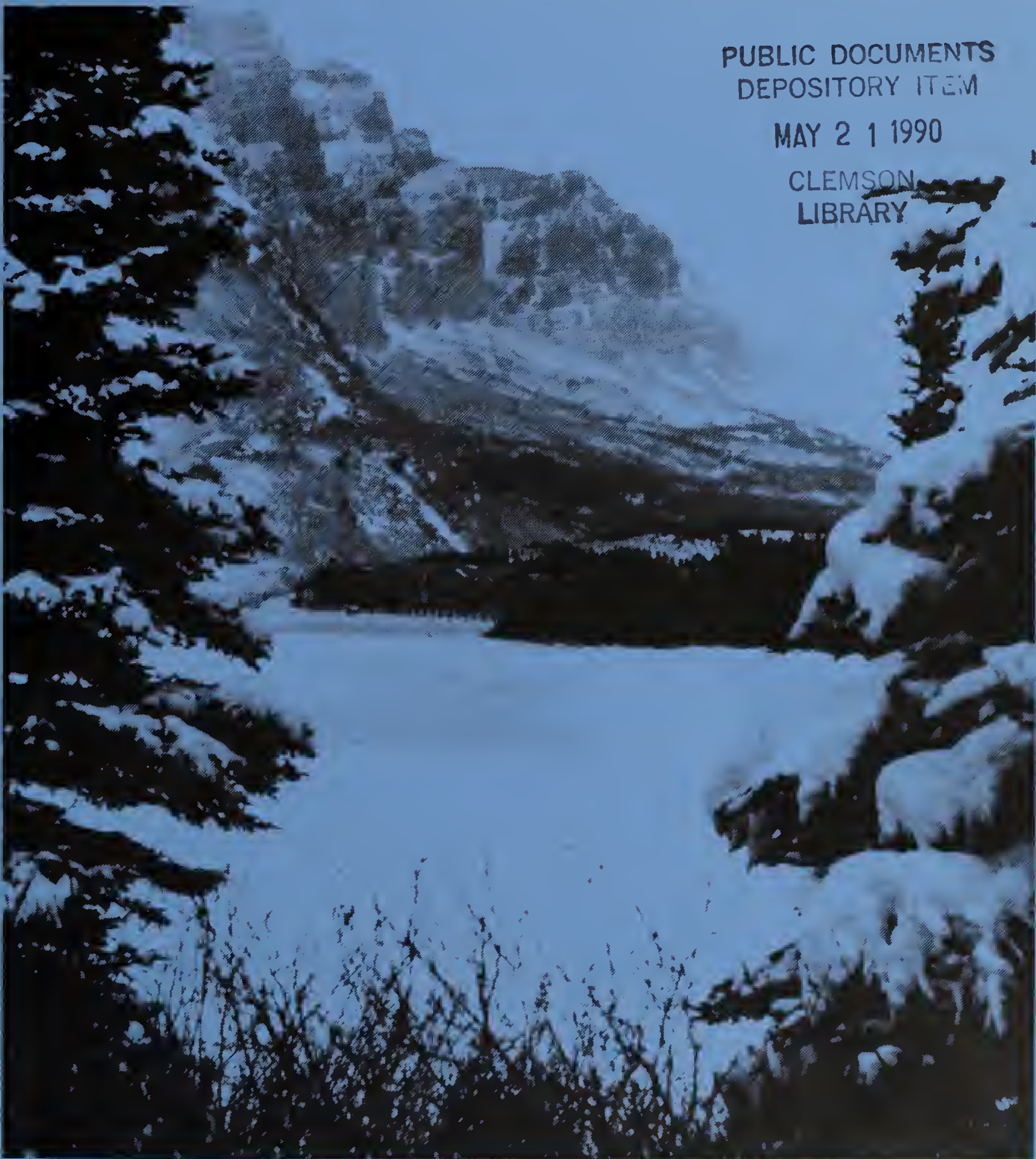
EXECUTIVE SUMMARY

REHABILITATION OF CONCESSION FACILITIES

GLACIER NATIONAL PARK



NATIONAL PARK SERVICE

EXECUTIVE SUMMARY

REHABILITATION OF CONCESSION FACILITIES

GLACIER NATIONAL PARK

Prepared by

Denver Service Center
Central Team

March 1990

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PROBLEM STATEMENT

Visitor facilities in Glacier National Park (GLAC) are utilized for a short 100-day season each year. The structures sit empty the remainder of the year and are subject to the extreme snow, wind, and cold weather patterns of the northern Rocky Mountains. The cost of maintaining these structures is high and was at times deferred by previous concessioners. Many structures no longer meet basic life safety/public health standards relating to fire and electrical codes, exposure to asbestos, space standards for employee housing, and location of overnight accommodations in floodplains. Once funded, existing development concept plans (DCPs) will provide solutions to some of the problems at specific locations. The remaining issues can be fully addressed only through the rehabilitation of existing facilities to bring them to a current standard.

The National Park Service (NPS) issues contracts to concessioners authorizing them to provide services to the public. Some of the facilities utilized by concessioners in GLAC have been constructed or acquired by the NPS. Many, however, were constructed on park lands using private capital. Glacier Park, Inc., (GPI) a subsidiary of Greyhound Food Management, Inc., is the main concessioner in GLAC, and holds a financial interest in many of the structures in the park. The concession contract refers to this as a "possessory interest," or a right to be compensated for their financial investment. In instances where a possessory interest exists, title remains with the United States. Facilities in which the concessioner holds a possessory interest are referred to as "concession improvements" under the terms of the concession contract. Those facilities operated by the concessioner where they do not have a possessory interest are called "government improvements."

In spite of mixed concessioner and government interests in concession facilities, responsibility for maintaining them seems clear. Under the terms of the contract, GPI has a responsibility to physically maintain and repair, to the satisfaction of the Secretary of Interior, the facilities it uses for its operations. However given the magnitude of the needs of Glacier's concessions facilities, the issue becomes less clear. Section 3(b) of The Concessions Policy Act of 1965 states, "The Secretary shall exercise his authority in a manner consistent with a reasonable opportunity for the concessioner to realize a profit on his operation as a whole commensurate with the capital invested and the obligations assumed." Under the concession contract held by GPI, the revenues and profits being generated are sufficient to maintain a reasonably new facility, but are not adequate to rehabilitate deteriorated historic facilities.

The fact that several of these facilities have been designated as National Historic Landmarks and numerous others are listed on the National Register of Historic Places serves to clarify responsibilities. The NPS is mandated to preserve these national treasures and has a responsibility to see that park visitors are not unwittingly exposed to life threatening situations. The NPS will be able to fulfill these responsibilities only by undertaking a major rehabilitation and construction program.

REHABILITATION PROGRAM

A 10-year program has been developed to rehabilitate government and concession improvements within GLAC.[1] It utilizes estimates for repair/rehabilitation of all existing buildings. In addition, it incorporates the cost of improvements in existing DCPs. Figures are shown in gross 1992 construction year dollars. The

[1]Support facilities and additional visitor accommodations located outside the park boundary that are a part of this concession operation are not included in this program for rehabilitation or purchase. In addition, this program does not include rehabilitation or purchase of other small concession improvements in the park such as outfitters or tour boat operators.

projected costs to accomplish this program for years beyond 1992 do not reflect any adjustment factor for inflation.

All projects were prioritized into a construction schedule according to criteria related to life safety/public health, employee housing, historic preservation, and visitor use. Project planning and construction funding are arranged by fiscal year to support that schedule. The program incorporated adequate time and funding forecasts to ensure that the compliance process can be fully satisfied prior to the start of construction.

The accompanying charts show a small amount of funding beginning in the 1990 fiscal year, with a much larger request for 1991. These funds are crucial to the implementation of this program. Slipping the start of planning funds will also push back the time construction can begin.

Four alternative programs were developed to address the source of funding and strategies to deal with possessory interest and concession-held inholdings.

ALTERNATIVES FOR IMPLEMENTATION

ALTERNATIVE 1: NO ACTION

Under this alternative, the government will not spend any funds for the rehabilitation of the concession facilities. The full cost of rehabilitation for government-owned, concessioner's possessory interest, and private inholding structures will be borne by the concessioner operating the facility.

Analysis

It is estimated that the required planning and rehabilitation work for all existing concession-operated facilities will cost approximately $40,588,000, with an additional $20,213,000 required for new construction. Even spread over 10 years, this amount would require the concessioners to expend over 70 percent of their gross revenues annually in facility construction, repair, and maintenance, an unrealistic requirement. The NPS is required by statute, policy, and contract to provide "a reasonable opportunity for the concessioner to realize a profit" (79 Stat. 969). We cannot reasonably expect that the concessioner will be able to accomplish the rehabilitation and construction work which is required. Therefore, under the no action alternative, the deterioration of the park's visitor facilities will continue. Current structural defects will worsen, visitor safety concerns will continue to be inadequately addressed, and the extent of disrepair will continue to increase to the point where for one reason, or a combination of these reasons, the historic structures will have to be closed to visitor use.

The government's responsibility, by law, is to preserve and maintain the structures which it owns and which are listed, or eligible to be listed, on the National Register. Due to the location of the existing structures in areas which are environmentally sensitive and surrounded by habitats used by threatened and endangered species, should the existing facilities be destroyed, the likelihood of being able to locate new facilities on the same site is questionable. Further, the land bordering the east side of Glacier is the Blackfoot Indian Reservation. The success of locating visitor facilities just outside the park on reservation lands is also questionable. The loss of visitor accommodations in the park would significantly change visitation patterns, increase management complications, be a permanent financial reduction for the concessioner and have financial implications effecting not only the remaining concession operations, but all of northwest Montana as well.

ALTERNATIVE 2: FULL REHABILITATION BY THE GOVERNMENT WITH A BUYOUT OF CONCESSIONER POSSESSORY INTEREST AND FEE OWNERSHIP

Under this alternative, the government would terminate the existing contract and acquire the concessioner's possessory interest through purchase.

Analysis

This action would clear the way for the government to accomplish the rehabilitation and construction work itself, and to readvertise the concession contract for bid. GPI, as well as other concessioners, could bid on the new contract. The facilities would be operated under a service-type contract (similar to Yellowstone's Trans World Recreation Service concessioner contract) which would not require concessioner capital investment. The new contract would require the use of about 20 percent of the concessioner's gross revenues to provide for cyclic rehabilitation. This amount, approximately $1.6 million annually, is not sufficient to pay for the backlog of rehabilitation and construction work required.

ALTERNATIVE 3: FULL REHABILITATION BY THE GOVERNMENT WITHOUT ACQUIRING THE CONCESSIONER'S POSSESSORY INTEREST

Under this alternative, the government would accomplish the necessary construction and rehabilitation work, but not expend funds to acquire the concessioner's possessory interest. We would reach an agreement with the concessioner wherein concessioner improvements would be redefined as government improvements, in exchange for the government accepting responsibility for the rehabilitation work. In exchange, the concessioner would waive all possessory interest and convey the title to the Stuart's Motel without a cash payment. Under this alternative, the existing concessioner would continue to operate the facilities under a new service-type contract.

A slightly different approach to this alternative would be to redefine the concessioner improvements as government improvements, and then to fix the concessioner's possessory interest at its current sound value. In accordance with the terms of the contract, the concessioner's possessory interest in government improvements would be depreciated at book value (unrecovered cost as reported on federal income tax reports). Over time, the concessioner's possessory interest would be extinguished without a cash payment by the government.

Analysis

The relinquishment of possessory interest would be treated as an asset loss by the concessioner. This would result in a depressed financial condition and increased demand for annual cash flow, which would not provide much money for a capital improvement fund.

The concessioner would treat the second approach to this alternative as a write-down of asset value, again resulting in a diminished possibility for a sizeable capital improvement fund.

Both of these options result in a perceived "loss" to the concessioner. Neither of these approaches provides incentive to the concessioner to be supportive of or cooperate with the NPS during this process. Statute, policy, and contract again provide "a reasonable opportunity for the concessioner to realize a profit" (79 Stat. 969).

ALTERNATIVE 4: REHABILITATION BY THE GOVERNMENT OF STRUCTURES WHICH ARE CURRENTLY GOVERNMENT IMPROVEMENTS ONLY

Under this alternative, the government will rehabilitate only those improvements currently defined as government improvements in which the concessioner does not have a possessory interest or inholding. This would require about $29,005,000. In this event, the balance of the structures (concessioner improvements) would be left for the concessioner to rehabilitate. The estimated requirement for concessioner improvements is $31,796,000.

Analysis

While less than the requirement under alternative 1, this amount is still too large for the concessioner to accomplish from his revenues solely. Continued deterioration and eventual removal of facilities would result as indicated in the analysis portion of alternative 1.

TABLE 1: PROGRAM COSTS FOR GOVERNMENT AND GPI IMPROVEMENTS*

$ FY	GROSS 92 CONSTR	C-1 PROJ PLNG	C-2 ADV PLNG	C-3 ADV PLNG	OTHER PLNG	TOTAL PLNG	
1990					$76	$76	
1991		$1,137	$760	$462	$315	$2,674	
1992	$4,965	$760	$231	$445	$152	$1,588	
1993	$6,635	$693	$222	$425	$105	$1,445	
1994	$6,055	$667	$213	$392	$60	$1,332	
1995	$5,827	$638	$196	$358		$1,192	
1996	$5,571	$588	$179	$342		$1,109	
1997	$5,133	$537	$171	$268		$976	
1998	$4,689	$513	$134	$155		$802	
1999	$4,480	$401	$78			$479	
2000	$3,506	$233				$233	
2001	$2,034						
2002							
TOTAL:	$48,895	$6,167	$2,184	$2,847	$708	$11,906	$60,801

TABLE 2: PROGRAM COSTS FOR GOVERNMENT IMPROVEMENTS ONLY *

$ FY	GROSS 92 CONSTR	C-1 PROJ PLNG	C-2 ADV PLNG	C-3 ADV PLNG	OTHER PLNG	TOTAL PLNG	
1990					$76	$76	
1991		$837	$760	$362	$315	$2,274	
1992	$3,657	$760	$181	$402	$152	$1,495	
1993	$6,635	$543	$201	$208	$105	$1,057	
1994	$4,743	$603	$104		$60	$767	
1995	$5,265	$312				$312	
1996	$2,724						
1997							
TOTAL:	$23,024	$3,055	$1,246	$972	$708	$5,981	$29,005 **

LEGEND

C-1 Project Planning (1 year before construction)
- 07 Construction Documents Park/Region Support

C-2 Advance Planning (2 years before construction)
- 06 Design Development
- 14 Utility Negotiations

C-3 Advance Planning (3 years before construction)
- 05 Survey
- 13 Special Study
- 35 Historic Structure Report
- 42 Archeological Research

Other Planning
Inventories, studies and assessments to ensure natural and cultural resource compliance.

* All $ are in thousands and not adjusted for inflation. See charts 1 and 2 for breakdown of construction projects.
** This would leave almost $32 million for the concessioner to rehabilitate, which is too large to accomplish solely from his revenues.

PROJECT TEAM

PROGRAM FORMULATION/REPORT

Denver Service Center, Central Team

Chief of Design - Cliff Blackstun
Project Manager - Dick Steeves
Project Coordinator - Bob Whissen
Report Coordinator - Paul Newman
Technical Writers/Editors - Ron Treants, Andy Beck, Renzo Riddo
Compliance - Roger Brown
Editor - Mary Volkert
Computer Assistance - Carlos Ramirez
Cover Photograph - Andy Beck

Rocky Mountain Regional Office

Regional Director - Lorraine Mintzmyer
Assoc Regional Director - John Neckels
Assoc Regional Director - Homer Rouse
Chief Construction and Maintenance - Terry Gess and staff
Chief Concessions - Ron Everhart and staff
Chief Cultural Resources - Rodd Wheaton and staff
Planning and Compliance - Chris Turk

Glacier National Park

Superintendent - Gilbert Lusk
Park Coordinator - Jim Vekasi
Concession Management - Marty Nielson and staff
Natural Resources - Gary Gregory and staff

FIELD TEAM

Denver Service Center, Central Team

Field Coordinator - Bob Whissen
Team Leaders/Architects - Paul Newman, Andy Beck, Ron Treants
Structural Engineer - Renzo Riddo
Cultural Resource Inventory - Berle Clemenson, Dave Fritz
Estimator - Bob Hinson
Computer and Electronic Mail Assistance - Mary Volkert

Rocky Mountain Regional Office

Structural Engineer - John Criger
Mechanical Engineer - Jack Walford

Glacier National Park

Lead Coordinator - Jim Vekasi
Maintenance Assistance - Roger Giesy, Bill Marsh, Terry Bremner.

A/E Rothberg, Tamburini, Winsor

Architects - Philip Greenberg, Bret Johnson, Bruce Lintjer
Senior Structural Engineer - Stan Smith
Mechanical Engineers - Larry Scharf, Glen Teason
Electrical Engineers - Bruce Winsor, Cornel Godany, Nick Toussaint

Contract Labor

Express Services, Data Input/Transmission - Marvin Djonne, Elaine Marsh, Paula Fitzgerald.
St. Mary Food Service - Carol Kramer.

APPENDIX A

CHARTS 1 AND 2 AND PARK MAP (FOLDED IN POCKET)

NPS D-183

MEDICINE

...AG NO. 264 G

...OTALS:
$23,024,000
$5,981,000

GRAND TOTAL:
$29,005,000

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BACK COUNTRY
CHALETS

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...ite Park (GP)

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