**Commercial Services Asset Management Guidance**

**National Park Service Commercial Services Program**

2018 Edition

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# Concession Facilities Management

## Introduction

CS has through concession contracts assigned more than 5,000 federal real property improvements, such as buildings, roads, trails, parking lots, and utilities to concessioners for the purpose of providing visitor services. The U.S. government retains the title to and ownership of all real property improvements assigned to concessioners. Concessioners are responsible for maintaining these real property improvements in accordance with the asset management terms of its concession contract. The term “Concession Facilities” include all areas of land and real property improvements owned by the government that are assigned to or constructed by the concessioner under the concession contract. Real property improvements are the equivalent of assets and will be referenced as assets in this chapter.

CS’s asset management business practices must meet the programmatic goals of both the Program and PFMD. Since PFMD is vested with servicewide asset management and reporting responsibility, the Program aligns its asset management business practices to fit within PFMD’s overall objectives. Parks provide oversight to ensure concessioners are maintaining concession facilities appropriately and in accordance with all laws, regulations, and policies. This includes meeting all expected maintenance requirements and addressing DM. As a result, the overall condition of assets will be sustained or improved.

Successful communication between the park and concessioner is crucial, and relies on a clear and well documented understanding of the various terms and conditions under which the concessioner must operate and provide visitor services. In addition, the interdisciplinary nature of asset management merits close collaboration and cooperation with wider NPS program areas, representatives of which can provide the expertise and experience needed to accomplish servicewide programmatic goals and objectives in areas such as facility maintenance (FM), cultural and natural resource protection, safety, and park operations

## Facility Management Authorities

In addition to the general authorities related to concession management, the following citations of applicable laws, policies and regulations relate specifically to concession facility management. Links to web-based copies of these documents are provided where available.

### Laws and Acts

* [Executive Order 13327](http://www.gsa.gov/portal/content/101584): Federal Real Property Asset Management
* [Executive Order 13423:](https://www.fedcenter.gov/programs/eo13423/) Strengthening Federal Environmental, Energy and Transportation Management
* Americans with Disabilities Act 1990 (ADA) ([P.L. 101-336](http://www.ada.gov/))
* Government Performance and Results Act of 1993 (GPRA) ([P.L. 103-620](https://govinfo.library.unt.edu/npr/library/misc/s20.html))
* National Environmental Policy Act of 1969 (NEPA) *(*[P.L. 91-190](https://www.epw.senate.gov/nepa69.pdf))
* National Historic Preservation Act of 1966 (NHPA) ([P.L. 89-665](http://www.achp.gov/NHPA.pdf))

### Regulations

* [40 CFR Chapter V Parts 1500-1508: NEPA Regulations](http://www.access.gpo.gov/nara/cfr/waisidx_06/40cfrv31_06.html)

### Policies

* [Director’s Order 10a: Design and Construction Drawings](https://www.nps.gov/policy/DOrders/DO10A.html)
* [Director’s Order 10b: Drawing and Map Numbers](https://www.nps.gov/policy/DOrders/DO_10B.pdf)
* [Director’s Order 12: Conservation Planning, Environmental Impact Analysis, and Decision-making](https://www.nps.gov/policy/dorders/do_12.pdf)
* [Director’s Order 58: Structural Fire Management](https://www.nps.gov/policy/DOrders/DO_58.pdf)
* [Director’s Order 80: Real Property Asset Management](https://www.nps.gov/policy/DOrders/DOrder80.htm)
* [Director’s Order 90: Value Analysis](https://www.nps.gov/policy/DOrders/DO90.htm)
* [NPS Management Policies 2006](https://www.nps.gov/policy/mp2006.pdf)
	+ Chapter 8: Use of the Parks
	+ Chapter 9: Park Facilities

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CS’s asset management business practices must meet the programmatic goals of both the Program and PFMD. Since PFMD is vested with servicewide asset management and reporting responsibility, the Program aligns its asset management business practices to fit within PFMD’s overall objectives. Parks provide oversight to ensure concessioners are maintaining concession facilities appropriately and in accordance with all laws, regulations, and policies. This includes meeting all expected maintenance requirements and addressing DM. As a result, the overall condition of assets will be sustained or improved.

Successful communication between the park and concessioner is crucial, and relies on a clear and well documented understanding of the various terms and conditions under which the concessioner must operate and provide visitor services. In addition, the interdisciplinary nature of asset management merits close collaboration and cooperation with wider NPS program areas, representatives of which can provide the expertise and experience needed to accomplish servicewide programmatic goals and objectives in areas such as FM, cultural and natural resource protection, safety, and park operations.

This chapter outlines the procedures implemented for concession asset management to address the scope of concession facilities and associated programmatic goals, oversight and management responsibilities of the Service.

### Concession Contracts and Asset Management

Parks define the concessioner’s asset management contractual requirements and provide oversight to ensure that the concessioner is in compliance with the asset management related terms of the concession contract. Concessioners are responsible for the maintenance of all assigned concession facilities as defined in its concession contract.

The NPS issues three types of concession contracts category I, II and III which are described below. Assets are generally assigned to the concessioner only under category I and II concession contracts.

* [Category I contracts](http://concessions.nps.gov/docs/StandardContract.pdf) are used when the concessioner will operate on assigned land and is assigned federal assets in which the concessioner holds or will hold LSI, and/or will be required or allowed to construct or install capital improvements in which the concessioner may acquire LSI.
* [Category II contracts](http://concessions.nps.gov/docs/SimplifiedContract.pdf) are used when the concessioner will operate on assigned land and is assigned federal Real Property Assets, but does not hold any LSI in the assigned assets and is not authorized under the contract to construct or install capital improvements.
* [Category III contracts](http://concessions.nps.gov/docs/SimplifiedContract.pdf) are used when the concessioner is not assigned lands or federal assets. Many outfitter/guide operations are authorized by category III contracts. Asset management responsibilities outlined in this chapter do not apply to category III contracts.

Contract language specific to asset management may vary from contract to contract. To provide appropriate oversight, it is important to read and understand the asset management requirements of each individual contract.

## Asset Management

Asset management covers a breath of procedures and practices to construct renovate repair and maintain facilities. Program requirements are dictated by the contract and various exhibits including the maintenance plan. This section describes these activities.

### Asset Life Cycle and Contract Life Cycle

The asset life cycle has six phases:

1. Plan
2. Design
3. Construct
4. Operate and Maintain
5. Recapitalize
6. Dispose

Each of these phases requires distinct asset management activities. During the first three phases (plan, design, and construct), the park and concessioner may plan, design and/or construct a new asset. During the Operate & Maintain phase, the concessioner performs RM, PM, and CR and cures DM. During the Recapitalize and Dispose phases, the park and/or concessioner may renovate or dispose of an asset.

The contract life cycle has three phases:

1. Prospectus Development
2. Contract Management
3. Contract Transition

Similar to each phase of the asset life cycle, each contract life cycle phase mandates specific asset management activities. For example, a CA is performed during the prospectus development phase while an inspection is performed during the contract management phase.

Asset and contract life cycles are independent of each other. One asset may be in the Operate and Maintain phase during prospectus development while another is in the Recapitalize phase.

### Work Types and Subtypes

Concessioner maintenance responsibility is divided into two work types, FM and FO.

FM refers to any activity that sustains the design life of assets, including RM, PM, DM, and CR. The park documents the concessioner’s FM responsibilities in the maintenance plan.

FO activity includes housekeeping, grounds keeping and the daily operation of any mechanical equipment or utility such as water, sewer, and electricity. The park documents the concessioner’s FO responsibilities in the operating plan.

FM is divided into work subtypes (RM, PM, DM, and CR) that are the planned work required to preserve facilities so they may be used for their designated purpose over an intended service life. Work subtypes provide a more granular definition of the maintenance work, and are often related to specific fund sources. The use of work subtypes is required in the Facility Maintenance Management System (FMSS). The four major work subtypes are defined in the table below.

Table 1‑1: Work Subtypes

| Work Subtype | Example | Frequency |
| --- | --- | --- |
| Preventive Maintenance (PM) | Typically includes inspection, lubrication, and adjustment. | Typically, 1 year or less |
| Recurring Maintenance (RM) | Typical projects include painting, pump and motor replacement, cleaning, repair and replacement of lighting, engine overhaul, replacement of carpeting, and refinishing hardwood floors. | Greater than 1 year |
| Component Renewal (CR) | Typical projects include fountains, building frames, window frames, sheathing, subfloors, drainage, building systems such as electrical, plumbing, built-in heating and air conditioning, roof replacement and rehabilitation of components of historic Concession facilities. | Greater than 7 years |
| Deferred Maintenance (DM) | Typical projects include repairing broken window, reattaching loose fixtures, securing fasteners, unclogging drains, rebuilding dripping valves, repairing insulation, repairing carpet seams.  | N/A |

### Funding Sources

Concessioners are contractually obligated to fund maintenance activities concerning the concession facilities. Funding sources for this maintenance may differ by contract type through specific terms within the concession contract. Any required or recommended level of funding for a particular fund source as stated in the concession contract is a minimum amount. The concessioner is responsible for meeting all required FO and maintenance requirements for its concession facilities, regardless of available funding.

Maintenance requirements are generally funded through three concessioner fund sources:

* RMR
* Concessioner capital funds
* Concessioner operating funds

Maintenance items that do not qualify for the use of RMR funds are classified in the concessioner Annual Financial Report (AFR) as either a repair and maintenance expenses or as capital expenditures. Unlike the RMR, capital expenditures or expense maintenance items are not funded through a specific, accumulating fund. Instead, they are a classification in the financial report to describe the purpose and treatment of money that was expended on maintenance. In the cases in which the contract does not require a RMR, the concessioner must use concessioner operating funds for CR.

The minimum amount of funding requirements for maintenance expense is rarely identified in a contract. FM activities, such as PM, RM, and all repair items (e.g., DM) are included in maintenance expense.

*(See the section on RMR in this chapter for additional information)*

Other concessioner funds are used when capital improvements are required or the RMR is not sufficient to fund CR needs.

The charts below summarize category I and II contract maintenance work activities, funding sources and potential LSI impacts.

Table 1‑2: Category I Work Categories and Fund Sources

| Work Categories | Fund Source |
| --- | --- |
| Facility Operations | Custodial | Concessioner FundsOperating Expenses |
| Housekeeping |
| Grounds Keeping |
| Waste Management |
| Facility Management | Preventive Maintenance (PM) | Concessioner FundsMaintenance Expenses |
| Recurring Maintenance (RM) |
| Repair(Scheduled and Unscheduled) |
|
| Component Renewal (CR)(Design Life > 7 years) | Repair and Maintenance Reserve (RMR) |
| Concessioner Funds |
| Capital Improvement | Fixtures | Concessioner FundsResults inLeasehold Surrender Interest |
| Major Rehabilitation |
| New Construction |

Table 1‑3: Category II Work Categories and Fund Sources

| Work Categories | Fund Source |
| --- | --- |
| Facility Operations | Custodial | Concessioner FundsOperating Expenses |
| Housekeeping |
| Grounds Keeping |
| Waste Management |
| Facility Management | Preventive Maintenance (PM) | Concessioner FundsMaintenance Expenses |
| Recurring Maintenance (RM) |
| Repair(Scheduled and Unscheduled) |
|
| Component Renewal (CR)(Design Life > 7 years) | Repair and Maintenance Reserve (RMR) |
| Concessioner Funds |
| Capital Improvement | Fixtures | Non-Concessioner Funds(e.g., ONPS or other federal funding sources) |
| Major Rehabilitation |
| New Construction |

Parks sometimes take on some maintenance responsibilities to avoid incurring LSI (when a contract cannot support the investment of funds), to ensure the historic fabric of an asset is preserved and to construct capital improvements under category II contracts. Parks have used many NPS funding sources to accomplish this, such as 80% franchise fees, Federal Lands Recreation Enhancement Act (FLREA) funds, and line item construction funds.

### Condition Assessments

A CA is an inspection of concession facilities that occurs during prospectus development. CAs are mandated by Executive Order (E.O.) 13327 and supports the 1998 Act requirement that the NPS has specific real property information for its assets to support the Program in the development of new concessions prospectuses, and to assist in the management of existing concessions contracts. Information collected during a CA includes:

* Current asset condition.
* Outstanding DM and costs to cure.
* Life cycle requirements and costs to maintain the assets over the next contract term.
* Depreciation for PI and LSI negotiation purposes.
* LSI baselines for future investments.

This information provides key information for the purposes of performing financial analysis, identifying RMR requirements, and considering potential concessioner funded investments. CA information, once approved is migrated to FMSS.

The WASO Program, Asset Management Branch serves as the COR for all prospectus development CAs. The most current version of the WASO Program CA scope of services (SOS) must be used for all prospectus development CAs. COR approval is required prior to removing or revising any SOS requirements. WASO Program IDIQ CA contractors must be used to ensure the consistency of information collected, reduce training costs and meet deliverable review deadlines.

The WASO Program Asset Management Branch (in consultation with the park and region), must review all prospectus development CAs over five years old to determine if the CA data is still relevant to the prospectus development process.

The regional chief must submit requests for prospectus development CA waivers and the WASO program chief must approve the waiver before it can be granted.

*(See Chapter 4 for additional information on prospectus development)*

### Inspections

An inspection is a walkthrough of concession facilities by the park and concessioner to identify “obvious and apparent” deficiencies, verify the completion and quality of work, and document asset condition. Parks without asset managers should engage PFMD employees to assist with the inspection.

The goal of the inspection is to ensure the concessioner is meeting the asset management related terms of the concession contract and to identify work that was or must be completed. The inspection should result in a mutual understanding of work plans and maintenance needs between the park and concessioner.

Parks should inspect concession facilities at a minimum once per year. Parks with seasonal operations should conduct inspections as part of the pre-season walk through to that the concessioner has an opportunity to address any potential issues before opening for the season. Parks should conduct a follow-up inspection at the end of a season to identify any deficiencies that the concessioner can cure during the off-season. The outcome of each inspection should be a full understanding of the current facility’s needs, an updated work order list for the maintenance plan, and information to incorporate into the periodic evaluations and AOR.

### Repair and Maintenance Reserve

The RMR is a reserve to fund (on a project basis) CR that is non-recurring within a seven-year time frame. RMR funds are used to finance CR and DM CR projects (i.e., they are used to fund the replacement of systems and components that are not LSI-eligible and have reached the end of their design life. RMR funds may not be used to finance FO, repair, RM, grounds keeping, or capital improvements.

Category I concession contract sections related to establishing and managing the RMR and the procedures for planning and managing projects financed by the RMR include:

* **Section 10(c) – Maintenance Reserve:** This Section describes the concessioner’s obligation to establish and maintain the RMR and defines the types of projects that may be financed by the RMR.
* **Section 14(c) 2 – Statements of Reserve Activity:** This Section defines the requirement for a concessioner to submit a financial statement describing RMR activity for the preceding year.
* **Exhibit F – Concessioner Construction, Major Rehabilitation, and Repair and Maintenance Project Procedures:** This Exhibit sets forth procedures for the administration of concessioner-funded new construction, major rehabilitations, and RMR projects.
* **Exhibit H – Maintenance Plan:** This Exhibit defines the requirements for maintenance planning and reporting of RMR funded projects.

Category II concession contract sections related to establishing and managing the RMR and the procedures for planning and managing projects financed by the RMR include:

* **Section 9(c) – Maintenance Reserve:** This Section describes the concessioner’s obligation to establish and maintain the RMR and defines the types of projects that may be financed by the RMR.
* **Section 13(c) 2 – Statements of Reserve Activity:** This Section defines the requirement for a concessioner to submit a financial statement describing RMR activity for the preceding year.
* **Exhibit E – Maintenance Plan:** This Exhibit defines the requirements for maintenance planning and reporting of RMR funded projects.
* **Exhibit E-1 – RMR Procedures:** This Exhibit sets forth procedures for project planning and management for RMR funded projects.

The concessioner must debit a contractually defined percentage of annual gross receipts to the RMR each month. This percentage is established during prospectus development. The percentage is based on the current and future CR needs of the facilities as determined by a CA. This percentage may also take into account specific, anticipated project needs.

Regulations require that the concessioner maintain an accounting record of its contributions to the RMR but do not that the concessioner maintain a corresponding liability account. Concessioners must, with its accounting personnel or CPA make a determination on the methods of accounting for RMR contributions and expenditures in accordance with applicable accounting rules. Typically, schedule C of the AFR contains a current asset account the balance of which represents the total of the concessioner’s percentage contributions less any approved expenditures.

The concessioner must maintain all concession facilities to the satisfaction of the director and is responsible for all necessary CR, even if expenditures exceed available RMR funds. The director (or his or her representative) has the authority to direct the concessioner to expend RMR funds. A concessioner’s refusal to expend RMR funds when directed to do so may be considered a material breach of its concession contract. Refer to the concession contract to determine the status of any unexpended RMR funds remaining at the end of the contract term.

### Monitor

Parks monitor the RMR to ensure:

* The concessioner is complying with the contract’s RMR requirements.
* Adequate funds are available for future projects.
* Expenditures match previously authorized project costs.

The concessioner must provide the park with a plan that provides a forecast of anticipated RMR projects. This plan must include a forecast, by year, of projects that will be financed by the RMR funds during the contract term. By using data from the CA conducted during prospectus development, the park establishes minimum requirements for the concessioner’s plan. The plan may be updated with new projects and maintenance requirements during the term of the concession contract. The concessioner may not expend RMR funds or begin RMR projects without written authorization from the superintendent.

Monthly, the park reviews RMR expenditures through concessioner provided invoices, labor records, and contracts. The park reviews the documentation and inspects the work to ensure that:

* RMR funds were expended on the approved project.
* Supporting project documentation complies with the agreed-upon project and funding.
* The completed work complies with the agreed-upon project scope and funding.

### Annual Financial Reporting

The concessioner must report RMR activity on the AFR, which includes two schedules detailing RMR activity:

* Schedule P – Maintenance RMR annual reconciliation
* Schedule Q – Maintenance RMR expenditures

Annually, the park reviews the concessioner’s AFR - specifically, Schedules P (RMR annual reconciliation) and Q (RMR expenditures) - to ensure that the AFR accurately reflects the year’s RMR activities and balance. The park should resolve any discrepancies with the concessioner.

### LSI Implications

The RMR may not be used to fund projects that would otherwise generate LSI or any other compensable interest. LSI-eligible events may include new construction, major rehabilitations, or fixture replacements. Parks must not authorize the funding of maintenance work by use of the RMR to mitigate or avoid LSI liability if that maintenance work would otherwise generate LSI.

### Maintenance Plan

The maintenance plan is the blueprint for the management of concession facilities and it defines both the concessioner’s and park’s responsibilities. Through the maintenance plan the park defines the maintenance standards that concessioners must comply with. The superintendent is responsible for the review, and subsequent approval of the maintenance plan, and for monitoring the concessioner’s compliance with the maintenance plan.

The maintenance plan must delineate what activities the park will undertake. Some parks choose to retain responsibility for certain maintenance activities. If activities are not specifically listed in the maintenance plan as the park’s responsibility, then they are the responsibility of the concessioner.

The maintenance plan is separated into 5 sections:

* **Part A – General Standards:** Part A contains standard contract language that applies to all contracts, such as key terms and applicable laws.
* **Part B – Park Required Concessioner Responsibilities:** Part B contains park and operation specific maintenance requirements.
* **Part C – Concessioner Environmental Responsibilities:** Part C contains park and operation specific environmental requirements.
* **Part D – Concessioner Reporting Responsibilities:** Part D describes plans and reports that the concessioner is required to submit, and includes due dates for the submission of such plans and reports.
* **Work Order Supplement:** The Supplement contains a work order list of maintenance that the concessioner must complete in a one-year period.

During prospectus development, an initial maintenance plan is drafted. The park should review and update the maintenance plan annually. Requirements can change from one year to the next. For example, new maintenance deficiencies can arise, the concessioner’s operations can change, and new buildings, systems or equipment can bring about new maintenance needs, etc.

Although concessioner approval of the maintenance plan is not required, the park is encouraged to obtain concessioner concurrence regarding any revisions to the maintenance plan.

### Facility Management Software System

FMSS is the official repository for DOI federal real property and is maintained by PFMD. FMSS is an asset-based work identification, management and analysis system. FMSS allows parks, regions and WASO to track all aspects of work (such as planning and design, construction, operations/maintenance, and rehabilitation and removal) related to an asset. It also provides the initial data for conducting CAs.

Data for all assets must reside in FMSS. CA data collected during prospectus development is migrated to FMSS. Maintenance plans require concessioners to provide parks with work order information through plans, reports, and electronic files (refer to Part A of the maintenance plan). Parks are responsible for maintaining FMSS data integrity. Parks can accomplish this by manually updating FMSS with the concessioner provided plans and reports or through the use of the Concessions Work Order Transfer (CWOT) tool. The park is responsible for the review, approval and timely migration of the work information to FMSS in order to accurately reflect an asset’s current condition.

*(See Chapter 7 for additional information on the CWOT tool)*

### Annual Deferred Maintenance Reporting

At the end of every fiscal year DM is reported to the Federal Accounting Standards Advisory Board. The information is reported by park, region, and servicewide directly from FMSS. Timely updating of FMSS information will ensure that concession facilities DM is reported accurately.

### Concessions Work Order Transfer Tool

The CWOT tool is an application that will allow for the exchange of work order information between parks and concessioners. This will allow parks to gain insight into the condition of concession facilities and maintain the integrity of FMSS data.

Concessioners with automated systems exchange data with parks via industry-standard “web-services” protocols. Concessioners without automated systems exchange data with parks through a template that is compatible with spreadsheets (e.g., Excel) and transmitted via email.

Parks review concessioner submitted work order information through the CWOT dashboard and approve or reject work orders on an individual basis. FMSS is updated with approved work orders. The park returns rejected work orders to the concessioner.

Parks can extract work orders from FMSS to build the concessioner’s initial work order file or at any time during the contract term.

### Reporting

The concessioner must submit the following plans and reports to the park for review and approval on an annual basis. The park identifies due dates and inserts them into the maintenance plan.

#### Concessioner Maintenance Plan and Report

The Concessioner shall submit annually (for review and approval) a CMPR applicable to all concession facilities. Projected maintenance activities must be identified in the CMPR the year prior to commencement of the maintenance activities. Maintenance activities that require planning and/or design should be identified in the CMPR the year prior to the commencement of the planning and/or design. The purpose of the CMPR is to identify the need for and tentative scope of maintenance activities a complete year in advance of actual work to allow adequate time to prepare for work commencement. Projects shown in the CMPR must include, at a minimum, the:

* NPS asset number
* Work order number
* Work order subtype
* Work order open date
* Project title
* Concept description
* Justification
* Anticipated NEPA and Section 106 planning and compliance
* Status
* Work order completed date.

 The CMPR should break down maintenance activities to be performed in sufficient detail to allow the NPS and the concessioner to identify, plan, locate and track work performed. The CMPR due date is stated in the maintenance plan.

#### Concessioner Project Plan and Report

The concessioner shall submit annually (for review and approval) a CPPR applicable to all concession facilities. Each projected new construction, major rehabilitation and RMR project must be identified in the CPPR the year prior to commencement of the individual project. Projects that require planning and/or design should be identified in the CPPR the year prior to commencement of the planning and/or design.

The purpose of the CPPR is to identify the need for and tentative scope of projects a year in advance of actual work to allow adequate time to prepare for project. Projects shown in the CPPR must include, at a minimum, the:

* NPS asset number
* Work order number
* Work order subtype
* Work order open date
* Project title
* Concept description
* Justification
* Anticipated NEPA and Section 106 planning and compliance
* Status
* Work order completed date.

The CPPR due date is stated in the maintenance plan.

### Concessioner Funded Construction Projects

Parks are responsible for ensuring that concessioner funded construction projects adhere to law, policy, and the terms of the applicable concession contract throughout all phases of construction. Phases include project design, planning, and active construction. When park employees manage concessioner construction projects carefully, they help protect park assets and help safeguard the NPS’s legal and financial interests. This document provides employees with guidance for managing projects and enforcing contract requirements.

Concessions personnel have a particularly direct effect on the stewardship of park assets when managing LSI. Concessioners that construct certain capital improvements may be entitled to LSI in such improvements. LSI creates a significant financial liability for the government. Accordingly, employees must carefully consider the financial implications before making decisions about concessioner construction projects.

*(See Chapter 9 for additional LSI guidance)*

#### Concession Facilities Improvement Program

Concession Facilities Improvement Program (CFIP) projects are contractually required improvement projects that a concessioner must complete within the timeframe defined in the concession contract. CFIP projects must be approved by the director, or by an NPS representative to whom the director has delegated the authority to approve CFIP projects, and work on CFIP projects cannot commence until a notice-to-proceed is issued to the concessioner.

CFIPs may include the following types of projects:

* Construction of a new structure or an addition to an existing structure.
* Major rehabilitation of an existing structure.
* RMR projects.

Concession contract sections that are particularly relevant to managing concessioner construction projects authorized by category I contracts are:

* **Section 9 - Construction or Installation of Real Property Improvements:** This Section defines (if required) the CFIP components.
* **Exhibit A – Leasehold Surrender Interest:** This Exhibit establishes terms and conditions applicable to construction of a capital improvement.
* **Exhibit F – Concessioner Construction, Major Rehabilitation, and Repair and Maintenance Project Procedures:** This Exhibit establishes procedures for the administration of concessioner funded new construction, major rehabilitations, and RMR projects.

#### Compliance

Concessioner funded construction projects are subject to the same review, compliance and approval policies as park funded construction projects. Parks must guide projects through appropriate NEPA and NHPA compliance processes. This should occur during prospectus development when defining the CFIP.

#### Development Advisory Board Review

All proposed concessioner funded constructions are subject to DAB policies and require DAB approval. Parks should refer to the latest [DAB policy](https://www.nps.gov/dscw/definitionsdc_d.htm). Project thresholds determine whether a project requires service-wide or regional DAB approval. The servicewide and regional DAB approvals follow the same process. Final approval of concessioner funded construction projects requires director or regional director approval depending on the project type and estimates.

Parks should consult their regionally-based technical experts as early in the process as possible if a project may require DAB review. The regionally-based technical experts can provide an estimate for how much time the concessions personnel should allot for the DAB review.

This DAB review process validates project decisions by ensuring that projects support the park mission, purpose and significance statements, and sustainability practices, and ensuring that project decisions are documented and tracked.

The regional DAB reviews proposed projects and makes recommendations to the regional director. The servicewide DAB reviews proposed projects and makes recommendations to the director. In the case of CFIP projects, review takes place prior to the prospectus being published.

The park must obtain DAB conceptual design approval prior to advertising a CFIP in a prospectus. Class C estimates are required for conceptual design approval. See Table 4 for construction estimate class definitions. The park (on behalf of the concessioner) obtains additional DAB approvals prior to allowing the concessioner to commence construction.

Table 1‑4: Construction Estimate Class Definitions

|  | Conceptual (Class C) Construction Cost  | Budgetary (Class B) Construction Cost Estimates  | Actual (Class A) Construction Cost Estimates  |
| --- | --- | --- | --- |
| Definition of Estimate | The design and construction industry refers to Class C estimates as *conceptual* or *order-of-magnitude* estimates. They are generally used for:* Feasibility studies
* Development of project scope and program
* Selection from among alternative designs

A Class C estimate is a conceptual cost estimate based on square foot cost of similar construction. These estimates are generally prepared without a fully defined scope of work (SOW). Support information should include:* Anticipated square footage and building type
* Anticipated site development, including existing and proposed utilities
* Anticipated mechanical and electrical needs (often based on square footage of building or anticipated power load)
* Anticipated structural systems
* Anticipated site utility requirements and utility systems
 | The design and construction industry refers to Class B Estimates as *budgetary* estimates. They are generally used for:* Budgeting or construction forecasting
* Authorization for full or partial funding

A Class B estimate is a combination of lump sum (conceptual costs) and unit costs. Typically, project designs have been developed far enough to define major systems (i.e., roof type, HVAC system type, etc.) of the project. Support information shall include:* Site Design (existing and proposed utilities, grading, planting, etc.)
* Building Design (plans, elevations and typical wall sections showing structural systems, proposed room finish or function).
* Schematic Mechanical and Electrical Systems Design (may be in the form of written analysis, based upon available information).
* Outline Specifications - including cut sheets of proposed equipment, fixtures or specialty items, which may significantly influence estimate.
* Initial Quantity Take-offs for utilities, site, and building systems (civil, landscape, and architectural).
 | The design and construction industry refers to Class A estimates as *detailed, definitive,* or *construction* estimates. The typical purpose of this type of estimate is:* Authorization of full funds
* Conducting a cost check of an authorized project
* Presentation of a contract price proposal
* To compare with a Contractor’s price proposals for negotiations/construction award
* To use as the control budget for construction.

The NPS uses Class A estimates at the end of the design process, when the project is ready to be advertised for construction contract. It is often referred to as the Official Government Estimate. This estimate is based on a complete quantity take-off from completed construction drawings and specifications. Support information shall include:* Final Construction drawings and specifications.
* Estimate based on complete quantity takeoffs.
* Final Contract Price Schedule.
* Contractors overhead and profit as well as general conditions shall be shown as a separate cost item on the estimate.
 |
| Estimate Accuracy | The accepted industry accuracy range of Class C estimates is –30% to +50 %. Therefore a $1,000,000.00 Class C estimate figure actually has a range of $700,000.00 to 1,500,000.00. Typical Design (Estimating) Contingency used for Class C estimate is 15 to 30%. | The accepted industry accuracy range of Class B estimates is –5% to +30 %.Therefore a $1,000,000.00 Class B estimate figure actually represents a range of 850,000.00 to $1,300,000.00.  | The accepted industry accuracy range of Class A estimates is –5% to +15 %. Therefore a $1,000,000.00 Class A estimate figure represents a range of $950,000.00 to 1,150,000.00.  |

(Source: http://workflow.den.nps.gov/staging/10\_PublicForms/CostEstimatingHandbook\_11-12-07.pdf)

#### Approvals

The delegation of authority for the approval of concessioner funded construction projects is determined according to the cost threshold of the project and whether the approval relates to new construction, a major rehabilitation, or cost variance to an existing project. No construction can proceed until all approvals are granted. The thresholds for delegation of approval authority are defined below.

#### New Construction Projects

Only the director may approve concessioner funded construction of new structures, regardless of cost.

#### Major Rehabilitation Projects

Only the director may approve concessioner funded major rehabilitation projects of $1 million or more. A regional director may approve concessioner funded major rehabilitation projects of less than $1 million, with no further delegation authorized.

#### Cost Variances

Only the director may approve:

* Cost variances of 10 percent or greater of the total approved cost for the construction of a new structure,
* Cost variances of 10 percent or greater of the total approved cost for a major rehabilitation of an existing structure costing $1 million or more, and
* Cost variances that move a major rehabilitation from less than $1 million to greater than $1 million.

A regional director may approve cost variances of 10 percent or greater for major rehabilitations costing less than $1 million, with no further delegation authorized.

#### Project Management

The level of park supervision for concessioner construction projects may vary depending on the:

* Size of the park (and its level of staffing)
* Size and experience of the concessioner
* Size or complexity of the project.

Parks that do not have employees with the expertise required to manage projects should request the assistance of regionally-based technical experts.

#### Construction Project Plans and Reports

All CFIP and RMR projects should be included in the CPPR.

*(See the sections on RMR and Concession Facilities Improvement Program in this chapter for additional report details)*

## Contract Transition and Asset Management

Contract transitions may occur during the course of a concession contract or at the end of a concession contract. Contract transitions during the course of a concession contract may occur due to early contract termination or sale/transfer of the business.

Parks must clearly define expectations when a contract transition involves an incumbent concessioner. Incumbent concessioners must understand that they will be held to the requirements outlined in the new contract and not to any precedent set during the previous contract. Incumbent concessioners may not be aware of the asset management-related differences between a 1965 Act contract and a 1998 Act contract.

A new concessioner who has never held a contract with the NPS may not completely understand asset management requirements under a concession contract and may need guidance and explanation.

The park should hold a conference with the concessioner prior to the commencement of the new contract to discuss asset management requirements and set expectations.

Park responsibilities related to concession facilities management during contract close-out are:

* Collect final work order data from the concessioner.
* Update FMSS.
* Prepare final reconciliation of the RMR (if required by the contract).
* Collect final FRR.

# Leasehold Surrender Interest Management

## Introduction

Title IV of P.L. 105-391 (The NPS Concessions Management Act of 1998, or the “1998 Act” establishes LSI as part of NPS concession contracts. Tis chapter describes the procedures established by the NPS to manage this LSI.

LSI is a right to payment for qualified improvements (LSI Improvements) that a concessioner makes or provides under the terms of a concession contract. LSI does not include any interest in the land on which the capital improvements are located. The United States retains legal ownership of all LSI Improvements.

A concessioner that constructs a capital improvement within a unit of the NPS accrues LSI in that capital improvement subject to the terms and conditions of the concession contract.

Upon expiration or termination of a concession contract, a concessioner that has accrued LSI is entitled to receive compensation for that LSI from either the United States or a successor concessioner. If a successor concessioner provides the compensation for the LSI value, the successor concessioner enters the new concession contract with LSI. The initial value of the LSI is equal to the amount of money the new concessioner paid to the prior concessioner for its LSI under the terms of the prior concession contract; such LSI is listed in exhibit G of the new contract.

### LSI Improvements

LSI improvements are real property improvements in which LSI is recognized under an LSI contract. Under the terms of a contract that includes an opportunity to obtain LSI, a concessioner is eligible to obtain LSI only with respect to LSI improvements.

To qualify as an LSI improvement, the improvement must be constructed by the concessioner with concessioner funds (excluding RMR funds), constructed within the boundaries of a park on land owned by the United States, and approved and constructed in strict accordance with the terms of the applicable LSI contract.

A real property improvement may qualify as an LSI improvement if the improvement is the construction of a new structure, or a completely new addition to an existing structure, e.g., a new wing, a major rehabilitation, or the installation or replacement of a fixture or non-removable equipment.

#### Construction of a New Structure

A “structure” for LSI purposes is a building, dock, or similar edifice affixed to the land so as to be part of the real estate. A structure may include both constructed infrastructure (e.g., water, power, and sewer lines) and constructed site improvements (e.g., paved roads, retaining walls, sidewalks, paved driveways, and parking areas) that are permanently affixed to the land so as to be part of the real estate and that are in direct support of the use of the structure. Landscaping that is integral to the construction of a structure is considered part of that structure.

Personal property of any nature, including interior furnishings, is not considered part of a structure.

The replacement of a component of an existing structure (e.g., a roof replacement on an existing building) does not constitute the construction of a structure. The replacement of a component of a structure is classified as CR. A complete, new structure must be constructed for a concessioner to obtain LSI. Construction of a new addition to an existing structure (e.g., a new wing) is considered construction of a new structure.

#### Major Rehabilitation

A “major rehabilitation” for LSI purposes is a planned, comprehensive rehabilitation of an existing structure. Major rehabilitations must be approved by the NPS in advance and completed no later than 18 months after the start of the rehabilitation work (unless the concession contract states otherwise, or is amended to include a longer construction period). Construction costs must exceed 50 percent of the pre-rehabilitation value of the structure to qualify as a major rehabilitation. The pre-rehabilitation value of an existing structure is equal to its replacement cost less depreciation. The pre-rehabilitation value is determined through a CA conducted during prospectus development. The park should consult with the regional concessions office to obtain the pre-rehabilitation value of the structure prior to project approval.

#### Fixtures and Non-Removable Equipment

A “fixture” for LSI purposes (the term also refers to non-removable equipment) is a manufactured item of personal property of independent form and utility that is:

* Necessary for the basic functionality of a structure.
* Affixed to and considered part of that structure such that legal title to the fixture is held by the NPS as part of the real property after installation.

The definition of the term “fixture” for LSI purposes differs significantly from the definition of the term “fixture” that are commonly used in the hospitality, construction and real estate industries.

* An object must meet all requirements of the definition to qualify as a fixture.
* Fixtures do not include building materials (e.g., wallboard, flooring, concrete, cinder blocks, steel beams, studs, window frames, windows, rafters, roofing, framing, siding, lumber, insulation, wallpaper, or paint).
* Floating docks (but not other types of floating property) are non-removable equipment (fixtures) for LSI purposes.

Parks should consult the “Fixture or Non-Removable Equipment Status List” located on the Program’s SharePoint [site](http://cs.inside.nps.gov/cs/Sites/servicewide/toolbox/facilities/Resources/Leasehold%20Surrender%20Interest/Fixture%20and%20Non-Fixture%20List%2020170417.pdf), their regional office, or WASO to determine if the replacement item qualifies as a fixture. Park superintendents approve fixture replacements regardless of cost, prior to replacement of the fixture.

### Why Track LSI Value?

Tracking LSI provides the NPS with the information necessary to project the amount of compensation that will be due to the concessioner at the end of the contract term, to determine whether a contract can financially support new construction that will result in additional LSI, and to estimate the funds needed to acquire LSI if circumstances so warrant. Tracking LSI also provides the LSI value to be included in the next concession contract.

LSI should be allocated and tracked on a unit-by-unit basis (individual structures). Throughout the life cycle of a concession contract, activities take place that result in changes to an individual structure, and these activities may result in increases or decreases to the individual structure’s LSI value. A concession contract’s total LSI value is the sum of all structures’ individual LSI values.

## LSI Value Formulas

The formula for valuing LSI is set forth in the 1998 Act; however, the 1998 Act permits the use of a depreciating or alternative formula for valuing LSI in certain circumstances. Refer to the specific concession contract to identify the appropriate LSI valuation methodology. Each capital Improvement is tracked and valued separately, and then totaled to arrive at a total LSI value for the contract.

### Standard Formula

The value of LSI is:

* An amount equal to the Initial construction cost of the capital improvement.
* Adjusted by (increased or decreased) the same percentage increase or decrease in the CPI from the date the director approves the substantial completion (is ready to be put into service) of the construction to the date of payment of the LSI value.
* Less depreciation of the related capital improvement on the basis of its condition as of the date of termination or expiration of the applicable LSI contract, or the date the concessioner ceases to utilize the related capital improvement. WASO IDIQ CA contractors using the WASO CA Scope of Services provide depreciation estimates for LSI eligible improvements.

### Alternative Formulas

Alternative formulas for calculating LSI values may be used in a concession contract when a concession contract will have a LSI value of greater than $10 million. There is no CPI adjustment under an alternative formula. P.L. 105-391, Section 405(a)(4), provides for two acceptable alternative formulas for calculating LSI value:

* Under formula A, the LSI value of a capital improvement is based on a reduction on an annual basis, in equal portions, over the same number of years as the time-period associated with the straight-line depreciation of the initial value (construction cost of the capital Improvement), as provided by the applicable federal income tax laws and regulations in effect on November 12, 1998.
* Formula B is any alternative formula that is consistent with the objectives of the National Parks Omnibus Management Act of 1998. An alternative formula may be used only if the Secretary of the Interior determines an alternative formula is necessary to provide a fair return to the government and to foster competition for the new contract by providing a reasonable opportunity to make a profit under the new contract.

### Fixture Value Formulas

The formula for determining additional LSI value for fixture replacements depends on whether the structure where the fixture is already installed is an LSI Improvement.

### New Fixture

When a concessioner constructs or installs a fixture in a structure that is not an LSI improvement, that fixture is a new fixture. The LSI value of a new fixture is the total construction cost of the fixture. The total construction cost of the fixture is tracked as a new LSI improvement.

### Fixture Replacement

When a concessioner replaces a fixture in a structure that is an LSI improvement, that fixture is a fixture replacement. The construction cost of the replaced fixture is deducted from the LSI value of the LSI improvement, and the construction cost of the new fixture is added to the LSI value of the LSI improvement.

## Construction of Capital Improvements

Exhibits A and F of category I concession contracts establish a number of requirements regarding the construction of LSI improvements. If a concessioner undertakes construction that would otherwise be eligible for LSI in violation of the requirements of a concession contract, the construction does not qualify as an LSI improvement and the concessioner does not obtain any LSI in connection with that construction. LSI improvements (new construction and major rehabilitation) are normally identified during prospectus development, approved as part of the prospectus process, and incorporated into the Concession Facilities Improvement Program (CFIP) included in a contract. LSI improvements (new construction and major rehabilitations) are rarely approved outside the prospectus process. An amendment to the concession contract is required to memorialize the approval of any additional LSI improvements that are not already reflected in the concession contract.

*(See Chapter 8 for additional information and guidance on construction applicable to major rehabilitations and new construction)*

## LSI Additions during Contract Term

LSI additions during the concession contract term can only occur as the result of the construction of a capital improvement.

### New Construction or Major Rehabilitations

After substantial completion of the project, in addition to the documents required pursuant to exhibit F of category I concession contracts, the concessioner must submit to the park the CPA certification. The certification must verify that all costs submitted for LSI approval were capitalized according to generally accepted accounting principles (GAAP) and are eligible direct or indirect costs as identified in exhibit A of the concession contract.

The superintendent (through the region) must submit the project documentation including the CPA certification to the WASO Program, Asset Management Branch for review of the eligible LSI costs.

 WASO will review the project package, and estimate the eligible LSI costs, and provide the eligible LSI costs to the superintendent (through the region).

The park and the concessioner should review the eligible LSI costs, and either agree on the eligible LSI costs or identify any discrepancies in the eligible LSI costs. The park should contact WASO to resolve any discrepancies.

Once the NPS and the concessioner agree on the eligible LSI costs, the park superintendent issues a project close-out letter to the concessioner, specifying the amount of additional LSI granted as a result of the project.

CPI and depreciation tracking for new LSI improvements begin on the date of substantial completion.

### Fixture Replacement Reports

Superintendents are responsible for requiring concessioners with category I concession contracts to submit a FRR on an annual basis. This will help ensure that decisions for additional LSI as the result of fixture replacements are consistent and the NPS possesses the information that it needs to assist with end of contract LSI negotiations. This applies only to category I concession contracts.

Each year in January, WASO (through the region) sends an email with instructions and a blank FRR to parks. The park provides the concessioner with a copy of the FRR.

The concessioner returns the report with backup documentation (such as invoices and receipts) and CPA certification verifying that all costs submitted for LSI approval were capitalized according to GAAP.

The park reviews the FRR and supporting documentation for completeness before submitting the FRR, back up documentation, and CPA certification to WASO. WASO reviews the documentation, verifies that replacements are valid fixture replacements and determines the amount of additional LSI due to the concessioner. The total LSI adjustment for fixture replacements is documented on the FFR and returned to the superintendent (through the region).

The park and the concessioner should review FFR and either agree on the additional LSI or identify any discrepancies in the FFR. The park should contact WASO to resolve any discrepancies.

## LSI Value Estimates

Concession contracts contain provisions under which the director and the concessioner will seek to agree in advance of concession contract expiration or other termination of the concession contract as to what the concessioner's LSI value will be on a unit-by-unit basis as of the date of expiration or termination of the concession contract. The methodology used to estimate the ending LSI value is dependent on the:

* LSI formula stated in the concession contract.
* Purpose for which the LSI value estimate will be used.

WASO provides ending LSI value estimates. There are three instances in which the NPS must assess the value of LSI:

1. When the NPS is providing an estimate of LSI value to be included in the prospectus for a new concession contract.
2. When the NPS is negotiating LSI value.
3. When LSI value is the subject of arbitration between the NPS and a concessioner.

The formula for estimating the ending LSI value for a specific contract is defined in each concession contract.

### LSI Estimates for Prospectus and Negotiation Purposes

Regional directors or deputy regional directors must approve all LSI value estimates of less than $1 million to be included in a prospectus for a new concession contract. For LSI value estimates equal to or greater than $1 million to be included in a prospectus for a new concession contract, regional directors must obtain the concurrence of the director, deputy director of operations, or associate director of business services.

## LSI Negotiations

Most concession contracts allow the NPS to negotiate LSI value at any time. Agreements between the NPS and a concessioner to negotiate LSI value must be non-binding unless otherwise approved by the director. Such agreements must also provide for the allocation of LSI on a structure-by-structure basis when multiple structures are involved.

Regional directors, with concurrence of the WASO program chief, may approve all initial NPS LSI value negotiating positions under $1 million. For all initial NPS LSI value negotiating positions equal to or greater than $1 million, regional directors must obtain the concurrence of the director, deputy director of operations, or associate director of business services.

Regional directors designate the negotiating team for concession contracts with estimated LSI values of less than $1 million. For all negotiating teams for concession contracts with an estimated LSI value equal to or greater than $1 million, regional directors must obtain the concurrence of the director, deputy director of operations, or associate director of business services.

Regional directors, with concurrence of the WASO program chief, may approve any proposed LSI value agreement between the NPS and a concessioner with an estimated value less than $1 million. For any proposed LSI value agreement between the NPS and a concessioner with an estimated value equal to or greater than $1 million, regional directors must obtain the concurrence of the director, deputy director of operations, or associate director of business services.

### Proposed LSI Negotiation Value

Any proposed LSI value agreement between the NPS and a concessioner must be justified in writing. The LSI value must be provided on a structure-by-structure basis when multiple structures are involved. The written justification of the proposed LSI value agreement must contain the following information:

* Background information on the existing concession operation, including the scope of required and authorized visitor services, annual gross receipts, a description of LSI improvements, and a summary of the concession contract’s applicable LSI provisions.
* A summary of the concessioner’s position during the negotiations.
* A summary of the LSI valuation methodology used.
* The NPS initial LSI value position.
* A discussion of any perceived differences between the initial NPS LSI value position and the concessioner’s LSI value position on these items and other points of contention in negotiations.
* A discussion of information, gained in negotiations, which influenced any adjustment to the initial NPS value position.
* The proposed agreed-upon LSI value.
* A justification of the proposed agreed-upon LSI value including but not limited to a discussion of potential arbitration costs and an arbitration risk analysis.
* A statement, signed by the appropriate regional director or deputy regional director, articulating that agreeing to the proposed LSI value is in the best interests of the United States.
* A draft LSI value amendment to the concession contract between the NPS and the concessioner.

## LSI Arbitrations

The director or concessioner can request arbitration concerning LSI value if LSI value negotiations fail. The NPS will not agree to arbitration in other circumstances except with the express approval of the director.

The arbitration is to be conducted in accordance with applicable requirements of 36 CFR Part 51 and the terms of the related concession contract.

The NPS will negotiate an arbitration procedure agreement with the concessioner to describe in detail the timeline and procedures to be followed in the arbitration.

### LSI Arbitration Approvals

Before the NPS enters into any arbitration procedure agreement concerning the arbitration of LSI vlaue3, a regional director or deputy regional director must, with the concurrence of the WASO program chief and the Office of the Solicitor, approve such arbitration procedure agreement. Regional director or deputy regional director approval of any arbitration procedure agreement concerning the arbitration of LSI value is subject to the final approval of the director, deputy director of operations, or associate director of business services.

Before the NPS submits an initial NPS LSI value position in the arbitration of LSI value, a regional director or deputy regional director must, with the concurrence of the WASO program chief and the Office of the Solicitor, the submission of such initial NPS LSI value position. Region director or deputy regional director approval of the submission of any initial NPS LSI value position in the arbitration of LSI value is subject to the final approval of the director, deputy director of operations, or associate director of business services.

## LSI Waivers

Concessioners may request NPS approval to carry out an LSI-eligible project and waive the LSI. This is especially likely to happen with projects that will result in additional revenue for the concessioner (i.e., projects from which the concessioner will benefit financially even without being compensated for LSI). The NPS cannot require a concessioner to construct a capital improvement and waive LSI, but if the concessioner proposes to do so, the concession specialist can initiate this process by contacting the regional office.

## LSI Compensation

LSI compensation can occur at any time, but most often occurs towards the end of the concession contract term.

### Partial or Full Compensation for LSI Value

If the NPS compensates the concessioner for the full LSI value under a concession contract, any new concession contract involving the same assets that were covered by the previous concession contract will have an initial LSI value of zero. If the NPS compensates the concessioner for part of the LSI value under a concession contract, the initial LSI value for a new contract will be decreased by the amount the NPS has paid to the concessioner. The NPS may provide partial LSI compensation to:

* Make the new contract more financially feasible.
* Increase the likelihood of a more competitive prospectus process.
* Improve the park’s financial situation for the term of the new contract.

If in connection with entering into a new concession contract, a successor concessioner provides compensation for LSI value to the prior concessioner, the successor concessioner has LSI under the new concession contract. The initial value of the successor concessioner’s LSI under the new concession contract is equal to the amount the successor concessioner paid to the prior concessioner for its LSI under the terms of the prior concessions contract; such LSI is listed in exhibit G of the new concession contract. The amount of money the successor concessioner paid to the prior concessioner for its LSI, may be the full amount owed to the prior concessioner for its LSI, or if the NPS paid the prior concessioner part of the amount owed to the prior concessioner for its LSI decreased by the amount paid by the NPS.

### Prior LSI Contract to a New LSI Contract

The LSI value of any LSI improvement existing under a prior LSI contract may be carried over to a new LSI contract. If there is more than one LSI improvement, each LSI improvement will have its own carryover LSI value.

### Prior PI Contract to an LSI Contract

PI improvements under a PI concession contract become LSI improvements if they are carried over into a new LSI contract. The value of the PI improvements is converted to LSI value and listed as the initial LSI value in the new LSI contract.

# Glossary of Terms

1.

| Term | Definition |
| --- | --- |
| 1965 Act | Public Law (P.L.) 89-249, the Concession Policy Act of 1965. This was the predecessor to the 1998 Act. |
| 1998 Act | P.L. 105-391, the Concessions Management Policy Act of 1998, Title IV of the National Parks Omnibus Management Act of 1998. |
| 80 Percent Franchise Fees | Percent of franchise fees generated from a concession contract in the park returned to the park.  |
| Annual Financial Report (AFR) | Reporting requirements of contracts that document the annual financial operations of a concessioner. Used to verify franchise fee payments at the end of the year. Two different types of forms are provided (Short Form and Long Form) depending on the financial performance of the concession.  |
| Asset | Real property that the Service desires to track and manage as a distinct identifiable entity. It may be a physical structure or a grouping of structures, land features, or other tangible property, that has a specific service or function, such as an office building, lodge, motel, cabin, residence, campground, marina, etc. |
| Asset Management Program (AMP) | Concessioner program consisting of policies, procedures and practices to construct, renovate repair and maintain facilities. Program requirements are dictated by the contract and various exhibits including the maintenance plan.  |
| Assigned Land and Real Property Improvements (Concession Facilities) | This exhibit within the contract describes the land area and buildings assigned under the contract.  |
| Capital Improvement | A capital improvement, as further defined in exhibit A to a Category I contract, is a structure, a fixture, or non-removable equipment provided by the concessioner pursuant to the terms of the contract and located on lands of the United States within the park area. A capital improvement does not include any interest in land. Additionally, a capital improvement does not include any interest in personal property of any kind including, but not limited to, vehicles, boats, barges, trailers, or other objects, regardless of size, unless an item of personal property becomes a fixture.  |
| Carryover LSI Value | The determined LSI value in an existing LSI improvement that carries over from a prior contract to a new LSI contract. |
| Category I Contract | Type of concession contract used when the concessioner may be required or allowed to construct or install capital improvements on park area lands and, thus, possibly acquire a leasehold surrender interest. Category I contracts require the concessioner to perform maintenance on assigned structures and landscapes and may require the establishment of a maintenance reserve to help fund some projects.  |
| Category II Contract | Type of concession contract used when a concessioner will operate on assigned land or in an assigned concession facility but may not construct or install capital improvements. For management purposes, this category of contract works best with small operations or those in shared facilities (such as visitor centers). |
| Category III Contract | Type of concession contract used when no lands or buildings are assigned to the concessioner (thus, no allowed construction or installation of capital improvement. Used primarily for recreation contracts. |
| Certificate of Insurance | A Certificate of Insurance provides the dates and coverages of the insurance policy as required by the concession contract. A concessioner must provide this to the Service annually and must also provide the Service immediate written notice of any material changes in concessioner’s insurance program, including cancellation of any required insurance coverage. |
| Commercial Services | This term encompasses concessions, CUAs, and leasing (for both businesses and residential purposes). Some parks or regions may use alternative terms such as concession program or business management. Not all regional or park commercial services programs include leasing. |
| Commercial Services Program (CS or the Program) | Also referenced as the Program, or Commercial Services (CS). This term refers to the entire program that administers concession contracts, commercial use authorizations (CUAs), and leases. The term mainly applies to the Washington Area Support Office (WASO) division overseeing these functions but may also apply to regional or park functions.  |
| Commercial Services Program Chief | This term describes the WASO employee who oversees the WASO CS. |
| Component | A portion of an asset or system. |
| Component Renewal/Replacement  | The planned replacement or renewal of a component at the end of its useful life. Component renewal/replacement examples include foundations, building frames, window frames, sheathing, subfloors, drainage, roofs, and building systems such as electrical, plumbing, built-in heating and air conditioning, and rehabilitation of components of historic concession facilities. Component renewal/replacement includes the deconstruction of the existing component and replacement with a new component of equal or superior capability and performance. These actions recur on a periodic cycle of greater than seven years. |
| Component Renewal (CR) /Replacement Reserve | Term used in newer contracts to describe what known as Repair and Maintenance Reserve. See Repair and Maintenance Reserve. |
| Computerized Maintenance Management System (CMMS) | A computerized system designed to enhance efficiency and effectiveness of maintenance activities. Also known as CMMS, typical features include planning, scheduling and monitoring of work orders and maintenance needs. |
| Concession Contract | A binding written agreement between the director and a concessioner entered under the authority of the 1998 Act or the 1965 Act that authorizes the concessioner to provide certain visitor services within a park area under specified terms and conditions.  |
| Concession Facilities | The park area lands assigned to a concessioner under a concession contract and all real property improvements assigned to or constructed by the concessioner under a contract.  |
| Concession Facility Improvement Plan (CFIP) | A contractually required facility improvement program funded by the concessioner. |
| Concession Specialist | Encompasses the various titles used for full-time or collateral duty park employees who oversee commercial services. It also encompasses Program employees at the regional and WASO levels |
| Concessioner Construction, Major Rehabilitation, and Repair and Maintenance Procedures | Exhibit to the contract that contains required conditions and processes for construction projects including major rehabilitations. |
| Condition Assessment (CA) | The review and validation of the concession facilities inventory, including the inspection of the assets, the identification of the asset’s deficiencies in an in-depth manner, and documentation of the asset’s condition as measured against the applicable maintenance or condition standards. The condition assessment provides the basis for long-range maintenance planning as well as annual work plans and budgets. |
| Construction Costs | Construction cost of a capital improvement means the total of the incurred eligible direct and eligible indirect costs necessary for constructing or installing the capital improvements that are capitalized by the concessioner in accordance with generally accepted accounting principles (GAAP).Eligible direct costs mean the sum of all incurred capitalized costs (in amounts no higher than those prevailing in the locality of the project), that are necessary both for the construction of a capital improvement and are typically elements of a construction contract. Eligible direct costs may include, without limitation, the costs of (if capitalized in accordance with GAAP and in amounts no higher than those prevailing in the locality of the project): building permits; materials; products and equipment used in construction; labor used in construction; security during construction; contractor's shack and temporary fencing. material storage facilities; power line installation and utility costs during construction; performance bonds; contractors (and subcontractors) profit and overhead (including job supervision, worker's compensation insurance and fire, liability, and unemployment insurance).Eligible indirect costs mean, except as provided in the last sentence of this definition, the sum of all other incurred capitalized costs (in amounts no higher than those prevailing in the locality of the project) necessary for the construction of a capital improvement. Eligible indirect costs may include, without limitation, the costs of (if capitalized in accordance with GAAP and in amounts no higher than those prevailing in the locality of the project): architectural and engineering fees for plans; plan checks; surveys to establish building lines and grades; environmental studies; if the project is financed, the points, fees or service charges and interest on construction loans; all risk insurance expenses and ad valorem taxes during construction. The actual capitalized administrative expenses (in amounts no higher than those prevailing in the locality of the project) of the concessioner for direct, on-site construction inspection are eligible indirect costs. Other administrative expenses of the concessioner are not eligible indirect costs. |
| Consumer Price Index (CPI) | A statistic maintained by the U.S. Bureau of Labor Statistics, Department of Labor that is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services. This statistic can be used as an economic indicator to adjust costs to estimate changes in values such as LSI, operating expenses, and prices for goods and services. |
| Current Replacement Value | Standard industry costs and engineering estimates of materials, supplies, and labor required to replace facility at existing size and functional capability. This cost includes current costs for planning/design, construction, and construction management. |
| Deferred Maintenance (DM)  | Maintenance that was not timely or properly conducted. Continued deferred maintenance will result in deficiencies. |
| Deficiency (Asset Management) | Defect in an asset or component that results when maintenance is not performed in a timely manner. Deficiencies may not have immediately observable physical consequences, but when allowed to accumulate uncorrected, lead to deterioration of performance, loss of asset value, or both. |
| Depreciation (Asset Management) | The deterioration of improvements due to wear, tear, age and use. |
| Facility Condition Index | A measure of a facility’s relative condition at a particular point in time compared to similar facilities. The FCI rating is a ratio of the cost of repair of an asset’s deficiencies (deferred maintenance, recurring maintenance that has been deferred, component renewal that has been deferred, and immediate personnel hazard life safety repairs) divided by the current replacement value for the asset. |
| Facility Maintenance Software System (FMSS) | DOI Facility Management Software used to manage real property and associated data. |
| Facility Operations (FO) | Operational actions performed by the concessioner on a recurring basis that meet the daily operational needs of concession facilities. Typical work performed under facility operations includes janitorial and custodial services, snow removal, operation of utilities, and grounds keeping. Certain facility operations requirements may be included in exhibit B (operating plan) to the contract. |
| Fair Market Value | A valuation component of Possessory Interest developed through a third-party appraisal. References to Fair Market Value are found in PL 89-264, Section 6, as well as specific contracts.  |
| Fixture | From LSI Contract Exhibit A. Fixtures and non-removable equipment are manufactured items of personal property of independent form and utility necessary for the basic functioning of a structure that are affixed to and considered part of the structure such that title is with the director as real property, once installed. Fixtures and non-removable equipment do not include building materials (e.g., wallboard, flooring, concrete, cinder blocks, steel beams, studs, window frames, windows, rafters, roofing, framing, siding, lumber, insulation, wallpaper, paint, etc.). Because of their special circumstances, floating docks (but not other types of floating property) that may be constructed by the concessioner pursuant to the terms of an LSI contract are considered non-removable equipment for LSI purposes only. Except as otherwise indicated in LSI contract exhibit A, the term "fixture" includes the term "non-removable equipment." |
| Generally Accepted Accounting Principles (GAAP) | The standard framework of guidelines for financial accounting used in any given jurisdiction. Generally accepted accounting principles (GAAP) include the standards, conventions, and rules accountants follow in recording and summarizing transactions, and in preparing financial statements. |
| Leasehold Surrender Interest (LSI) | From LSI contract exhibit A. Means a right to payment in accordance with the part for related capital improvements that a concessioner makes or provides within a park area on lands owned by the United States pursuant to this part and under the terms and conditions of an applicable concession contract. The existence of a leasehold surrender interest does not give the concessioner, or any other person, any right to conduct business in a park area, to utilize the related capital improvements or to prevent the Director or another person form utilizing the related capital improvements. The existence of a leasehold surrender interest does not include any interest in the land on which the related capital improvements are located. |
| LSI Contract | A category I standard language concession contract awarded under the 1998 Act. |
| LSI Credit Eligible Event | A concessioner is entitled to receive LSI credit for capitalized LCEEs approved by the NPS and funded with concessioner dollars during the term of the contract if all other LSI-related contractual requirements have been met. This is referred to as a crediting activity. |
| LSI Exhibit | This describes the certain terms and conditions of the contract regarding the nature, scope and applicable conditions of leasehold surrender interest. |
| LSI Improvement | The general term for real property improvements in which LSI is recognized under an LSI contract. |
| LSI Value | The general term referring to the value of an LSI improvement. |
| LSI Tracking Tool | Designed to assist with tracking the estimated value of the National Park Service (NPS) LSI liability specific to concession contracts issued since November 1998 under the Concessions Management Improvement Act of 1998 (the “1998 Act”).  |
| Maintenance | The maintenance of concession facilities as described in the contract’s maintenance plan. Maintenance includes actions taken under the following maintenance categories - component renewal/replacement, recurring maintenance, facility operations, preventive maintenance, and repair. |
| Maintenance Plan | The contract exhibit that governs how the concessioner will maintain all facilities as well as grounds, roads. This exhibit is not used for a Category III contract.  |
| Major Rehabilitation | From LSI contract exhibit A. Major rehabilitation means a planned, comprehensive rehabilitation of an existing structure that:* The director approves in advance and determines is completed within 18 months from start of the rehabilitation work (unless a longer period of time is approved by the director in special circumstances).
* The construction cost of which exceeds fifty percent of the pre-rehabilitation value of the structure.
 |
| National Park Service Concessions Management Improvement Act of 1998 | Title IV of the National Parks Omnibus Management Act of 1998. (Public Law 105-391) referred to as the 1998 Act or the Concessions Management Improvement Act of 1998.  |
| New LSI Improvement | An LSI improvement constructed during the term of a current LSI contract. |
| Non-removable Equipment | See definition of Fixture. |
| Park | Term used generically to cover all types of NPS park units including national parks, monuments, recreation areas, seashores, and others. |
| Personal Property  | Manufactured items of independent form and utility including equipment and objects that are solely for use by the concessioner to conduct business. Personal property includes, without limitation, removable equipment, furniture and goods necessary for concessioner operations under the concession contract. Examples include trucks and boats.  |
| Possessory Interest (PI) | A compensable interest granted to concessioners under the 1965 Act for capital investments made in real property improvements. Possessory Interest converts to LSI as under an LSI contract. |
| PI Contract | A concession contract awarded under the 1965 Act which provides for possessory interest. |
| PI Negotiation/ Arbitration | Process outlined in pre-1998 law NPS concession contracts that define what occurs if the Concessioner and the successor, excepting the Government agencies, cannot agree upon the fair value of any item or items. Specific references to how arbitration is conducted in outlined in existing concession contracts. Additional guidance is provided in 36 CFR Part 51, Subpart H.  |
| Pre-Rehabilitation Value | Replacement cost of a structure less depreciation prior to a major rehabilitation. |
| Preventive Maintenance (PM) | Planned, scheduled periodic maintenance activities that are performed weekly, monthly, quarterly, semi-annually, or annually on selected assets or components, typically including inspection, lubrication, and adjustment. |
| Real Property | Federally-owned real estate assigned to a concessioner for the limited purpose of operating its business. |
| Real Property Improvements | Real property other than land, including, but not limited to, capital improvements.  |
| Reconstruction Costs | Term typically found in Possessory Interest contracts which relates to an element of the determination of sound value. Has been interpreted to mean reproduction costs.  |
| Recurring Maintenance (RM) | Planned work activities to sustain the useful life of an asset or component that reoccur on a periodic cycle of greater than one year. Typical recurring maintenance projects include painting, pump and motor replacement, cleaning, repair and replacement of lighting, engine overhaul, replacement of carpeting, and refinishing hardwood floors. |
| Regional Chief (RC) | The regional employee who oversees Commercial Services for each region. Some regions use a different functional title. |
| Repair | Work undertaken to restore damaged or worn out assets or components to a fully functional operating condition. |
| Repair and Maintenance Reserve (RMR) | A concessioner account that is established in the main body of the contract. RMR funds may only be used to carry out component renewal on a project basis that is authorized in writing by the Service and that is non-recurring within a seven-year time frame. RMR funds may not be expended to construct or install capital improvements. Called Component Renewal Reserve for new contracts. |
| Replacement | The exchange or substitution of one asset or component for another that has the capacity to perform the same function at a level of utility and service equivalent or superior to the original asset or component. |
| Replacement Cost | The present cost of replacing an existing capital improvement with one of utility equal to the existing structure, using modern materials and current standards, design and layout. |
| Reproduction Costs | The present cost of replacing an asset with as nearly an exact replica as (an existing Asset) as modern material and equipment will permit. |
| Sound Value | “Sound Value” was defined in the 1965 law as the basis of reconstruction cost less depreciation evidenced by its condition and prospective serviceability in comparison with a new unit of like kind, but not to exceed fair market value. |
| Standard Contract Language | For each category of concession contract, the Service has approved mandatory language for most, but not all, of the contract and its exhibits. Changes to this mandatory language require approval by the Director (as delegated). |
| Structure | A building, dock, or similar edifice affixed to the land so as to be part of the real estate. A structure may include both constructed infrastructure (e.g., water, power and sewer lines) and constructed site improvements (e.g., paved roads, retaining walls, sidewalks, paved driveways, and parking areas) that are permanently affixed to the land so as to be part of the real estate and that are in direct support of the use of a building, dock, or similar edifice. Landscaping that is integral to the construction of a structure is considered to be part of that structure. Interior furnishings that are not fixtures are not part of a structure. (From Exhibit A to the Category I Contract) |
| Substantial Completion | The date the NPS has approved a capital improvement for use and/or occupancy. |
| Useful Life | The serviceable life of an asset or component. |
| Washington Support Office (WASO) | NPS Headquarters Office. |