centuries, the safest way to sail into New York Harbor was by hugging the shore of Sandy Hook. From the colonial period to the cold war, Sandy Hook lighted the paths of seafarers and protected the city from potential attack and invasion. In 1895, the U.S. Army renamed the fortifications Fort Hancock and developed an installation that grew to 7,000 people by the 1940s. Decommissioned in 1974, Fort Hancock became part of the Sandy Hook unit of Gateway National Recreation Area. Today, Gateway interprets America's largest port, its oldest surviving lighthouse, and its first municipal airport. Time and harsh coastal conditions have caused severe deferred maintenance. With 110 historic military buildings at Fort Hancock alone, the park has looked to leasing opportunities. The first lease rehabilitated a deteriorating property and signaled the adaptive re-use potential of some 35 nearby buildings at the Sandy Hook unit, which receives roughly 2.2 million visitors annually.

Sandy Hook Chapel

Among the officers' homes, army barracks, and mess halls, the Sandy Hook Chapel—built in 1941—is a relatively new addition to the main post at Fort Hancock. Occupying a unique location at the end of the Sandy Hook Bay, the church had fallen into serious disrepair by the late 1990s. At that point, the NPS made an ongoing commitment to preserve and protect the structure, and it was one of the very few buildings successfully rehabilitated during the 1990's-era leasing program. Now rehabilitated as an event space, the historic Sandy Hook Chapel is available for short-term rentals for weddings, meetings, family gathers, memorials, and other

occasions. The park maintains the structure and grounds and manages the books, while the lessee is responsible for other event costs. This investment realizes substantial, ongoing revenue for the NPS. Now fully booked, the park is accepting reservations for dates in 2020.

Duplex Family Housing Quarters/Building #21

The iconic yellow brick buildings comprising Officer's Row at Fort Hancock were constructed largely between 1898–1910. Originally built to house officers and their families, today many of these buildings are abandoned and face serious maintenance challenges. About 5 years ago, the park created the Fort Hancock 21st Century Federal Advisory Committee, dedicated to preserving these deteriorating buildings. In 2016, the park entered its first lease. The 60-year agreement enabled the investors to use the historic tax credit, and the duplex is now available for short-term rentals year-round. The park benefits by saving a deteriorating historic structure that will now be maintained and returned to productive public use. Since then, the park has executed formal Letters of Intent for 13 buildings at Fort Hancock with individuals and organizations with plans to rehabilitate those buildings.

Cuyahoga Valley National Park, Ohio

Originally designated as a National Recreation Area in 1974, Cuyahoga Valley National Park protects a restored landscape with deep cultural roots. Surrounded by cities like Cleveland and Akron, Ohio, scenic Cuyahoga Valley provides historical, educational, natural, and recreational opportunities for its neighbors as well as its more far-flung visitors. The park includes hundreds of cultural assets including part of the Ohio & Erie Canal, railways, historic communities and districts, and old farms. Recognizing the importance of preserving these historic sites but limited by staffing and funding, the park turned to historic leasing and developed two programs: the "Countryside Initiative," which focuses on leasing historic farms, and; the "Historic Property Leasing Program," which repurposes historic buildings for events, accommodations, and other uses. Farm leases in particular allow for the preservation of important rural historic resources, put farmlands back into production, create opportunities for entrepreneurial farmers, and teach visitors about where their food comes from. Today, the park holds 15 leases—including 11 for farms—and is exploring opportunities to encourage more leasing. In 2017, more than 2.2 million visitors explored Cuyahoga Valley and spent more than \$78.1 million in local gateway communities.

Martin Luther King, Jr. National Historical Park, Georgia

To preserve the historic character of Auburn Avenue, and the block of historic houses that includes the Birth Home of Dr. Martin Luther King, Jr., the NPS established the Martin Luther King, Jr. National Historic Site in 1980. The park encompasses 38 acres in the Old Fourth Ward neighborhood of Atlanta, Georgia. Dr. King's Birth Home is open to visitors. The NPS funds the maintenance for all of the federally-owned houses within the park unit with revenue generated by leasing 29 of the federally-owned historic buildings for private residential purposes. These structures include apartments, duplexes and single family homes. The leasing program has been very popular, leading to the establishment of a waiting list for potential tenants.

In addition to the private residential leases, another federally-owned building is operated as a commercial barber shop, and the remaining homes are used for park employee housing or by park partner organizations under cooperative agreements, including the Martin Luther King Jr. Center for Nonviolent Social Change and the historic Ebenezer Baptist Church. The nearly \$200,000 in annual rental revenue collected through these rental agreements is used to perform major maintenance and restoration in the historic district while the lessees are individually responsible for funding routine maintenance.

We have made two site visits to this park. We believe that the existing leasing arrangement might be modified to include a master lease, as has been done for multiple properties at First State National Historical Park and GGNRA. This would free NPS staff to focus on other visitor centered activities. In addition, we think that there are very real possibilities for utilization of long-term leases that could utilize the historic tax credit to create modest bed and breakfast lodgings.

CONCLUSION

The American people love their national parks. Our national character and heritage are defined in many of the places entrusted to the care of the NPS, one of the nation's finest institutions.

As the Committee knows from its work on the maintenance backlog, there is a significant need and a set of complex financial, institutional, and political challenges that must be overcome if the aspirational charge of the National Park Service's Organic Act, enacted nearly a century ago, is to be fulfilled.

Thank you again for the opportunity to present the National Trust's perspectives on these issues, and we look forward to working with the Committee and other stakeholders as you consider policy proposals to address the deferred maintenance backlog. We hope that this hearing will encourage the National Park Service to catalyze greater utilization of historic leasing throughout our park system. We are confident that the leasing of more underutilized historic buildings will sustain our Nation's rich heritage of cultural and historic resources and generate economic vitality for communities throughout the Nation.

QUESTIONS SUBMITTED FOR THE RECORD BY CHAIRMAN BISHOP TO MR. TOM CASSIDY, VICE PRESIDENT, GOVERNMENT RELATIONS AND POLICY, NATIONAL TRUST FOR HISTORIC PRESERVATION

Question 1. Do you continue to believe that all of the 12 priority parks you mentioned in the November 13, 2013 letter to the NPS should remain in the priority category? In your oral testimony you indicated that the NTHP has visited many parks that appropriate for historic leasing. Can you identify which parks the NTHP has investigated further and what the results of those visits has been? Have you visited any of the parks on the November 13, 2013 list?

Answer. We do believe that many of the parks mentioned in our November 21, 2013 letter should continue to be identified as priorities. As identified below, there are several parks for which we have no updates. The parks that we have visited since our November 21, 2013 letter include:

a. Delaware Water Gap National Recreation Area

I do not presently recall if my visit there was before or after our letter, but under any circumstance there are a significant number of historic buildings that await rehabilitation. A significant challenge here—and elsewhere—is to identify a particular adaptive such as a B&B or agricultural use that is economically viable.

b. Harpers Ferry National Historical Park

I visited this park earlier this year and visited both the Murphy's Farm site and a large stabilized barn near Bolivar Heights and the "Nash-Randolph Wildlife Sanctuary." Both buildings would appear to be obvious sites for adaptive reuse, including potentially as a B&B or event site. There are also vacant buildings formerly part of Storer College and other buildings in the park that could be leased.

c. Valley Forge National Historical Park

We have visited this park. The Philander Knox House has been productively leased as an event space since our letter. There are numerous potential opportunities here that park staff have identified. We are optimistic that this is a park where continued successes will be found.

d. Cumberland Island National Seashore

We have not visited this park. But, we continue to believe that there are several buildings in the Dungeness Historic District that could be leased. The reluctance to enter into a lease agreement with a former life-tenant may have foreclosed a real opportunity for an effective public-private partnership for adaptive reuse.

e. Chesapeake & Ohio Canal National Historical Park

We have visited portions of this very linear park. We understand that unreasonably long negotiations for a historic lease with the Washington Canoe Club may soon be completed. We understand there continue to be effective short-term cooperative agreements for the use of particular lock houses. We know of interest to enter into longer term leases on at least one potential commercial venue.

f. Sandy Hook Unit of Gateway National Recreation Area

We have visited this park and will soon publish an updated case study.

Sandy Hook Chapel

Among the officers' homes, army barracks, and mess halls, the Sandy Hook Chapel—built in 1941—is a relatively new addition to the main post at Fort Hancock. It was one of the very few buildings successfully rehabilitated during the 1990s-era leasing program. Now rehabilitated as an event space,

the historic Sandy Hook Chapel is available for short-term rentals for weddings, meetings, family gathers, memorials, and other occasions. Now fully booked, the park is accepting reservations for dates in 2020.

Duplex Family Housing Quarters/Building #21

The iconic yellow brick buildings comprising Officer's Row at Fort Hancock were constructed largely between 1898–1910. About 5 years ago, the park created the Fort Hancock 21st Century Federal Advisory Committee, dedicated to preserving these deteriorating buildings. In 2016, the park entered into a 60-year lease that has enabled investors to use the historic tax credit to restore the building and successfully use it for short-term rentals year-round. The park benefits by saving a deteriorating historic structure that will now be maintained and returned to productive public use. Since then, we understand the park has executed formal Letters of Intent with individuals and organizations with plans to rehabilitate an additional 13 buildings.

g. Apostle Islands National Lakeshore

We visited the Lakeshore last August and visited several of the historically significant properties. We also met with local organizations interested in historic preservation and partnership opportunities. Among the National Register buildings now eligible for historic leasing are the West Bay Club on Sand Island and the Hadland and Benson Cabins in the Rocky Island Historic District. These properties have already been the subject of community-based volunteer restoration efforts or proposals, that were, or are proposed to be, undertaken without Federal funding. Some of the lighthouses also might be opportunities for historic leasing. Many of the historic buildings that are under retained rights through life estates are currently well-maintained by the historic use families. Future historic leases or similar arrangements could be important tools to ensure these properties are maintained after the expiration of the use and occupancy rights and before they become part of the maintenance backlog.

h. Cuyahoga Valley National Park

We have not visited this park, but we have interviewed NPS staff and are preparing to publish a case study.

Originally designated as a National Recreation Area in 1974, Cuyahoga Valley National Park protects a restored landscape with deep cultural roots. The park includes hundreds of cultural assets including part of the Ohio & Erie Canal, railways, historic communities and districts, and old farms. Recognizing the importance of preserving these historic sites but limited by staffing and funding, the park turned to historic leasing and developed two programs: the “Countryside Initiative,” which focuses on leasing historic farms, and the “Historic Property Leasing Program,” which repurposes historic buildings for events, accommodations, and other uses. Farm leases in particular allow for the preservation of important rural historic resources, put farmlands back into production, create opportunities for entrepreneurial farmers, and teach visitors about where their food comes from. Today, the park holds 15 leases—including 11 for farms—and is exploring opportunities to encourage more leasing.

i. New River Gorge National River

We have no updates.

j. Glacier National Park

We understand that a number of the potential lease properties near Lake McDonald were damaged or destroyed by the most recent fire.

k. Grand Canyon National Park

We have no updates.

l. North Cascades National Park

We have no updates.

Other parks we have visited to evaluate leasing opportunities include:

Hot Springs National Park

Those of us who participated in the Committee's September 17 field hearing in Hot Springs were able to experience firsthand the enormous impact that historic leasing—and the Federal historic tax credit—have had in the park and the surrounding community.

We were able to directly see firsthand the community and economic impacts of leasing in restoring the Quapaw and Superior bathhouses and the ongoing work at the Hale Bathhouse. We also saw the need for a successful leading project to revitalize the Maurice Bathhouse.

In addition to bringing abandoned properties to life, the existing leases of the Quapaw and Superior result in private lessees assuming the financial responsibility of rehabilitating and maintaining the buildings, paying utility bills and returning revenues to the park.

First State National Historical Park

This park provides an outstanding example of creative regional and park staff entering into a master lease of at least 14 buildings that enabled existing residential and agricultural uses to continue. The small staff of this new park would never have had the capacity to administer these properties without the use of a master lease. The master lease provides centralized property management by a 3rd party while also addressing responsibilities for deferred maintenance and lease revenue to the park.

Golden Gate National Recreation Area (GGNRA)

The San Francisco Bay area continues to benefit from historic leasing. Our 2013 report highlighted the use of the historic tax credit to revitalize the Inn at Cavallo Point/Fort Baker and the Argonaut Hotel/San Francisco Maritime National Historical Park.

Fort Mason

Historic leasing has continued at Fort Mason within GGNRA. After 40 years of partnering with a local non-profit, the park signed a 60-year lease in 2006 with the Fort Mason Center for Arts & Culture (FMCAC). The lessee pays an annual rent to the park and also contributes to a maintenance reserve fund, where they far exceed their minimum requirement every year. As part of the lease, the park is financially responsible for shoring up the substructure of the piers and FMCAC develops the superstructure. After identifying a for-profit investor, FMCAC used the historic tax credit to address issues at Pier 2 and is now looking to rehabilitate Pier 3. FMCAC has subleased many of its buildings to other non-profits and for-profit entities to create a thriving campus for the arts. The campus—which includes five buildings on land and two pier buildings—now hosts five theaters, two art schools, an art supply shop, a bookstore, a café, and two restaurants.

Golden Gate NRA Residential Master Lease

The NPS entered the Golden Gate National Recreation Area Residential Master Lease with Gaetani Real Estate in 2013. The 10-year master lease includes buildings at Fort Mason (including Officer's Row), Fort Barry, and Point Bonita totaling more than 110,00 square feet. Gaetani has currently rehabilitated and leased out 30 housing units. As part of the lease, significant revenue is returned to NPS and to a repair and maintenance reserve that is nearly expended annually. In less than 5 years, more than \$10 million was paid to NPS in rent and an additional \$3.25 million was used to repair, maintain, and preserve the historic properties.

Indiana Dunes National Lakeshore

We have also visited Indiana Dunes National Lakeshore. The historic assets that are best known at this park are the five homes which were a part of the Century of Progress International Exposition for the 1933–34 World's Fair in Chicago. Preservation non-profit Indiana Landmarks partnered with the National Park Service to lease all five houses, four of which are subleased to private residents. The House of Tomorrow remains, and Indiana Landmarks plans to restore and lease the house on a short-term basis in the future.

Isle Royale National Park

We have visited this park. Like Apostles Island National Lakeshore and Cumberland Island National Seashore there are many historic sites maintained by life-tenants who owned their property before the establishment of the park. We recommend that the NPS give serious consideration toward developing a policy to ensure that life-tenants, at the end of their tenancy, are eligible to lease the properties they have lived in and maintained for many years.

Martin Luther King, Jr. National Historical Site

See discussion immediately below.

Question 2. Do you agree with NPS that there are only 47 priority buildings for historic leasing? How would you go about developing such a list that is all-inclusive?

Answer. We have reviewed the March 29, 2018 letter from the Office of the Secretary to Chairman Murkowski describing the NPS process in identifying the 47 “High Priority Candidates for Leasing.” It seems like a fine process, but we expect there are multiple other buildings that would qualify as high priorities. For example, we have had a series of conversations with Martin Luther King National Historical Park and the Southeast Regional Office regarding a potential commercial B&B opportunity at 497 Auburn Avenue, NE and 493 (A, B & C) Auburn Avenue. The SE Region was preparing a “Request for Expression of Interest” in late 2017. It is our understanding that the Request was never formally issued. We do not think that this situation meets the criteria in the March 29, 2018 letter. However, we continue to believe that the subject property could be a very viable candidate for leasing if NPS leadership were to focus commercial real estate expertise from other regions and national staff to assist the park and region in successfully moving the project forward.

We do not have a specific recommendation on how to develop an all-inclusive list and we do not believe that is the most productive activity the NPS should undertake at this time. Instead, we would recommend, as described more fully below, creating a “Timer-Team” to identify real-world, commercially viable opportunities and then invest the time, resources and leadership necessary to make a growing number of individual projects successful.

Question 3. Do you agree that historic leasing should be used proactively to head off the need to even include properties on the backlog? It appears NPS has limited its review to properties already on the backlog. Is that correct? How would you go about looking more broadly for the advance use of historic leasing to keep buildings good shape before they decline and become a liability for NPS and the Federal budget?

Answer. From our perspective, the preservation priority is to lease underutilized historic structures, many of which are vacant and needing rehabilitation funds. Our general sense is that the properties NPS has reviewed are already on the backlog, but NPS would be in the better position to answer that specific question.

We have not evaluated the “advance use” of leasing to maintain buildings before they decline. One exception to consider is discussed above in our answer to Question 1 as it relates to the life-estate uses at Apostle Islands (and other similar situations like Cumberland Island and Isly Royale). There may be instances where that is a viable strategy but we have not explored where those opportunities may be found. This could be a task for the “Tiger-Team” described below.

One of the benefits of leasing is that a third party, and not the NPS, is responsible for the maintenance of the leased building, and also the beneficiary of lease payments generating net positive income to the agency. In some cases, such as Hot Springs, the NPS has invested funds in preparing long abandoned buildings to a condition where third parties would be more willing to enter into long-term leases.

Question 4. Much of the focus of historic leasing to date has been to wait for NPS to decide to make a property available for leasing. This appears to be a slow and bureaucratic process that is limiting the use of this tool. What would you do to create new avenues for getting properties onto the list of possible leasing? Do you believe that outside parties should be able to propose unsolicited leases? And should the full range of potential uses be covered, not just high visibility business uses in metropolitan areas?

Answer. We agree that the existing process is not resulting in a critical mass of new successes. There are some successes, and we know the agency is working on a number of exciting projects, which is very positive, but we believe there could be more. Even if properties were on a list, if leasing is not identified as a priority by NPS leadership, and if there is not the staff capacity and funding required to actually solve the real estate and process challenges that preclude the creation of more leases, there is little reason to believe that placing a property on a list would result in successfully executing a lease.

We would defer to NPS on the best way to identify how outside parties can best catalyze opportunities for successful leases. Perhaps proposals from third parties could go to a national team to provide an initial assessment of practicality and for those ideas that passed a threshold of consistency with park use and potential economic viability, the national team could recommend action and provide support to the park and region to create a fuller proposal. And, yes, absolutely, a full range of uses compatible with the park mission should be evaluated, including smaller

business and agricultural leases in small towns, rural and suburban areas. Existing successes at Hot Springs, Valley Forge and Cuyahoga demonstrate the potential.

Question 5. Your organization has suggested that a "Tiger Team" of historic leasing experts in the Park Service could be established to improve the program. What would a tiger team look like? What function would they serve to field staff?

Answer. The term "Tiger Team" arose in a conversation with National Park Service leadership as a cost effective and pragmatic approach that would address the general lack of successful leasing experience throughout the agency. It would also address the significant barriers of culture and practice that preclude experts in headquarters from reaching out directly to parks to make recommendations on successfully pursuing leasing opportunities and, similarly, barriers that preclude an expert in one region from reaching out to a park in another region.

Creation of a "Tiger Team" would be a tangible expression that NPS leadership is committed to expanding the use of historic leasing as an agency priority, through a cost-effective approach of applying existing expertise to solving commercial real estate challenges beyond the experience of most Superintendents and regional staff.

We are not wedded to any particular model and believe that the NPS is in the best position to identify the optimal configuration of a small group to effectively implement change. But as we have discussed the concept of a "Tiger Team" needs to be a small group of experienced real estate professionals well-versed in successful examples of historic leasing from throughout the NPS, including headquarters, select Regions and parks. The team could travel to specific parks where leasing opportunities exist and advise Superintendents and regions on the best practices to achieve success. It could also participate/lead national trainings and workshops focused on the keys to overcoming obstacles to achieve success.

Once high priority properties are identified, a multi-disciplinary group similar to the Northeast Regional Roundtable should be assembled to evaluate more critically particular proposals, including staff who are experts in facilities management, partnerships, leasing/concessions and budget.

However, we are convinced that the most important key to success is for NPS leadership to embrace the concept that historic leasing is a significant strategy to rehabilitate underutilized buildings for visitor enjoyment, to bring new uses to revitalize communities in and near specific parks, and to abate the maintenance backlog.

Mr. WESTERMAN. The gentleman yields back.

The Chair now recognizes Mr. Bob Kempkes for 5 minutes.

**STATEMENT OF BOB KEMPKE, OWNER, QUAPAW BATHHOUSE
AND SPA, HOT SPRINGS NATIONAL PARK, ARKANSAS**

Mr. KEMPKE. Thank you all for being here. We really appreciate you coming to Hot Springs.

I think Mr. McCabe has kind of hit on some of the financing hurdles that we all face trying to get a bathhouse open, and I think Mr. Cassidy's on point with the suggestion of commercial real estate specialists.

A little background. In 2005, we submitted a proposal to lease the Quapaw Bathhouse. Our idea at that point in time was to provide low-cost access to thermal waters and bathing for the general public. Currently that was being provided by the Buckstaff Bathhouse in a traditional format, which works well, but we thought something maybe a little more updated might be well received. We then signed a lease in 2007, so it took a couple years to work through all those lease terms. We opened our business in 2008.

We are now in the 11th year of our lease. I am very satisfied with our relationship with the National Park Service. I would like to mention, as Pat did, Superintendent Fernandez, without which we would have never gotten through the leasing program.

And to Mr. Cassidy's point, I think it is really well made, we had numerous people we had to deal with through the leasing process. I think this could be simplified. I think the person we were dealing with most was Sandy Cool. She is retired now. She was director of concessions, so not necessarily up to date on leasing.

The other problem we had in our financing situation was nobody could give us a value to the lease. Well, a lease actually does have value and a real estate specialist would understand, promote that, or a real estate appraiser. We pay a very limited rent in return for our return on investment of our initial money we put in the bathhouse, so there are things there that really are not being, I don't think, championed to people. And I think, to your point, somebody along the lines that has more day-to-day knowledge of real estate could make a huge difference.

And the other thing that would be nice to see is some kind of single source to deal with in terms of trying to go through the leasing process. As Pat has experienced in his lease terms, you think you are done and then somebody from some other department sends an e-mail saying what about this, and then you think you have to start over. So, I think some simplification that would allow a one-stop shopping kind of thing would be really helpful.

Now, going back to the whole maintenance idea, I do see that as a total win-win. In my written testimony, I have kind of outlined the amount of investment we made, the amount of maintenance we have done, the amount that we keep in a maintenance reserve fund. One other thing I could suggest is that that maintenance reserve fund be capped at a certain point, because as it is, it is 2 percent of our gross progress, and that is pretty substantial. We tried to negotiate with that when we were negotiating our lease, but that didn't go anywhere. And I think Pat tried to do the same thing with the same result.

Anyway, I do see, as Pat said, the program being just a win-win for everyone. We see the fact that we have to do maintenance as prescribed by the National Park Service as something that comes with the territory of being a steward of a national historic landmark building, and I think we all take that seriously, and I think the city of Hot Springs does too. The fact that we do have to maintain our buildings regularly is great. I mean, this is our best foot forward to the world.

Quapaw Baths gets people from all over the world, not just the United States, and people always comment on how beautiful Hot Springs National Park is. So, it is a wonderful thing.

I would also like to say, under the overall program, it is really a jobs creation program too, and I don't know that that gets stressed enough. Quapaw currently has 46 team members. We have a payroll in excess of \$1.4 million annually. We are generating a lot of good things there with people now having jobs, people paying taxes, people investing all sorts of things that benefit our entire community. I understand that the lease program may not be right for areas, as you mentioned, that are rural. But in any kind of a semi-urban environment, it just makes so much sense to get the participation of the city and the parks working together. That public-private partnership is a great thing and I think it works really well here.

In closing, I would just say thank you again. We think the program is working well, and hope to see it being used more often around the country.

[The prepared statement of Mr. Kempkes follows:]

PREPARED STATEMENT OF BOB KEMPKE, CHIEF EXECUTIVE MEMBER,
QUAPAW BATHS, LLC

Chairman Bishop, thank you for bringing Washington, DC to Hot Springs, Arkansas. My name is Bob Kempkes and I am an architect by trade and also a partner in Quapaw Baths, LLC. As the name implies our group leases and operates the Quapaw Bathhouse in Hot Springs National Park. The Quapaw was the first leased bathhouse to reopen to the public. During that leasing process and subsequent business operation we learned a great deal and hope our testimony today can help other entrepreneurs around the country to invest in our National Parks and the communities they inhabit.

In May 2005 our group, Quapaw Baths, LLC, submitted a Proposal to the National Park Service to lease the Quapaw Bathhouse in Hot Springs National Park, Arkansas. Our goal was to provide low cost access to the Hot Springs thermal water to individuals and groups in a modern facility in a National Landmark Building. Our Proposal was accepted at the Regional Level of the NPS and we began due diligence which included securing the necessary financing and reviewing the sample lease for any items requiring negotiation.

One of the major challenges with leasing from the NPS is that they retain ownership of the improvements to the building leaving a lender with minimal collateral which when coupled with an unproven, start-up business significantly increases the risk exposure. The required project equity can also be challenging but the NPS was able to work with us to provide a long-term lease of 55 years that allowed us to take advantage of the Federal Historic Rehabilitation Tax Credits which at the time were 25 percent of the qualified rehabilitation expenses. These tax credits were syndicated to an investment group which provided capital to meet the equity requirement of the financing package. The NPS was also able to receive permission to provide the lender and investor an estoppel agreement which in case of default by the borrower would allow them, with NPS approval, to bring in a new operator.

One of the big unknowns when we were talking to lenders was determining the value of the lease. Since no one had a leased a Bathhouse and because the lease rate had not been determined it was difficult to assign a value to the lease for appraisal purposes. Eventually the NPS determined that the fair market (in 2007) rent should be \$9.50 per square foot per year. Noting that the lessee was making a considerable investment in the Bathhouse it was determined that the rent would be \$1.00 per square foot per year. The difference between fair market rent and the NPS rent gave the lease a value and provided us with a reasonable annual rate of return of approximately 7.5 percent on our overall investment of \$2.5 million. Another NPS incentive for the developer was the construction term rent of \$1.00 per year for 3 years. This allowed us to get the building renovated and open for business while operating essentially rent free. This enabled us to get the business stabilized faster and provided an additional level of comfort for the lender.

After working through the financing challenges, we executed a lease with the NPS in April of 2007 during the NPS celebration of the 175 year anniversary of the Hot Springs Reservation.

One of the major advantages of the leasing program for the NPS are the maintenance requirements in the lease. The lessee is required to fund a maintenance reserve account with 2 percent of the gross revenues. This fund has no cap and if the lessee leaves the fund balance becomes the property of the NPS. The NPS must approve any expenditures from the account. A Reserve Account is a typical requirement by a lender but being held by the Lessor it provides the NPS with the ability to stay proactive on the condition of its building. Major maintenance items are typically things that occur every 5 years or longer. We received a grace period to start depositing to the fund of 2 years of business operation which was another aid to the business start-up. Since 2010 we have spent approximately \$200,000 on major maintenance items and maintain a six figure balance in the fund. We are also required to perform routine maintenance, which includes painting the exterior of the building on a 5 year schedule, as defined in our Preservation Maintenance Plan and as noted in any NPS inspections. This plan includes correcting any deficiencies in accordance with the Secretary of Interiors Standard for Rehabilitation which ensures proper preservation of an historic structure. We have spent over \$170,000 on routine maintenance since opening the business. As the lessee we have never had

any issues with the NPS over routine or major maintenance issues. We both understand our responsibilities in caring for a public treasure and take that very seriously.

Quapaw Baths and Spa employs 46 team members with an annual payroll of \$1.4 million. We are currently in the 11th year of our lease and are extremely satisfied with our working relationship with the NPS. Our interaction has always been more like a working partnership than the standard Landlord-Tenant agreement we are involved with on the private side of Central Ave. The NPS' efforts to lease, renovate and bring back to life the long vacant bathhouses has been a catalyst for increased downtown tourism as well as a source of pride for our community and our visitors.

Mr. WESTERMAN. Thank you, Mr. Kempkes.

I also want to thank all the witnesses for your testimony, and remind the members of the Committee that Committee Rule 3(d) imposes a 5-minute limit on questions. The Chair will now recognize Members for any questions they may wish to ask the witnesses. I was going to yield to Chairman Bishop, but he has yielded back to me, so I will begin the questioning.

First off, just to maybe highlight the magnitude of what we are talking about, and I will ask Ms. Simmons this question. My understanding is there are 8,000 to 9,000 buildings in the National Park Service system that are currently unused, and of the \$12 billion of maintenance backlog, \$4 billion to \$5 billion of that is for those historic structures. Do you have different numbers?

Ms. SIMMONS. We have a database that identifies approximately 50 buildings that would be available for lease across the National Park Service. That information is provided by parks across the Service.

And in regards to the deferred maintenance numbers, it really depends greatly on the adapter reuse of that building as far as the deferred maintenance, because when a lessee comes into a building, they are not simply addressing the deferred maintenance for that building, but they are adapting it for what they will be using it for. So, they would not just, like I said, be addressing the deferred maintenance, but if they were going to convert it into a boutique hotel, there are items in there that they would actually improve for that adaptive reuse.

Mr. WESTERMAN. Leasehold improvements, I guess, is what—

Ms. SIMMONS. Actually, the capital improvements that are made in those structures can go toward offsetting the rent, so it is a credit toward the rent.

Mr. WESTERMAN. Mayor McCabe, you talked about the difficulty in going through the financing process, and I am guessing Representative Hill, who is actually the Whip on the Financial Services Committee in the House, he will probably have some questions around that as well. And then you talked about the expertise, Mr. Cassidy, and then Mr. Kempkes talked about it as well, the expertise within the Park Service to do all the real estate side of it. Now, you suggested a tiger team. We would like to call it something different here in Arkansas, the Razorback team or maybe, for Secretary Zinke's purpose, a strike team or something like that.

I would like to go down the panel and have you give me your Number one improvement you think could be made to the Historic Leasing Program. Because if we want to expand this to other

places, and there is so much experience here in Hot Springs about how to make it work, is there like a top one or two recommendation you would make?

Mr. McCABE. I want to go back to the National Park Service as a landlord. Take the word "National Park Service" out and you think of a landlord and you are going to make improvements to that building. They want to retain those improvements. I get that. I understand that. From a bank's perspective, in financing those improvements, they know that those are attached and they are not going to get those back. You have the SBA on this other side telling the finance institution we are guaranteeing this loan. You have to get more collateral. You have to ensure that the taxpayers are protected.

And then one of the issues that we ran into was the loan proceeds in the event that the structure burned beyond recognition or significant enough that the Park Service said, well, we are not going to rebuild. That was an issue that we just had, and Superintendent Fernandez was in my corner on that, at least from the comment, why is the SBA being so difficult here? It is money going into a Federal building.

Mr. WESTERMAN. So, we need to maybe work on getting those SBA loans where they are more friendly toward us?

Mr. McCABE. I think so. I mean, I think that would be a good thing, where those dollars are going into a Federal building and that project is considered to be a good project by the virtue of the lease. I think they can relax that.

Mr. WESTERMAN. We have 30 seconds. Anybody else have a comment?

Mr. CASSIDY. Sure. I would just note that you had a number of about 26,000 or 27,000 buildings that are potentially subject to lease, 27,000 assets from the Park Service. This is a letter from the Interior to Sherman Calvert about a year and a half ago. He identified potentially 9,000 structures that could be evaluated through leasing. And then a letter of March 29 of this year. The Park Service identified 47 high-priority candidates for leasing. I would note that, based upon our experience, there are more. But what it comes down to—and I don't mean to—well, I guess I do mean to emphasize this.

Mr. WESTERMAN. Make it quick. I am out of time.

Mr. CASSIDY. OK. All right.

Mr. WESTERMAN. So, I yield back, and I recognize Mrs. Radewagen from American Samoa for 5 minutes of questions.

Mrs. RADEWAGEN. Thank you, Mr. Chairman.

I, too, would like to welcome the panel. Thank you for appearing today.

I have a question for Ms. Simmons. Are there any statutes that prevent the full implementation of a user-friendly leasing program across the NPS? Are there any that you would recommend be repealed or amended or new authorities authorized, and are there any provisions in the Code of Federal Regulations that the agency could consider revising that would make it easier to expand and improve historic leasing in national parks?

Ms. SIMMONS. Thank you. That is a very good question. We feel that we have the flexibility that we need to initiate the leasing

program across the National Park Service. We would be more than happy to work with the Committee on any suggestions that you may have, but we do feel like we have the flexibility. We realize Secretary Zinke's interest in public-private partnership to address deferred maintenance, and that leasing may be one of those tools, but we will be more than happy, if you have any suggestions, to look at those suggestions.

Mrs. RADEWAGEN. Mr. Cassidy, can you speak to how historic leasing can help address the \$11.6 billion deferred maintenance backlog of the NPS?

Mr. CASSIDY. Sure. I think we have had a couple of examples already. The Park Service doesn't have to pay to keep in mothballs buildings that weren't productive and weren't being utilized by people. We had some adaptive reuses. We will see them this afternoon on the tour.

The leasing authority that exists is used to bring buildings that have been abandoned from derelict to productive use, and in some cases, it has also gone to have a net positive return income back to the Treasury. I think of a place like the Presidio, which is a little bit of an odd case because a specialized system was set up to deal with that. But the day the Presidio became part of the Park Service, it was the biggest part of the maintenance backlog in the whole country. Fort Baker near Sausalito was an enormous maintenance backlog, but you have innovative regional leadership that facilitated long-term leases that brought in the historic tax credit. And right now, you have this remarkable place that Ms. Simmons referenced, the Cavallo Point. It is a cool place to go. People go there all the time. Before it was just buildings on a list of things that weren't being taken care of.

Mrs. RADEWAGEN. Thank you, Mr. Chairman. I yield back the balance of my time.

Mr. WESTERMAN. The gentlelady yields back.

The Chair recognizes the gentleman from Arkansas, my colleague, Mr. Hill, for 5 minutes.

Mr. HILL. Well, thank you, Mr. Westerman, to be in your district. It is the second best district in the state.

I want to welcome our distinguished Chairman. We appreciate him taking his time to be in Arkansas. And I do commend both of you for holding this hearing.

And, Chairman Bishop, I hope you get a chance to go up the old Carriage Road to the top of the mountain and get on top of the tower before you leave because that is the same view Teddy Roosevelt had when he visited here and climbed the first tower back in 1910. It will give you a real feel for just what a beautiful, beautiful place Hot Springs is.

Bruce, yes, I was very interested in talking about this from a banker's point of view. I was in banking for 30 years before I ran and was elected to Congress, and so I do think about this from a financial point of view, and I think the witnesses have done an excellent job thinking that through, which is all over America, people use a ground lease owned by somebody else and yet they build extraordinary things and somehow that gets financed. And I promise they are not all putting up their grandparents' CDs and have not necessarily a very good secondary source of collateral.

One question I had for Mr. Cassidy. You referenced historic tax credit, something that Mr. Westerman worked very hard on in the last tax bill. We appreciate his leadership. I support it as well. Could you reflect on the historic tax credit as well as the new market tax credit program? Because both these programs, under certain circumstances, build an equity component which does make lenders quite comfortable. Could you reflect on that, and have you seen that used somewhere in the National Park Service?

Mr. CASSIDY. In the same letter that the Park Service sent to the Appropriations Committee earlier this year, I think they identified three leases that utilized the historic tax credit. That is not enough; I think actually it is a little bit wrong, there are probably five or six. If Hot Springs comes fully on-line, we are up to seven, but that is not enough.

I am not aware of a new markets project within the Park Service, but I am aware of multiple instances where new markets has been a part of the capital staff. Everybody may not know what that is, but that is what you need to figure out how much money you have to make the deal happen. There are multiple examples of new markets being twinned with historic, and the benefit of that is that you would have a structure rehabilitated to the Secretary's standards for historic preservation. On its own, a new markets project is not subject to those restrictions.

So, why hasn't that been done more? I think it is what I spoke to earlier. The expertise on commercial leasing is a rare commodity in the National Park Service.

Mr. HILL. Not to interrupt you, but one issue is that the new markets program has gotten so many people's hands in the pockets of the program that the cost is so high, that you have to have a \$10 million project before it really warrants doing the agency cost aspect of it. One suggestion I have always made before I committed in other places is we need to drive down those agency costs and offer a new market tax credit to make more programs qualify for it. There are a lot of good ideas for a national park building that don't require \$10 million in capital outlet.

Mr. CASSIDY. I would be delighted to speak with you off-line because we have a for-profit subsidiary, the National Trust Community Investment Corporation, that regularly receives new market allocations. And we are working with them as we did the reauthorization of the historic tax credit. Thank you, again, Congressman Westerman. Thank you, Mr. Bishop, for co-sponsoring that bill. We want to make improvements in the new markets tax credit. I would love to have this conversation with you.

Mr. HILL. Good. And I can't see how much time I have left, but I will ask Ms. Simmons in the seconds remaining, hidden best practices on a ground lease, is there any statute that prohibits you to have a different negotiation, for example, on the maintenance log or is that purely just a policy decision of the Department?

Ms. SIMMONS. It is absolutely possible to have that as part of the negotiation. We look at the length of the lease term, the maintenance that is needed, and we want that maintenance reserve in there because we are protecting those resources to ensure that there is a pot of money set aside should some unforeseen

maintenance need arise in that building. But it is a negotiation tool that we have at our disposal.

Mr. HILL. Thank you, Chairman, I yield back.

Mr. WESTERMAN. The gentleman yields back.

I would, again, like to thank Representative Hill for joining the Committee today. As I said, he serves on the Financial Services Committee, but Federal land issues are very important to him and he took time out of his busy schedule to come over and meet with our Committee today, so thank you for doing that.

The Chair now recognizes the Chairman, Representative Bishop, from Utah, for 5 minutes.

The CHAIRMAN. Let me go through some of these as quickly as we can. Ms. Simmons, I know the Park Service has compiled a high-priority candidate list of leases, potential leasing. Have you considered developing an inventory of all unused property that can be considered for leasing?

Ms. SIMMONS. We rely on our parks to provide information related to property that meets the determinations for leasing. That is a very good question. From the field level, I would be more than happy to talk to my Washington staff and provide an answer for that.

The CHAIRMAN. But we have yet to compile that in one spot?

Ms. SIMMONS. We have a high-priority list, and we have a database of available properties that relies on the parks submitting the structures that meet those determinations.

The CHAIRMAN. When you choose to go with a concessionaire or a lease, what criteria do you use?

Ms. SIMMONS. A concessions contract is a necessary and appropriate visitor service, and Mr. Cassidy was talking about developing a headache over reviewing that. Well, it is a complex process, and it depends greatly on that particular part because what may be necessary and appropriate visitor service in one park may not be a necessary and appropriate visitor service in another park.

The CHAIRMAN. OK.

Ms. SIMMONS. You rely on your park planning documents. You rely on the demographics. If you have a hotel in a park, such as the boutique hotel that we are opening here in Hot Springs, that is an appropriate lease because you can go across the street and down a block and there is a hotel. If you look at the north rim of the Grand Canyon, that hotel there is a concessions contract because there is no other lodging facilities within close proximity of that hotel, so it makes it necessary.

The CHAIRMAN. So, a case-by-case more than anything else.

Mr. Cassidy, they talked about a strike, or tiger team, whatever you want to call it. Right now we don't have those kinds of skill sets except in various entities. If there was one centralized strike team that worked for everything that was out of the Park Service, is there enough use or volume of need to actually justify that?

Mr. CASSIDY. I sure think so. Yes.

The CHAIRMAN. That was a good answer.

Mr. Kempkes, you talked about the problem you have within the Park Service itself, one may be approving it and then somebody else came in there and you had to do the process over again. Can you be a little bit more specific about that, and was that all within

the Park Service? It wasn't another entity outside of the Park Service?

Mr. KEMPKE. It was not outside the Park Service, no. And what kind of happens along those lines is, like any government, there are a lot of different layers there and each layer likes to be heard. So, when you think you jumped a hurdle with, let's say, the code reviewer in Omaha, Nebraska, that is a good thing, and then all of a sudden, there is an environmental reviewer that is telling you how big your dishwasher should be, things like that. There is no centralized person or group of people asking you for information.

The CHAIRMAN. Well, this kind of goes back to what Secretary Zinke was talking about in his reorganization efforts. But you are talking now within the entity, the agency, not amongst the different divisions that are already in existence?

Mr. KEMPKE. Yes. I think they all are fine. It is just somebody overseeing them all and coordinating communication.

The CHAIRMAN. Mr. McCaskill, if we are actually going to be talking about doing leasing programs, urban or rural, I guess the question is, does the leasing problem provide a draw to bring tourists in or is it just an asset to bring tourists in?

Mr. MCCASKILL. It is an extra layer of interesting things that are happening here. The national park has a lot of natural assets that people are coming to visit, but because of the built structures and built environment that exists in downtown, to have those bathhouses be sitting there and unused just doesn't quite make much sense.

The CHAIRMAN. I hope this could be used in a rural atmosphere as well, but we will see with that. And I have 30 seconds, Mayor.

Mr. MCCABE. Yes.

The CHAIRMAN. You created a hotel off one of these things.

Mr. MCCABE. Correct.

The CHAIRMAN. Why? Why did you want to do this in the first place?

Mr. MCCABE. I was a young man when we started the process. That was in 2013. In fact, it was this week in 2013 that I called Bob Kempkes and we toured the Hale Bathhouse. The Park Service wasn't all the fault for the delay. The financing was a challenge. We wanted to do something downtown. I was a city director at that time. The numbers I saw coming through on our sales tax were slowly rising. I told my wife, if you want to get in business, you better do it now, and now is 5 years later, so we are happy.

The CHAIRMAN. There may be some second question rounds, I think.

Mr. WESTERMAN. Yes. We will give Members an opportunity for a second round of questions. I will recognize myself for the first 5 minutes.

We talked about this strike team and how it could be beneficial in making the process move more quickly. The Federal Government actually has a commercial real estate expert in place right now. It is the General Services Administration, or the GSA.

Ms. Simmons, does the Park Service reach out to GSA for subject matter expertise?

Ms. SIMMONS. When we are leasing facilities, we actually have leases within the Midwest region with GSA on several structures, and those GSA leases, in turn, are leasing to another individual.

Mr. WESTERMAN. Have you considered adapting GSA job specs or using their training curriculum for the Park Service?

Ms. SIMMONS. There are so many elements that are involved with our leasing program with the uniqueness of the properties, the ones that need improvements, the ones that do not need improvements, on requirement to obtain fair market value rent, if there are appraisals that are needed. We have not considered that. If it is something that the Committee is interested in, we will be more than happy to look into that.

Mr. WESTERMAN. I know this has been talked about quite a bit at this meeting today, and it is probably not the first time you have heard about it, but what is the Park Service doing to ensure that staff has the resources and training that they need in this area or is it just something new that you are starting to look into?

Ms. SIMMONS. No. Absolutely. We have developed training for the leasing program and it is provided at our commercial services for superintendents training. It is provided on an annual basis. Personally speaking, from the Midwest region, two-thirds of our superintendents have overturned in the last 3 years. When we have a new superintendent come into a park, they come and spend time in the regional office with the program leads. I take that opportunity when I see them with the superintendent to let them know about the leasing program, the opportunities that exist. They might not know at that time when they come in if there are structures that would be applicable for the leasing program, but it gives them a tool in their toolbox for them to consider that when they get back to their park. If they run into something, they know they can give us a call and we can pursue that further.

Mr. WESTERMAN. I have had the opportunity to see this because I was born here in Hot Springs but, Mayor and Mr. Kempkes, can you go back maybe 30 years and describe what the town was like when the bathhouses were shuttered before there was any real development on that side of Central Avenue?

Mr. McCABE. There wasn't a lot of reason to come downtown. The Park Service side was basically closed for business, with the exception of the Buckstaff, which was the one that was continually operational. What we call the business side had significant challenges because the mall was built toward the edge of town. A lot of stores went down there. And they put a green canopy to try to compete so you could walk underneath without getting wet, and that was more of an eyesore than a benefit. We really had some challenges.

Over time, we created a Main Street Hot Springs and other endeavors, a central business improvement district that the stores invested in, putting utilities underground, and things started slowly coming back. So, the leasing program was great. The city of Hot Springs introduced a thermal basin fire district, which required owners within that footprint of the district that had buildings that were three stories or higher to implement a fire suppression system. That one thing made a big difference because those building

owners who didn't want to pursue that sold it to people who had an idea.

Mr. WESTERMAN. Bob, 30 seconds. Would you like to add anything?

Mr. KEMPKE. Sure. Thirty years ago, about 30 percent of the Hot Springs Central Avenue storefronts were occupied, and those businesses were not any that you could consider family oriented. A group of local citizens realized the need for the bathhouses to be improved. One of the first things they did, and some of them are here today in the audience, and I appreciate that, was they decided to remove the canopy that Pat mentioned, which is a great thing because when you walked under it, you couldn't tell where you were. You couldn't see the tops of the buildings, so you didn't really know. Anyway, from there, some investment went into the bathhouses through Senator Bumpers at the time. He created some changes to tax laws that helped Hot Springs.

And I did want to say this too, that at that same time, the Park Service invested a lot of money in the Fordyce Bathhouse Visitor Center. That investment in the Fordyce Bathhouse Visitor Center enabled Mountain Valley Spring Company to take a look at downtown and say, we are seeing this investment over here. We should make an investment on the private side. So, at the same time, the two groups opened for business. I believe Fordyce opened in 1988. And Mountain Valley opened a brand-new national headquarters in downtown Hot Springs, which included a visitor center. That was a catalyst to a whole lot of additional investment.

Mr. WESTERMAN. I am going to have to cut you off because I am out of time. I didn't get a chance to ask Mr. McCaskill whether he thinks, when we look at the past, if the future is looking bright, and I am pretty sure he would say it is looking bright.

With that, I recognize the gentlewoman from American Samoa, Mrs. Radewagen, for 5 minutes.

Mrs. RADEWAGEN. Thank you, Mr. Chairman.

I have a question for Ms. Simmons. The Northeast Region of the National Park Service has a high number of leases in place. Has NPS implemented any Northeast Region practices service-wide to promote the success of historic leasing?

Ms. SIMMONS. From the field perspective of the Midwest region, I am not familiar if that has taken place. I will be happy to get the answer and get back with you.

Mrs. RADEWAGEN. Thank you.

Mr. Cassidy, just very briefly, Can you speak to why your organization is in support of NPS expanding its Historic Leasing Program?

Mr. CASSIDY. Because it could work and because there is a \$12 billion maintenance backlog and because there are facilities that are underutilized or abandoned that could, with expertise, which is hard to ask a park to develop, to figure out how to do a master lease if they have a lot of small buildings. It is unfair to ask the park superintendent to be an expert on that. It is unfair to think that an individual park superintendent is going to have the confidence to cede control through a lease of one of their properties for an extended period of time. It has to come from leadership. And what has happened in the Northeast Region is that you have

innovative superintendents, as was the case in Golden Gate, who have had the courage to try something new, and now what they have in the Northeast Region, they have a commercial real estate specialist who can assist other parks in utilizing just common-sense approaches to real estate. It is not inherent with most Park Service people, who are some of the best people in the world, and we are so lucky to have the National Park Service staff, but we are speaking about a more specialized and different knowledge industry.

Mrs. RADEWAGEN. Thank you, Mr. Chairman, I yield back.

Mr. WESTERMAN. The gentlewoman yields back.

I, again, recognize the gentleman from Arkansas, Mr. Hill, for 5 minutes.

Mr. HILL. Thank you, friends, and we thank you again for holding the hearing.

I am co-sponsor of H.R. 6510. I appreciate the Chairman and your leadership on that work as well. We are doing a lot of things, I think, in Congress right now that really speak to this backlog.

Representative Dingell and Representative Fortenberry have a significant issue that is similar for the conservation agencies in the wildlife area, and I appreciate their work. I just saw a text where my old friend, John Dingell, has had a heart attack today, so I hope you will keep him in your prayers this week, and his wife, now Congresswoman Dingell, our colleague.

And another reason I am interested is, thanks to Chairman Bishop and Mr. Westerman, we have expanded the footprint of Little Rock Central High School this last year. We appreciate the Chairman's work on that. And there we have added seven historic houses on South Park Street there across from Central High. This week is the 61st anniversary. Sixty-one years ago today, all eyes were on Central High and the possibility of integration there. So, this educates, I think, all Members of Congress on how to do a better job on these public-private partnerships with our National Park Service, but for me are other natural resource agencies as well, so I am learning a lot today.

I have successfully gotten the U.S. Forest Service to lease the old Girl Scout Camp at Lake Sylvia in the Ouachita National Forest to a private sector entity, and I would like to see more of that. I am looking at how do we streamline this whole process of getting unutilized assets into private hands.

On another financial topic, I note that the National Trust in their 2013 report on the MDS leasing issue found that there is a typical 10-year recalculation issue for rents built into projects and that can cause, I would think, lessees to end up paying twice, one for property appreciation and one for the fact that they got this 10-year window on the lease term.

What was the rationale between 10 years? Does it have anything to do with Federal budget rules or again, is that just some National Park policy? And would you consider longer lease terms if it fit the business use for the property?

Ms. SIMMONS. That is a very good question. The National Park Service is required to obtain fair market value rent, so that reconsideration clause is partially in there to assure that the National Park Service is actually obtaining a fair market value rent. That rent reconsideration can be as simple as tracking the rent against

the Consumer Price Index. And in addition, that rent reconsideration may not only be on the side of the National Park Service, it can also apply toward the lessee, and the lessee could approach the National Park Service about possibly adjusting the rent. So, it is in there and it assures that both sides are taken care of.

Mr. HILL. Thank you.

Mr. Cassidy, do you want to respond to that or add some commentary to it?

Mr. CASSIDY. I am less informed on that than most things, so I will go back to what the report said years ago.

The CHAIRMAN. Oh, I am sorry. Yes, Mr. Kempkes?

Mr. KEMPKE. We do pay a CPI multiplier annually, so we do have our rent adjusted that way. I think the other part of that was the 10-year intervals in our lease gave the Park Service the right to review our books, for instance, and determine if our rent payments were still fair, if the business was successful, not successful, that kind of thing. It just gave them an opportunity, as she mentioned, a sure fair market rent.

Mr. HILL. So, from your point of view as a user, you didn't view that per se as a burden?

Mr. KEMPKE. No, not at all.

Mr. HILL. Thank you for that.

Chairman, I yield back.

Mr. WESTERMAN. The gentleman yields back.

I now recognize the gentleman from Utah, Mr. Bishop, for 5 minutes.

The CHAIRMAN. As we go through this, we are just scratching the surface of this entire possibility here, so I think what we are going to have to do is talk about some other ways of looking at this in the long term. The essential question is 10 years inhibiting in the ability of getting these things started or not.

Ms. Simmons, you talked about deciding between concessionaires and leasing, that sometimes you have to take them on a case-by-case basis deciding what is necessary and appropriate. Even those terms, "necessary" and "appropriate," are problematic because that is a gray area and it becomes problematic because we are dealing with a national program. And the issue is, if we come up with tight guidelines for these areas, does that then tie our hands so we are not actually solving problems?

I think one of the things I would like this panel and us to think about is maybe some kind of a rewards program that we could institute that would allow the land manager at some park and/or monument entity to get a bonus or reward for innovating some of these proposals so that you are not just going out and putting your neck on the line. But if you actually try something and it becomes successful, maybe there is a process that we can give some kind of bonuses toward maintenance backlog or something else that would encourage the local land managers to become involved in trying to be much more flexible in this without having to worry about getting their head handed to them at the same approach to it. It would also mean that what I am hoping for is to invite some local entities to be more of a voice and advise land managers, park managers on what they should be doing in that particular area and somewhat providing that kind of flexibility.

You also mentioned—and I am running out of time here, I apologize—impediments to people applying and getting the historic tax credit. There are some barriers to that. I would like to look at that specifically on how we can try to minimize those type of barriers. We are talking here about having a leasing process, and all of you said it is a wonderful idea, but it takes time that is counter-productive. How then do we actually come up with a program that incentivizes the shortening of that time period so we can actually get these things up and running faster without having to come back with the national guidelines that tie our hands into the creativity in the future? It is part of the process of having a national system that needs to be fair with everybody, but at the same time make it creative enough so you can be flexible to meet needs of people.

And that is not just with the Park Service. That is a problem with every Federal program that we run, but what we need to do is now see that this is a good program. We need to work on leases. It needs to be approved. How can we actually eliminate some of those barriers and try to make more flexibility in the system to get this accomplished, to get everything up and running?

I am not going to ask a specific question here because as Chairman, I like to hear my voice. That was a joke by the way.

Mr. WESTERMAN. We all like to hear your voice.

The CHAIRMAN. Yeah, yeah, yeah. What I am saying is there is a great potential here that needs to be expanded, and I need to have all of you help us to come back with some specifics on how we can actually go forth to bring more flexibility to this program without damaging the underlying principle that is there. And I, too, want to thank you all for being here.

I have like 1 minute left. Let me do this. Mayor, thank you for allowing us to use your facilities here, your hospitality in inviting us down here. I appreciate that. I appreciate all of you.

To the witnesses, thank you for actually coming and spending your time with us. And to Congressman Westerman, thank you for encouraging us to come down here into your hometown, into your district, and for helping to put this thing together. I appreciate all of that. On behalf of the Committee, thank you so very much. I am done.

Mr. WESTERMAN. Thank you, Chairman. And you are always welcome in Hot Springs, as well as all of my fellow Members of Congress. And I do believe we have a good story here to tell that can be beneficial for all across the country.

Again, I would like to thank all the witnesses for your valuable testimony and thank my colleagues for your questions.

Also, for the record, I would like to submit a letter from Ms. Rose Schweikhart, who is the owner of Superior Bathhouse Brewery.

Without objection, I would also like to submit a letter from Senator Boozman, without objection; a letter from Mr. Bill Burrough, without objection; a letter from the National Park Service to Senator Murkowski, without objection; and also an Op-Ed by Gary Troutman from here in Hot Springs, without objection. I will submit all those for the record.

Members of the Committee may have some additional questions for the witnesses and we will ask you to respond to these in writing. Under Committee Rule 3(o), members of the Committee must submit witness questions within 3 business days following the hearing by 5 p.m., and the hearing record will be held open for 10 business days for these responses.

And one other item of business. We are going to take a tour of Bathhouse Row, and we invite members of the audience to go along with us to see Bathhouse Row. We will do that as soon as we wrap up here, and the Park Service will lead that tour.

If there is no further business, without objection, the Committee stands adjourned. Thank you.

[Whereupon, the Committee was adjourned.]

[ADDITIONAL MATERIALS SUBMITTED FOR THE RECORD]

Rep. Bishop Submission

WRITTEN TESTIMONY OF THE PEW CHARITABLE TRUSTS

Chairman Bishop, Ranking Member Grijalva, Representative Westerman, and members of the Committee, thank you for the opportunity to submit written testimony today on historic leasing and deferred maintenance within our national parks sites.

The Pew Charitable Trusts' Restore America's Parks campaign seeks to conserve the natural and cultural assets of the National Park System by providing common-sense, long-term solutions to the \$11.6 billion deferred maintenance challenge facing the National Park Service (NPS).

National parks often have the same infrastructure as a city or town, and as a result face the same deterioration and maintenance needs. In total, the agency is responsible for protecting and managing over 75,000 assets, while also ensuring that visitors can safely access and enjoy these resources. NPS assets are tangible properties that serve a specific park function and can include: roads and bridges, trails, historic buildings, employee housing, wastewater and electrical systems, military fortifications, monuments and memorials, and seawalls. Maintenance is required at regular intervals to ensure acceptable park facility conditions; when this maintenance is delayed for more than a year, it's considered to be "deferred."

Over 47 percent of assets on NPS' deferred maintenance list are considered historic. As such, Pew supports and encourages the increased use of historic leasing as an important tool to address deferred maintenance challenges facing the NPS. Leasing of historic properties—there are an estimated 9,000 within the National Park System—is a type of public-private partnership that helps restore these properties, save NPS money, and provide revenue-producing businesses in communities.

Examples of historic leasing and public-private partnerships being leveraged to address deferred maintenance include:

Hot Springs National Park. In Hot Springs, Arkansas, natural springs have supplied water for therapeutic baths since the 1800s. The eight historic bathhouses contained within Bathhouse Row were constructed between 1892 and 1923; by the 1960s, however, their popularity declined and bathhouses began to close. In 2004, the NPS began significant efforts to renovate these historic sites so they could be enjoyed by the public once again. Of the original eight bathhouses, the agency helped restore five that are currently used by NPS or other tenants. Historic leasing, including the historic tax credit, were essential to financing the renovations, and current uses include spas, museums, and a brewery and distillery that crafts beer from the hot springs.

Martin Luther King National Historic Park. NPS funds the maintenance for federally-owned houses within the park unit with revenue generated through leasing 29 of the historic buildings as private residences. These structures include apartments, duplexes and single-family homes and the leasing program has proven to be very popular.

Valley Forge National Historical Park. This park site houses a Montessori school that reached an agreement with the park to pay for needed repairs to preserve the 3.5-acre Ivy Hollow Farm site in exchange for a long-term lease that would allow the school to meet there. The mutually beneficial agreement resulted in the restoration of the 19th century farm and a vacant barn with years of deferred maintenance; today, the buildings contain a library and parent meeting room, and a six-classroom school that provides an idyllic setting for its students.

Pew is pleased that the Committee recognizes historic leasing and its role in addressing the deferred maintenance backlog. We encourage Congress and the National Park Service to expand opportunities for the agency and private entities to use this important tool.

Rep. Westerman Submissions

UNITED STATES SENATE,
WASHINGTON, DC

September 12, 2018

Hon. ROB BISHOP, *Chairman,*
House Committee on Natural Resources,
U.S. House of Representatives,
1324 Longworth House Office Building,
Washington, DC 20515.

Dear Chairman Bishop:

While regrettably unable to attend due to votes in the Senate, I am glad to hear of the House Committee on Natural Resources' field hearing in Hot Springs National Park. It is a brilliant idea from my colleague and friend, Congressman Bruce Westerman, and I commend you for taking the time to explore the park and illuminate the way the National Park Service, in partnership with our local officials, have revived the attraction with creative ideas and the National Park Service's Historic Preservation Program. As we both know, the National Park Service's resources are stretched thin and it's imperative that we identify innovative ways to preserve these national treasures.

I hope that you enjoy your time in Arkansas and find several examples you can take back. Again, I appreciate the Committee's visit and the interest in Arkansas' public lands, especially Congressman Westerman for shedding a public light on the good things happening in Hot Springs. I'm certain you will understand why Bruce and I are so proud.

As always, thanks for your friendship and leadership in these important matters.

Sincerely,

JOHN BOOZMAN,
U.S. Senator.

CITY OF HOT SPRINGS,
HOT SPRINGS NATIONAL PARK, ARKANSAS

September 17, 2018

Hon. ROB BISHOP, *Chairman,*
House Committee on Natural Resources,
1324 Longworth House Office Building,
Washington, DC 20515.

Dear Chairman Bishop:

The City of Hot Springs welcomes you, as warmly as our natural springs, to our city. We would like to thank you and the House Natural Resources Committee for visiting Hot Springs National Park.

Since President Andrew Jackson protected our hot springs and the areas around it in 1832 as the Hot Springs Reservation to the formal recognition of Hot Springs National Park in 1921, our area has grown in partnership with federal support. Today, the area continues to attract visitors from all over the United States.

Through the persistence of private business leaders and in partnership with local, state and national agencies, this area is on track to remain an important natural and economic resource. Last year, the park attracted nearly 1.6 million visitors, roughly an 18 percent increase from the previous year.

New businesses, including local hotels, restaurants and breweries, are thriving from the benefit of this federally-protected resource. Government protections, afforded by the natural partnership between federal and local, will sustain private sector growth in our city for generations to come. In short, we exist but for one another.

As a city, Hot Springs is investing in this area through the improvement of Northwoods Urban Forest Park. Building upon the existing natural beauty, we are providing infrastructure that will grow our ecotourism economy. By making the area accessible to all who enjoy the outdoors—hikers, sightseers, and mountain bikers included—the City of Hot Springs is confident that continued public and private investment will complement each other, creating a multiplying effect on our economy.

Sincerely,

BILL BURROUGH,
Interim City Manager.

UNITED STATES DEPARTMENT OF THE INTERIOR,
OFFICE OF THE SECRETARY,
WASHINGTON, DC

March 29, 2018

The Honorable Lisa Murkowski,
Chairman, Subcommittee on Interior, Environment, and Related Agencies,
Committee on Appropriations,
U.S. Senate,
Washington, DC 20510.

Dear Chairman Murkowski:

This letter is in response to the Subcommittee's request to provide a report on the National Park Service's use of leasing authority for historic structures. Language contained in House Report 114-632 accompanying the Department of the Interior, Environment and Related Agencies Appropriation Bill, 2017 (H.R. 5538) is included in the Joint Explanatory Statement that accompanied the Consolidated Appropriations Act, 2017. The language from House Report 114-632 is as follows:

Leasing of Historic Buildings.—Leasing of historic park buildings has proven to be an effective public-private partnership that has brought private investment to the repair and maintenance of historic park resources. In previous Committee reports, the Committee has encouraged the Service to make expanded use of leasing authority. The Committee commends the Service for

recent steps it has taken to increase the utilization of this tool, including establishing a leasing manager to oversee and expand the historic leasing program. The Committee renews its previous request that directs the Service to provide a report, within six months of enactment of this Act, detailing its progress toward expanding use of this authority. Included in this report should be (1) a list of structures the Service considers high-priority candidates for leasing, (2) a list of structures currently under a lease arrangement, (3) an estimate of the number of leases that have enabled private sector investments using the Service-administered historic tax credit, and (4) any statutory or regulatory impediments that now inhibit the enhanced use of leasing of historic structures.

The National Park Service (NPS) has authority to lease historic and other buildings and associated property under the National Historic Preservation Act and the National Park Omnibus Management Act of 1998. The NPS continues to make progress toward increasing the number of public-private partnerships through leasing. In the last 18 months the NPS has executed a master residential lease at First State National Monument; a lease with Navajo Nation Hospitality Enterprises, a wholly owned subsidiary of the Navajo Nation, at Canyon De Chelly National Monument; and executed an Inter-Agency Agreement with the United States Forest Service to lease two buildings at Fort Vancouver National Historic Site.

In addition, the NPS is currently preparing to enter into negotiations with a potential lessee for the Riis Beach Bathhouse at Gateway National Recreation Area; is working on an agreement with the Bureau of Indian Affairs to occupy one of the buildings at Fort Vancouver National Historic Site; and recently issued a request for proposal for the Maurice bathhouse at Hot Springs National Park. The leasing program staff is also continuing to develop formal training for NPS staff to expand capacity across the NPS to initiate and manage park-level leasing programs. As part of that effort, the NPS has integrated a leasing section into the annual Commercial Services Training for Superintendents curriculum.

House Report 114–632 requested that the following information be included as part of this report:

- **A list of structures that the Service considers high-priority candidates for leasing**

See enclosed list. The NPS prioritizes eligible properties for leasing based on knowledge that park staff have regarding local market demand for facilities, along with direction from the service-wide leasing program office. The enclosed list reflects those properties for which parks and regions are actively working on leasing. The list contains properties under a range of situations, including those for which the NPS expects to issue a Request for Proposal within the next two years, those for which a Request for Proposal received no responses, and those that were under life tenancy and have recently transferred to NPS control.

- **A list of structures currently under a lease arrangement**

See enclosed list, which includes properties reported by parks through regional leasing and concession staff. This information has been checked against the NPS facility management database.

- **An estimate of the number of leases that have enabled private sector investments using the Service-administered historic tax**

While the NPS does not include language in its leases that would prevent a lessee from taking advantage of the historic preservation tax credit, there are requirements for obtaining historic preservation certification from the National Park Service and the State Historic Preservation Office, as well as Internal Revenue Service regulations governing the tax credits for rehabilitation that must be met before the tax credit can be utilized by the lessee.

The NPS is currently aware of three lessees that have taken advantage of the benefits offered by this program: Cavallo Point Lodge at Fort Baker, the Argonaut Hotel in Golden Gate National Recreation Area, and the Quapaw Bathhouse at Hot Springs National Park. It is possible that other lessees have used the historic tax program previously, but NPS records do not cover a number of the early years of the tax-credit program.

• **Are there any statutory or regulatory impediments that now inhibit the enhanced use of leasing of historic structures?**

The NPS has authority to enter into a lease with any “. . . person or government entity . . .” (54 U.S.C. § 102102(a)). Other agencies, with some exceptions, generally do not have such authority, which is instead vested with the General Services Administration (GSA) (40 U.S.C. § 585). Therefore, other federal agencies are often reluctant to execute agreements with the NPS to occupy facilities that are administered by the NPS without going through the General Services Administration. So, while the NPS is authorized to lease structures to any governmental entity, other agencies do not have clear, specific authority to enter into a lease with the NPS without going through GSA. However, under the Service First authority (43 U.S.C. § 1703), the NPS can enter into leases with other agencies within the Department of the Interior and the Department of Agriculture, without consultation of GSA.

In general, market conditions and demand pose the greatest challenge to expanding the current leasing program. Investors are often more interested in purchasing outright ‘fee title’ property, rather than investing in the rehabilitation of a property that is owned by, and possession of which will eventually be returned to, the federal government. Also, the lease opportunities available within parks may not provide a viable business opportunity given the higher costs associated with the restoration or rehabilitation of the structures compared to the relatively low rents available in local areas, many of which are rural and sparsely populated. In more urban areas, there appears to be a greater demand from the public to lease facilities in parks for residential use, office space, or other commercial activity.

Additionally, NPS has limited resources available to conduct the up-front planning necessary to determine fair market value rent, and to develop the required Request for Proposal to lease historic facilities. Without such work, the NPS cannot accurately gauge the level of private sector interest in its properties.

The NPS greatly appreciates the Committee’s support throughout the appropriations process and looks forward to collaborating to find creative ways to utilize public-private partnerships to help preserve and maintain historic assets for future generations to use and enjoy.

A similar letter has been sent to the Honorable Tom Udall, Ranking Minority Member, Subcommittee on Interior, Environment, and Related Agencies, Committee on Appropriations, U.S. Senate; the Honorable Ken Calvert, Chairman, Subcommittee on Interior, Environment, and Related Agencies, Committee on Appropriations, House of Representatives; and the Honorable Betty McCollum, Ranking Minority Member, Subcommittee on Interior, Environment, and Related Agencies, Committee on Appropriations, House of Representatives.

Sincerely,

OLIVIA B. FERRITER,
DEPUTY ASSISTANT SECRETARY,
Budget, Finance, Performance, and Acquisition.

Hot Springs: A wonderful story to tell

by Gary Troutman

Guest columnist

Hot Springs Sentinel Record

September 16, 2018

Locals and tourists alike know the heart and soul of Hot Springs is Bathhouse Row. Looking down Central Avenue today, the heart of Hot Springs beats strong. But as many know, this has not always been the case.

As generations passed, use of the bath houses dwindled and the once-majestic properties were forced to close. Gone were the days of the rich and famous, the days of the sick seeking healing in Hot Springs’ thermal waters. Bathhouse Row had gone from a hub of activity to a line of boarded up windows, sucking jobs and tourism in Hot Springs down the drain.

What Bathhouse Row needed was a new vision. The problem, however, was twofold. For one, when the Quapaw, Superior and the others closed, they became property of the National Park Service. The federal government simply lacked the authority or the dollars to radically change the direction of the deterioration. Compounding that problem as the condition of the bath houses worsened, the cost to restore them continued to rise. Without private investment and public support, the situation looked dire for both Bathhouse Row and Hot Springs as a whole.

Thus, an innovative idea was hatched—instead of letting the buildings fall into further disrepair, the Park Service decided to lease the bath houses to private businesses. Entrepreneurial owners were handed the keys to these historic structures, under the condition that they restore the bath houses to their former glory. It took several years to see the plans come to life, but the gamble worked. Businesses from a brewery to a boutique hotel currently under construction occupy these formerly empty structures, and downtown is now thriving.

The result of Hot Springs National Park partnering with private business resulted in investment and growth. First, it has allowed the park to reduce its deferred maintenance backlog. With private business restoring the bath houses, it has saved the federal government and the American taxpayer millions of dollars in building repairs. Hot Springs National Park still has a deferred maintenance backlog of more than \$12 million, but it would be much higher without the leasing program that has brought these buildings back to life.

Beyond addressing the park's maintenance backlog, these new businesses occupy prime real estate downtown and have become active members in Hot Springs business community. The owners of these businesses are leaders, investing their hard-earned money in a city and a national park many had written off for dead.

The fire that destroyed the Majestic Hotel in 2014 created much doubt about downtown's ability to survive. But the work that had already gone into redevelopment of Bathhouse Row in the years before and continued efforts by the Greater Hot Springs Chamber, Metro Partnership, Hot Springs National Park Rotary Club and downtown business owners allowed downtown to thrive with more than 100 new businesses opening since February 2014 and more than \$80 million invested downtown. Tourism has increased, too, with 1,561,616 travelers visiting Hot Springs National Park in 2017 compared with 1,325,719 in 2013, an increase of nearly 18 percent, or 235,897 people, in just five short years.

Investment in the historic bath houses along Central Avenue is an example which can be followed by national parks throughout the country. Whether an urban park like Hot Springs or a park in a more remote locale, partnering with private industry can bring new life to these parks and the communities which surround them.

That is why I am excited for the House Committee on Natural Resources to visit Hot Springs on Monday (Sept. 17). Our city and its national park have a wonderful story to tell and can be an example for the country. Congressman Bruce Westerman, a Hot Springs native and a member of the Natural Resources Committee, knows this. His efforts to bring a field hearing to the city are appreciated, as we share our story with America and inspire investment—both public and private—in our country's national parks.

Gary Troutman is the president and CEO of the Greater Hot Springs Chamber of Commerce and Metro Partnership. He previously served as vice president of First Security Bank in Hot Springs and general manager of The Sentinel-Record.

September 15, 2018

Congressman Westerman,

My name is Rose Schweikhart, and I am the sole owner and decision maker of my company, Superior Bathhouse Brewery. I hold a 55 year lease with the National Park Service to operate my business inside Hot Springs National Park. I am very proud to be the only brewery in a National Park and the only brewery in the world to make beer (and root beer!) with thermal spring water.

I have been asked to write about my experience with the National Park's leasing program. I want to take this opportunity to briefly and succinctly share both pros and cons to the process from my unique and relevant perspective as a park partner.

First the positives. I have been in business for 5 years. The business was profitable almost immediately with sustained growth year after year. In year 3, I was ahead of the 10-year projections in the business plan. I attribute this success to the visibility of my historic location for which I am very thankful. While the two year negotiation process was somewhat arduous, it was worth it in the end. I was able to take a simple business idea (brew beer commercially with Hot Springs' famous thermal water) and make it happen. The fact that a pathway existed to propose an idea, negotiate a contract, and turn it into reality is a shining example of functional public-private partnership and I am thankful for the officials that made that pathway possible.

I believe my relationship with the National Park Service is truly a win-win situation for both parties. I get to operate a profitable business with a great story in exchange for assuming the financial burden of a large historic building. I estimate that I am saving the Park about \$100,000–\$150,000 per year between utility bills, maintenance and repair, flood and building insurance, and of course my monthly rent.

Of course as with any complex business relationship, there have been difficulties. I wish to take this opportunity to highlight a few of those difficulties, with the intention of creating an open dialogue with the goal of improving the process for all parties involved. I would like to address two contractual obligations from my lease which could be improved from a small business perspective.

My lease requires me to maintain a maintenance fund of 2% of my gross sales. "The funds in the Maintenance Reserve Account shall be used to carry out, on a project basis, repair and maintenance needs of the Premises that are non-recurring within a seven-year time frame." I am 100% behind the purpose of the Maintenance fund and I diligently comply with this requirement. In 2017, the building's main HVAC system installed by the Park in 2007 needed a total replacement to the tune of \$45,000 across two projects and I was thankful to have the money available for that project. The negative to this arrangement from a business perspective is the impact of the maintenance reserve on my cash-flow. As a small business, I would rather use 2% of my gross receipts building my business. I could hire additional employees, purchase inventory or equipment, or pay down debt. My proposal to the National Park Service is that I be allowed to maintain a maintenance fund in the form of a revolving line of credit from a local bank. What is the difference to the National Park Service if I have \$45,000 sitting in a bank account or \$45,000 in available credit? I would be happy to pay any interest incurred in drawing upon that line of credit in exchange for having additional cash available for growing my business on a day to day basis.

The second issue I would like to mention is the insurance requirement placed upon me by the lease which is, in my opinion, excessive. I am required to carry property insurance in the amount of "the full insurable value of the Premises. All such policies shall specify that proceeds shall be payable whether or not any damaged or destroyed improvements are actually rebuilt." As you can imagine, a 9,000 sq foot historic brick, plaster, and marble building is literally priceless. In the event of a building loss, the lease gives the National Park Service the authority to terminate the lease and collect the insurance proceeds as 'additional rent' or 2) require me to rebuild the premises. While we can all agree that the loss of the historic Superior Bathhouse would be a tragedy, can we also agree that it is irreplaceable? Modern materials, construction methods, and building codes would make it impossible to recreate this historic structure "to the condition that existed prior to the damage or destruction;" If such tragedy occurred, it is unlikely that the Park Service would want a modern structure built on Bathhouse Row. In my first years of business that coverage cost me an astronomical \$13,500 per year! It has subsequently dropped as I was able to switch to an insurer that handles business who have been open for 5 or more years but it is still almost \$5,000/year. Does the committee find it reasonable that I should be required to carry such coverage for

55 years if the lessor has the sole authority to terminate the lease, and collect the proceeds of such policy when it is unlikely that the building would ever be rebuilt? My suggestion is that we find a reasonable ceiling for that property insurance that could be used in case of a partial loss but that full coverage is against the interests of the park partner's small business. Perhaps that ceiling could be the cost of my rent for the remainder of the lease contract.

If the National Park Service would consider changes to these policies, it would make long term leases more attractive to future tenants who may see these expenses as deal breakers. I hope that if any of my suggestions are considered, that the National Park Service would consider making these modifications in good faith to my existing lease so that my company may benefit from them in the future.

Thank you for the opportunity to submit my written testimony.

Sincerely,

ROSE SCHWEIKHART,
*Owner of Superior Bathhouse Brewery,
Hot Springs National Park, Arkansas.*

