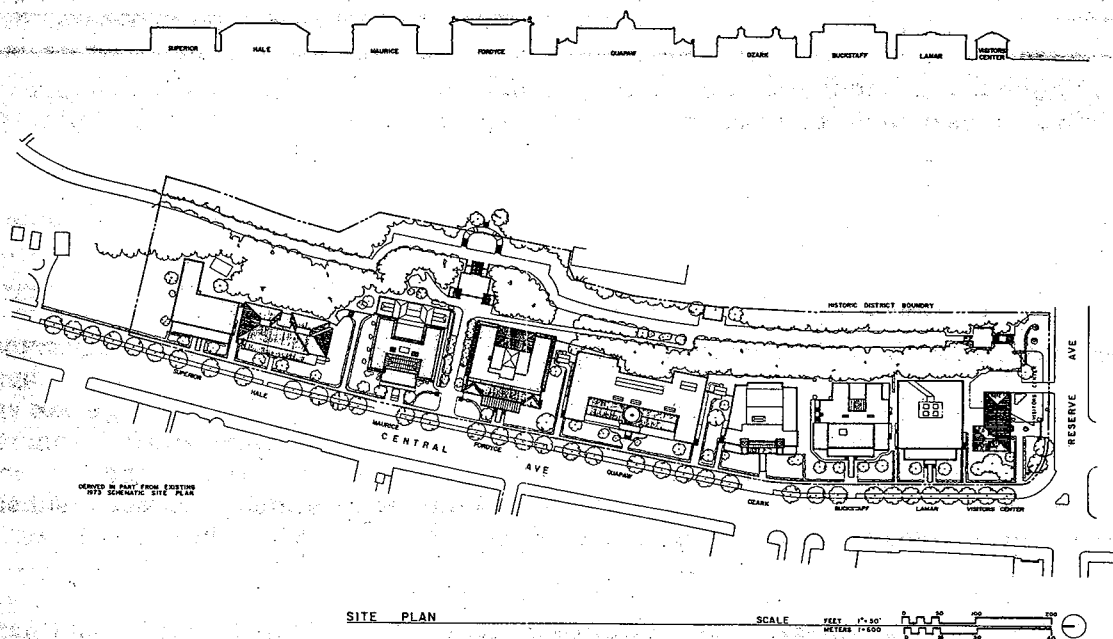


Partnership in Preservation:
Historic Property Leasing in Hot Springs National Park

Unlike many other American national parks that are well-known for their natural scenery or abundant wildlife, Hot Springs National Park is most often associated with its majestic row of early twentieth-century bathhouses. These eight elaborate buildings--constructed between 1911 and 1923--are the last of a continuum of facilities built in downtown Hot Springs, Arkansas, to accommodate public use of thermal mineral waters. Since their construction, the bathing establishments have been the architectural focal point of both the city and the National Park. Now one of the few collections of historic bathhouses remaining in the United States, this group of structures and its associated designed landscape are listed in the National Register of Historic Places.

Although not as familiar to the American public as other monuments and sites--like the Statue of Liberty or Independence Hall--Bathhouse Row Historic District is nonetheless an important aspect of America's heritage. It recalls a period when the availability of leisure time and an interest in the therapeutic benefit of spas made Hot Springs a resort of national reputation. Because of its place in American history and architecture, Bathhouse Row is regarded as a cultural resource that is worthy of preservation.



SITE PLAN, BATHHOUSE ROW HISTORIC DISTRICT
HISTORIC AMERICAN BUILDINGS SURVEY, 1984
Drawn by Michael Peters

Despite its former popularity as America's preeminent spa, Hot Springs no longer draws visitors from throughout the country to "take the waters." Since the late 1940s, when drugs began to replace therapeutic bathing as a treatment for both major ailments and minor diseases, use of the bathhouses has declined. Today, all but one of the elaborate buildings of Bathhouse Row lie empty.

As the agency responsible for managing Hot Springs National Park, the National Park Service is charged with the preservation of Bathhouse Row. Along with this responsibility, the agency must also maintain almost 5,000 acres of forested mountain land along with associated roads and trails; provide staff to serve the visiting public; and operate the extensive thermal water distribution system that serves users both inside and outside the park. In view of its many responsibilities and limited operating funds, the agency has not been able to halt deterioration of the bathhouses that has resulted from weathering and lack of use.

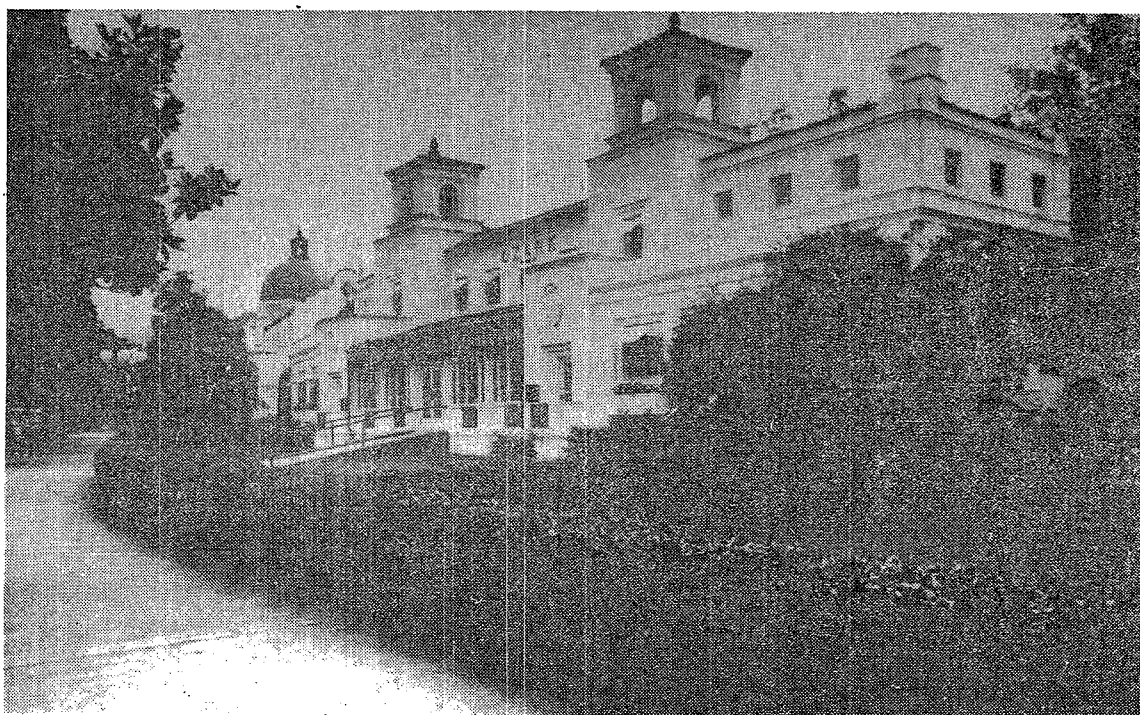
Until recently the Park Service had few options for preserving and maintaining surplus historic structures like those on Bathhouse Row. In some instances federal funds have been used to rehabilitate these buildings for adaptive uses such as employee housing and offices. At Hot Springs, the Park Service will adaptively use one bathhouse--the Fordyce--for a visitor center, museum collection storage, and administrative offices. The remaining six vacant bathhouses comprise nearly 100,000 square feet of space--far more than the agency can productively use. An overabundance of rental space in the immediate area and the major investment required to convert bathhouse interiors to new uses has deterred most potential tenants. Furthermore, for many years the Park Service had little incentive to seek renters. Under the old laws and regulations, the agency would have to maintain the bathhouses and oversee tenants, but would be unable to retain any rental fees to defray the costs associated with this "landlord" status.

As a result of changes in federal laws, exciting new possibilities exist for converting the bathhouses to productive adaptive uses through a public-private partnership. The 1980 amendments to the National Historic Preservation Act of 1966 authorized federal agencies to lease certified historic properties they control to the private sector. Agencies can use the income derived from such leases to administer, maintain, or repair either the leased properties or other cultural properties under their care. Another federal law, the Economic Recovery Tax Act of 1981, changed the tax structure to favor private sector investment in the rehabilitation of historic properties for income-producing purposes. With liberal investment tax credits and an enhanced system of depreciation deductions, rehabilitation activity has increased substantially since the law went into effect at the beginning of 1982. Used in concert, the tax law and the leasing authority offer new hope for the preservation of Bathhouse Row.

Several things had to take place before the bathhouses at Hot Springs could be offered for lease. The National Park Service prepared regulations and guidelines that would ensure appropriate protection of cultural properties leased under the new law. After a standard review process involving the public, the U.S. Congress, and the independent federal Advisory Council on Historic Preservation, the final guidelines and regulations were promulgated in late 1982. Among the requirements: use of the property must be compatible with the purpose for which the park area was established and consistent with the area's approved planning documents. In addition, leased property must

not possess an individual significance that is clearly essential to the established national significance of the park. The building(s) offered for lease must be determined unsuitable for Park Service purposes. Major construction treatment and maintenance accomplished by the lessee must be in accordance with agency guidelines for cultural resources management and with recommended approaches in the Secretary of the Interior's "Standards for Historic Preservation Projects". Finally, leases must be granted for no less than fair annual rental value.

Preliminary work at Hot Springs included the preparation of a new general management plan/development concept plan. This important document guides the development, use, and management of Hot Springs National Park for approximately 10 years; it also sets priorities for the design, rehabilitation, and construction of park facilities and roads. A new plan was particularly important at Hot Springs because earlier planning documents had set forth ambitious, detailed proposals for revitalizing Bathhouse Row using federal funds. With little realistic expectation for the funds to materialize and new legislation in place to permit leasing, it was an ideal time to consider new approaches to preserving the Hot Springs bathhouses. After extensive examination of management alternatives and intensive public involvement, the plan was issued in 1986. Among its major provisions: preservation of six vacant bathhouses--the Lamar, Ozark, Quapaw, Maurice, Hale, and Superior--through adaptive use by the private sector.



OZARK BATHHOUSE

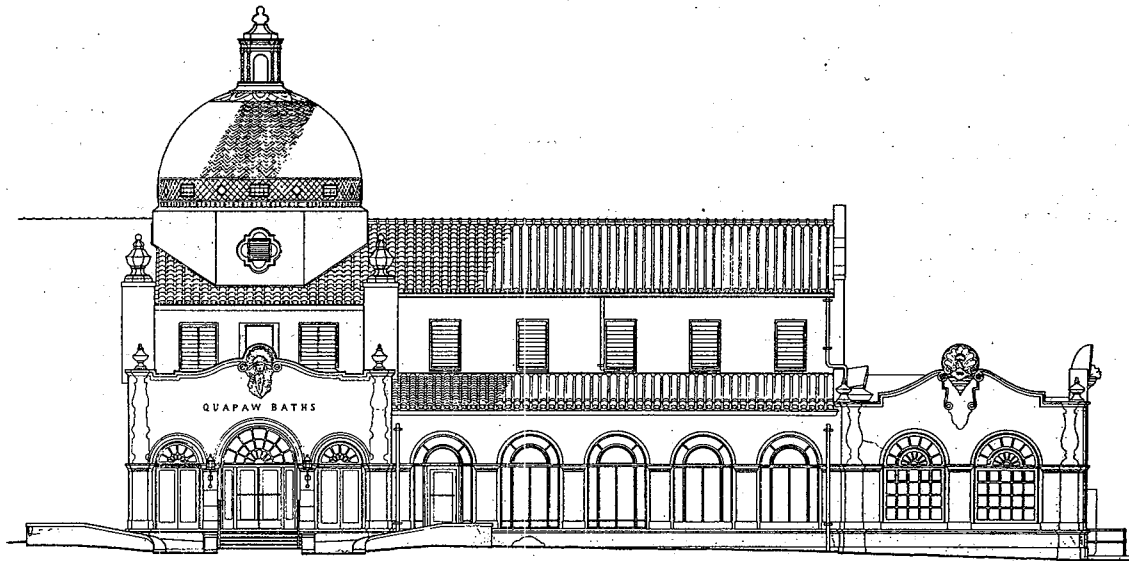
View looking north along Bathhouse Row
National Park Service photo by Diane A. Jung

The Park Service sought private sector investors for the bathhouses through a two-phase request for proposals process. The first phase provided potential lessees with fundamental background information regarding the condition of the buildings and set forth standards that would guide the rehabilitation. Proposers were required to submit information regarding their conceptual plans for adaptive use of one or more bathhouses, along with a financial statement and a summary of management qualifications. The nineteen proposals received were reviewed by a panel of experts in the fields of real estate, business, planning, management, and historic preservation. Proposed uses included health spas, restaurants, overnight accommodations, museums, a community center for the visual and performing arts, and retail shops. Eighteen respondents were invited to submit more detailed proposals in phase two; one proposal was disqualified because it called for an illegal use, casino gambling.

The phase two request for proposals provided potential lessees with much more extensive information regarding the condition of the bathhouses, requirements for preservation of their significant architectural characteristics, maintenance requirements, and other terms and conditions that would typically be found in a historic property lease. Among the most useful documents was a series of building-specific technical reports that synthesized several years' worth of information from engineering studies and historical research. Character-defining interior spaces and features that would have to be preserved by lessees were identified on plans, as were structural capacities. Each technical report included a historic structure preservation guide that provided guidance on care of the building. These guides established maintenance standards for lessees with detailed inspection checklists, preventive maintenance tasks, preservation treatment tasks, and a prototype maintenance record-keeping system.

Just as the Park Service gave potential lessees a substantial amount of information in phase two, so the lessees were expected to provide the agency with detailed proposals. Proposers received a scoring plan that indicated the criteria by which proposals would be evaluated. In descending order, proposals were evaluated based on: economic feasibility, compatibility of proposed use(s) with the mission of Hot Springs National Park, experience of the development team in historic preservation projects, and time required to complete the project along with anticipated revenue to the agency. Detailed business operating plans, sources of capital and debt financing, cost estimates for rehabilitation, architectural plans, proposed lease term and rental rate, and similar information were solicited from prospective lessees.

After a rigorous review of proposals, one respondent was selected for lease negotiations. This individual, an Arkansas businessman, intends to rehabilitate the buildings for use as a health spa, bed and breakfast hotel, museum of musical mechanical instruments, fine arts center, and restaurant. In addition, the lessee will provide a transportation system to serve these buildings--a critical need in this downtown area with limited parking. The total project cost, including furnishings and transportation system, is close to \$10,000,000. Of that amount, well over half will be devoted to rehabilitation expenditures; the lessee expects to take advantage of the tax benefits that are available for certified rehabilitation projects. (Late in 1986, changes in federal tax laws reduced certain rehabilitation incentives that had been offered by the Economic Recovery Tax Act of 1981. However, special legislation retained the optimal benefits for this particular project at Hot Springs.) There is little doubt that the project would not be financially feasible without this favorable tax treatment.



QUAPAW BATHHOUSE
HISTORIC AMERICAN BUILDINGS SURVEY, 1984
Drawn by Brian McCormick

Both the National Park Service and the citizens of Hot Springs are anxious to bring lease negotiations to fruition and see the vacant buildings on Bathhouse Row returned to their original splendor. With an estimated cost of over \$1,500,000 to stabilize the bathhouses and arrest deterioration, there will be little hope for restoration or adaptive use without a combined effort by the public and private sectors. Legislators and policymakers have paved the way for a bright future at Hot Springs. Through a public-private partnership, both the preservation and productive use of Bathhouse Row Historic District will be assured.

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Partnership in Preservation:
Historic Property Leasing in Hot Springs National Park

Unlike many other American national parks that are well-known for their natural scenery or abundant wildlife, Hot Springs National Park is most often associated with its majestic row of early twentieth-century bathhouses. These eight bathing establishments recall a period when the availability of leisure time and an interest in the therapeutic benefit of spas made Hot Springs, Arkansas, a resort of national reputation. But since the late 1940s, drugs have replaced bathing as a treatment for both minor ailments and major diseases. Today, all but one of the elaborate bathhouses lie empty. Although they have outlived their original uses, the Hot Springs bathhouses are major cultural resources in a nationally significant historic district. While they are not as familiar to the American public as other historic monuments and sites--like the Statue of Liberty or Independence Hall--the bathhouses are important aspects of America's heritage. Despite increasing competition for scarce federal funds to accomplish such work, it is the responsibility of the National Park Service to maintain and preserve the Hot Springs bathhouses.

Until recently the National Park Service had few options for preserving and maintaining historic structures that have outlived their original uses. In some instances federal dollars have been used to rehabilitate these buildings for employee housing or offices. At Hot Springs, the Park Service will adaptively use one bathhouse for a visitor center, museum collection storage, and administrative offices. The remaining six vacant bathhouses comprise nearly 100,000 square feet of space--far more than the agency can productively use.

As a result of changes in federal laws, exciting new possibilities exist for converting the bathhouses to productive adaptive uses through a public-private partnership. The 1980 amendments to the National Historic Preservation Act of 1966 authorized federal agencies to lease certified historic properties under their care to the private sector. Agencies can use the income derived from such leases to administer, maintain, or repair either the leased properties or other cultural properties under their control. Leased properties must be listed in the National Register of Historic Places, the official list of the nation's cultural resources worthy of preservation. Another federal law, the Economic Recovery Tax Act of 1981, dramatically changed the tax structure to favor private sector investment in the rehabilitation of income-producing properties.

Taken together, the 1980 amendments to the National Historic Preservation Act and the Economic Recovery Tax Act will have a major impact on the preservation of the Hot Springs bathhouses. The National Park Service will lease six vacant buildings to the private sector for rehabilitation and adaptive use. Guided by policies that will assure the preservation of significant aspects of the bathhouses, developers will invest close to \$10,000,000 to rehabilitate the buildings and meet the present needs of Hot Springs' urban population. This major partnership between the public and private sectors will test the success of recent changes in national preservation law and policy.

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Association Pour Préservation:
Location de Propriété Historique à "Hot Springs" Parc National

Contrairement à d'autres parcs nationaux Américains bien connus pour leur beauté naturelles ou l'abondance de la faune, le Parc National de "Hot Springs" (eaux thermales) d'Arkansas est plus souvent associé avec son rang majestueux d'établissements de bains datant du début du vingtième siècle. Les huit établissements évoquent une époque quand le temps des loisirs étaient plus accessibles, et les bénéfices thérapeutiques d'eaux thermales plus en demande, "Hot Springs" devint alors une station thermale de réputation nationale. Vers la fin des années 1940 les médicaments remplacèrent les bains thérapeutiques comme traitement pour les petits malaises ou les maladies sérieuses. De nos jours un seul de ces établissements de bains est ouvert. Bien qu'ils ont survécus leurs fonctions originales ces établissements sont des ressources historiques importantes dans une région dont l'histoire est digne d'intérêt national. Malgré un accroissement de compétition pour demande de fonds fédéraux déjà rares pour accomplir leur préservation, le Service des Parcs Nationaux a la responsabilité d'entretenir et de préserver ces établissements.

Auparavant le Service des Parcs Nationaux n'avait que quelques options pour préserver et maintenir les structures historiques qui ont survécues leurs fonctions originales. Par suite de changements de lois fédérales, de nouvelles possibilités existent pour transformer ces établissements en d'autres entreprises, par association publique et privée d'une société en nom collectif. Les amendements de 1980 de l'Acte National de Préservation Historique de 1966, autorise les agences fédérales d'exécuter un bail au secteur privé, pour les propriétés sous leur garde, lesquelles sont certifiées historiques. Les agences fédérales peuvent utiliser les revenus pour administrer, conserver, ou réparer ces établissements à baux, ou d'autres propriétés sous leur autorité. Une autre loi fédérale, l'Acte de Redressement Economique de Taxe de 1981, a changé dramatiquement la structure des taxes en faveur d'investissement du secteur privé pour la réhabilitation de propriétés historiques produisant des revenus.

Les amendements de 1980 de l'Acte National de Preservation Historique et l'Acte de Redressement Economique de Taxe auront ensemble un impact considérable sur la préservation des établissements de "Hot Springs". Le Service des Parcs Nationaux fera des baux au secteur privé pour la réhabilitation et l'utilisation de ces bâtiments. Guidés par des principes qui assureront la préservation d'aspects d'importance des établissements de bains, les restaurateurs investiront à peu près \$10.000.000 pour réhabiliter les bâtiments et faire face aux besoins actuels de la population urbaine de "Hot Springs". Cette principale association entre le public et le secteur privé mettra à l'épreuve le succès des changements récents de lois et principes de préservation nationale.

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