

**STATEMENT OF TRACY SIMMONS, CHIEF OF COMMERCIAL SERVICES,  
MIDWEST REGION, NATIONAL PARK SERVICE, DEPARTMENT OF THE  
INTERIOR, BEFORE THE HOUSE NATURAL RESOURCES COMMITTEE AT AN  
OVERSIGHT FIELD HEARING ON “HISTORIC LEASING IN THE NATIONAL  
PARK SYSTEM: ASSESSING CHALLENGES AND BUILDING ON SUCCESS”**

**SEPTEMBER 17, 2018**

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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 Success”.

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 allows 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 nonprofit 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.