

# National Park Service



## Leasehold Surrender Interest Tracking Tool Update

# WASO Concessions Program



## Agenda

- Recommendation Summary
- Tool Overview
- Allocation Process
- Crediting Process
- Depreciation Process
- Presentation of Tool

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## Recommendation Summary

- Recommendation #1: LSI Crediting: Source of Funds
- Recommendation #2: Allocation of LSI to Building and Component Level
- Recommendation #3: Managing LSI: Tracking the Base Value and Depreciation



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## Tool Overview: Objectives

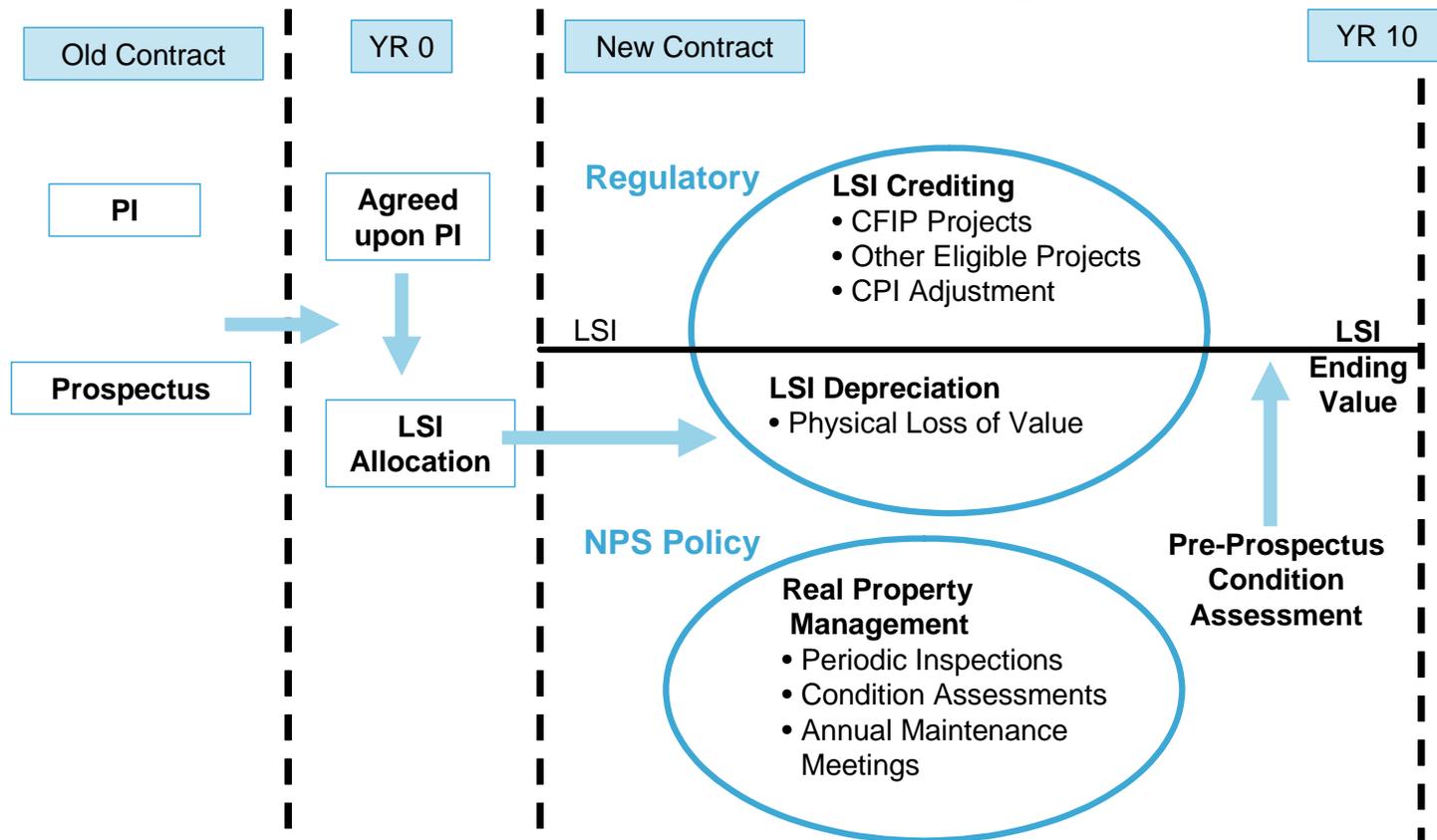
- NPS internal system – intended for Park level use
- Track LSI on a contract-by-contract basis
- Fundamentals based on PL 105-391 and 36 CFR Part 51
  - Flexible to accommodate any future changes
- For post-1998 issued contracts with LSI

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## Tool Overview: LSI Framework

### LSI Crediting Decision Tree



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## Tracking Tool Key Functions

- Allocation of Possessory Interest to Leasehold Surrender Interest
- Tracking of Crediting
- Estimating Depreciation
- Inflationary Adjustments



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## LSI Allocation

- Ideally performed at start of contract
- Necessary as the value of possessory interest (PI) under a prior contract is determined as a single figure encompassing more than one building



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## LSI Allocation

- Based on Condition Assessment
  - Real property asset inventory
  - Condition assessment
  - Life cycle analysis and component renewal
  - Multi-year Maintenance and Repair plan
  - Replacement cost and Reproduction cost
- Allocation to be performed at Uniformat II Level II subcomponent
  - Some components and sub-components will have different useful lives

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## LSI Allocation Unifformat Levels

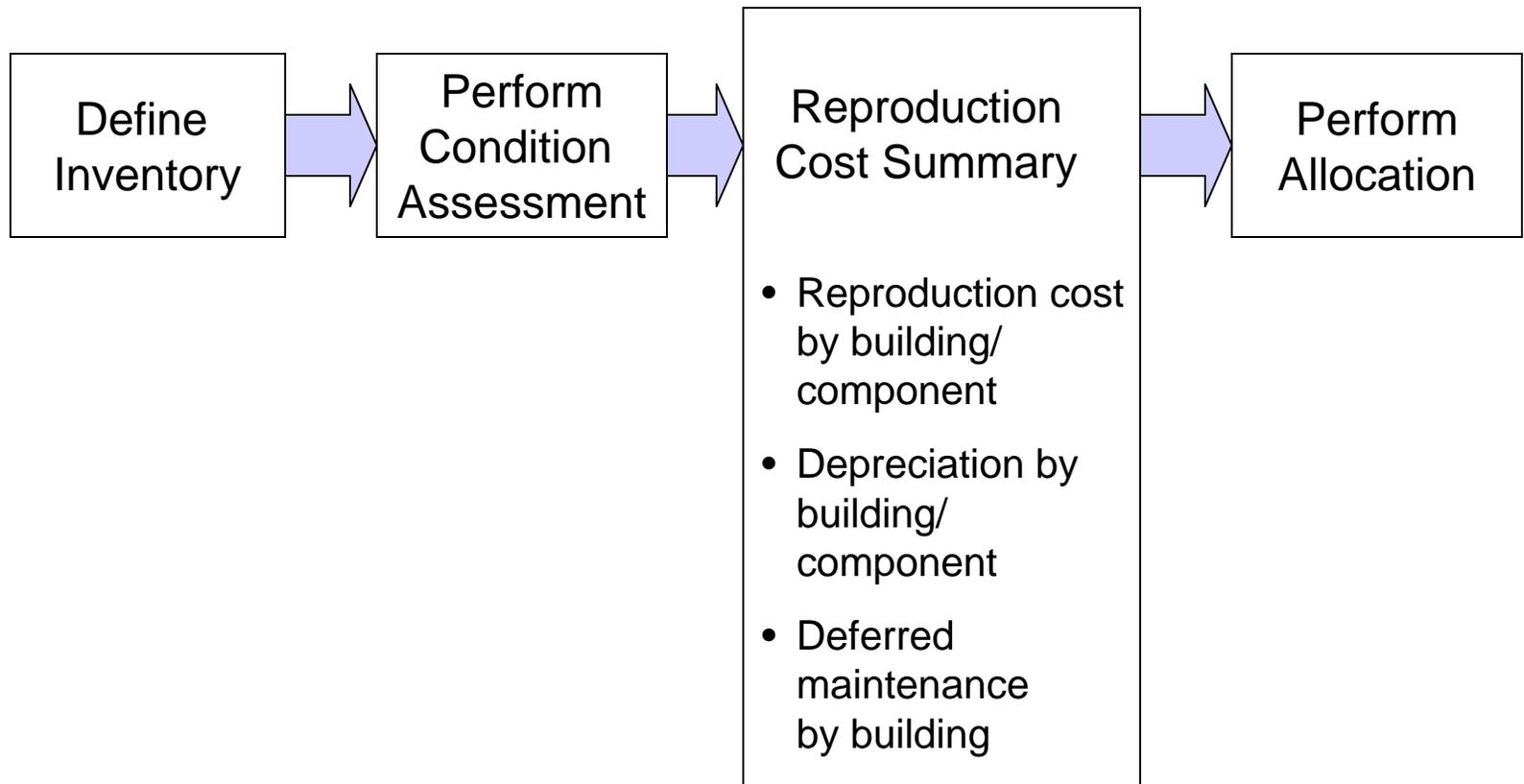


Unifformat Level I Major Group Elements		Unifformat Level II Group Elements
A	Substructure	Foundation
		Basement Construction
B	Shell	Super Structure
		Exterior Enclosure
		Roofing
C	Interiors	Interior Construction
		Stairs
		Interior Finishes
D	Services	Conveying
		Plumbing
		HVAC
		Fire Protection
		Electrical
E	Equipment and Furnishings	Equipment
		Furnishings
		Rental Unit
F	Special Construction & Demolition	Special Construction
		Selective Building Demolition
G	Building Sitework	Site Preparation
		Site Improvements
		Site Mechanical Utilities
		Site Electrical Utilities
		Other Site Work (Construction)

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## LSI Allocation Process



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## Allocation Key Issues

Issue	Comments
Availability of condition assessment data	Contract-by-Contract basis Recommendation allows for allocation to building level
Format, quality and consistency of condition assessment data	New scope of work improves standardization of data; some modifications may be required
Treatment of deferred maintenance	Currently identified on a building level; issue is how to allocate to components
Treatment of unique structures	Examples include marinas and docks; can be modified to fit Uniformat II Level II

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## LSI Crediting

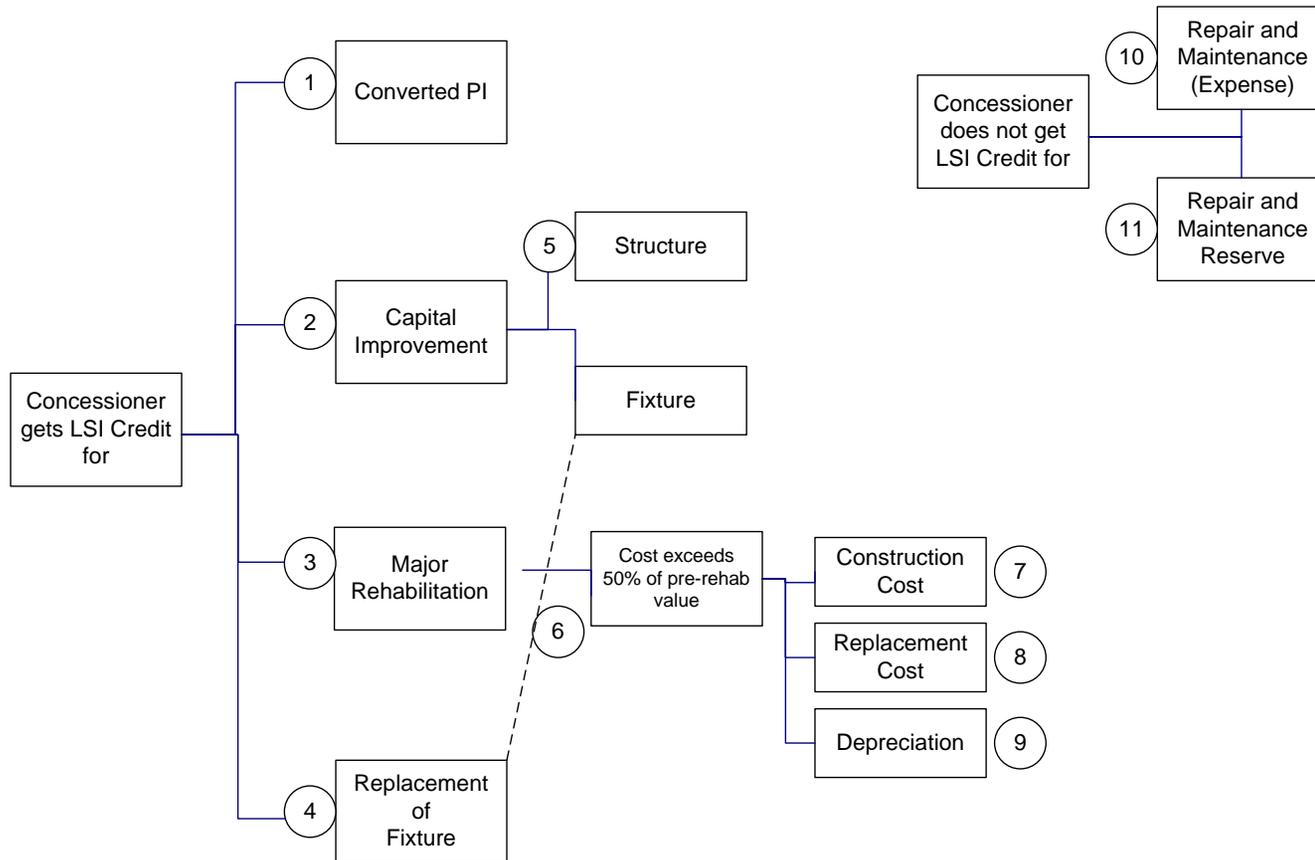
- LSI credit is granted only under certain circumstances:
  - Converted Possessory Interest
  - New Construction (funded by concessioner)
  - Major Rehabilitation (funded by concessioner)
  - Replacement of a Fixture (funded by concessioner)



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## LSI Crediting Decision Tree



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## LSI Crediting Process

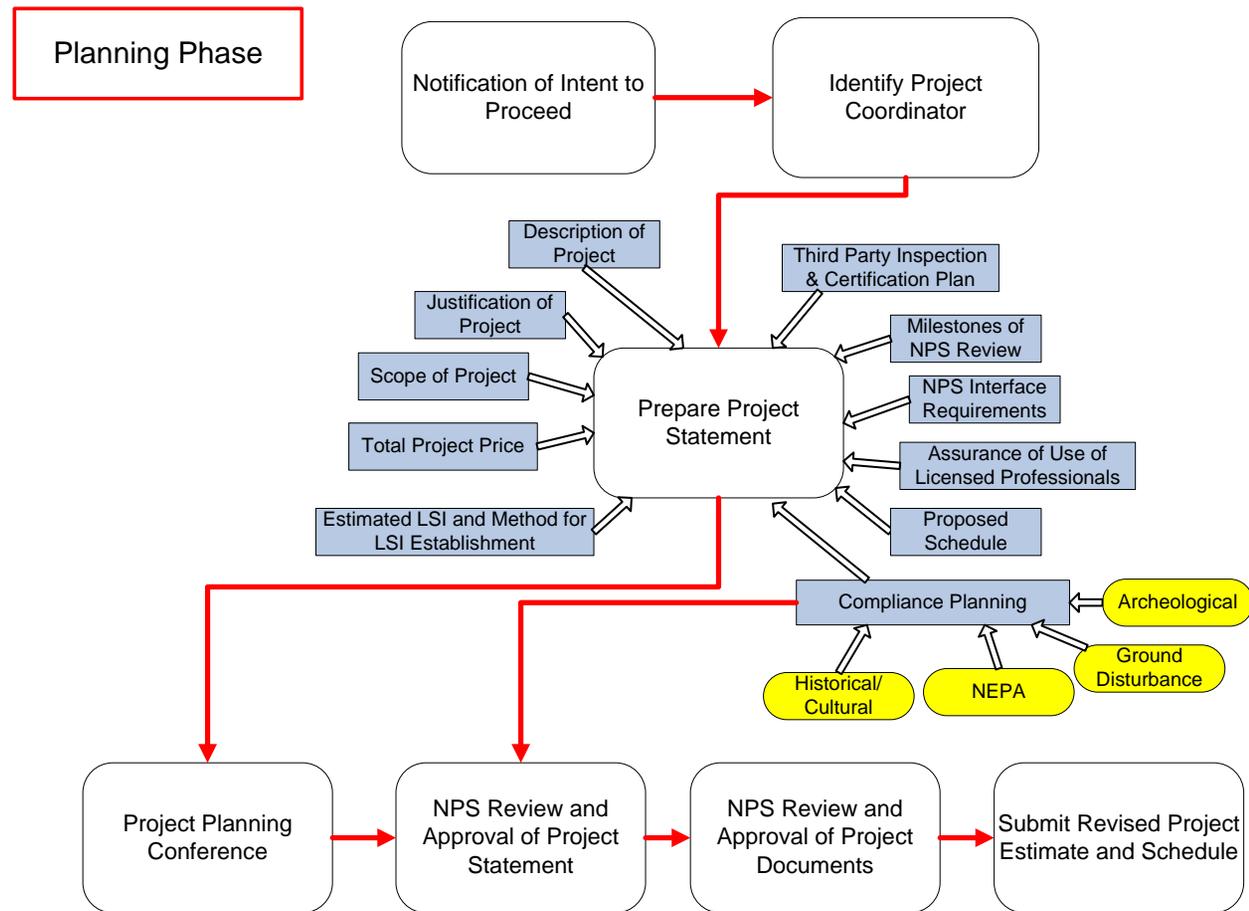
- LSI credit process is outlined in concession contact and exhibits
- Can be broken into three phases
  - Project planning
  - Project management
  - Project closeout



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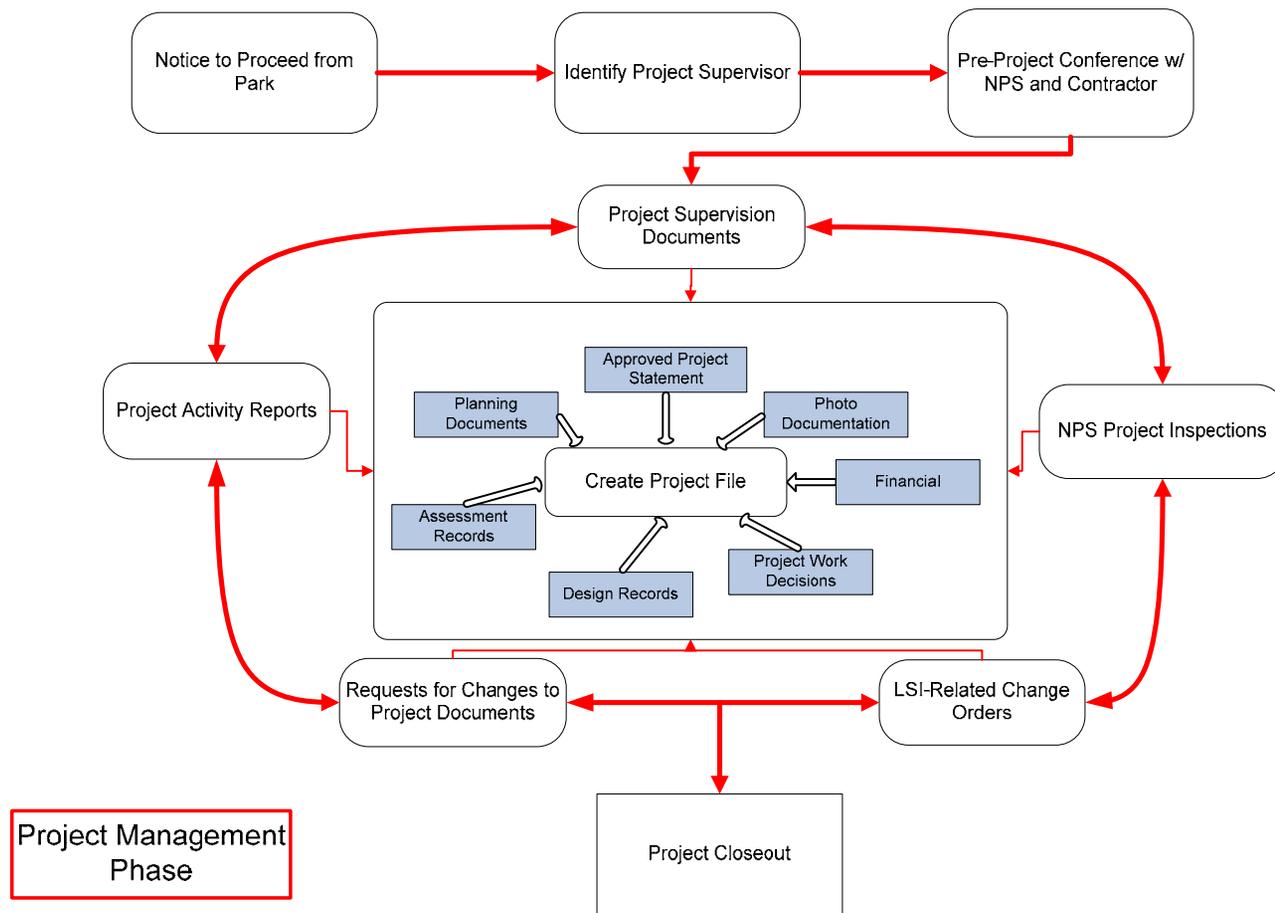
## LSI Crediting Process: Project Planning



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## LSI Crediting Process: Project Management

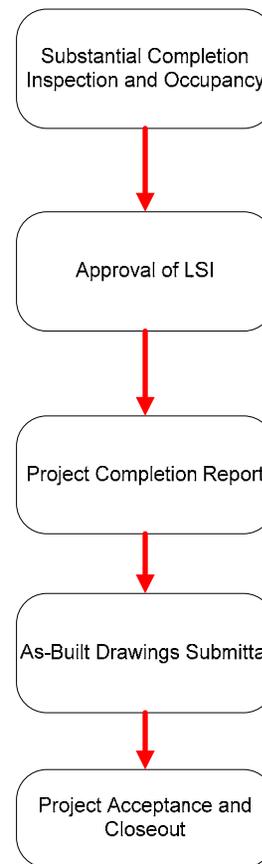


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## LSI Crediting Process: Project Closeout

Project Closeout  
Phase



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## LSI Crediting Process: Project Assessment

- Designed to identify likelihood of credit based on project type and components of building to be addressed
- Review of recently issued prospectuses indicated CFIP projects can be classified as
  - New construction
  - Renovation



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## Crediting Assessment



Uniformat Level I Major Group Elements	Uniformat Level II Group Elements	Uniformat Level III Individual Element Examples	Fixtures Included in Group?	Probability for LSI Credit						
				New Construction			Rehabilitation			
				High	Medium	Low	High	Medium	Low	
A	Substructure	Foundation	Foundations, Slab on Grade							
		Basement Construction	Basement Excavation, Walls							
B	Shell	Super Structure	Floor and Roof Construction							
		Exterior Enclosure	Exterior Walls, Windows, Doors							
C	Interiors	Roofing	Roof Coverings, Openings							
		Interior Construction	Partitions, Doors, Fittings	Yes						
D	Services	Stairs	Stair Construction, Finishes							
		Interior Finishes	Wall, Floor, Ceiling Finishes							
		Conveying	Elevators, Escalators, Other							
		Plumbing	Plumbing Fixtures, Water Distribution, Sanitary Waste, Rain Water Drainage, Other	Yes						
		HVAC	Energy Supply, Heat and Cooling Generating Systems, Distribution System, Terminal/Package Units, Controls & Instrumentation, Systems Testing & Balancing, Other	Yes						
E	Equipment and Furnishings	Fire Protection	Sprinklers, Standpipes, Fire Protection Specialties, Other	Yes						
		Electrical	Service & Distribution, Lighting & Branch Wiring, Communications & Security, Other Electrical Systems	Yes						
		Equipment	Commercial, Institutional, Vehicular, Other	Yes						
F	Special Construction & Demolition	Furnishings	Fixed and Moveable Furnishings	Yes						
		Rental Unit								
G	Building Sitework	Special Construction	Special Structures, Integrated Construction, Special Construction Systems, Special Facilities, Special Controls & Instrumentation	Yes						
		Selective Building Demolition	Building Elements Demolition, Hazardous Components Abatement							
		Site Preparation	Site Clearing, Demolition & Relocations, Earthwork, Hazardous Waste Remediation	Yes						
		Site Improvements	Roads, Parking Areas, Trails, Site Development, Marina, Constructed Waterway, Amphitheater, Landscaping, Campgrounds, Picnic Area, Boundary	Yes						
		Site Mechanical Utilities	Water & Waste Water System, Storm Sewer, Heating & Cooling Plant, Fuel System, Other Site Mechanical Utilities	Yes						
G	Building Sitework	Site Electrical Utilities	Electrical System/Distribution, Site Lighting, Site Communication and Security, Phone System, IT System, Other	Yes						
		Other Site Work (Construction)	Service & Pedestrian Tunnels, Solid Waste Recycling System, Aviation System, Outdoor Sculptures, Ruins, Fortification, Towers, Site Drainage, Bridge, Railroad System, Tunnels, Dams	Yes						

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## LSI Crediting Process: Project Assessment Summary

- Majority of New Construction projects are “high” likelihood of LSI credit
- For renovation projects, following components are medium and require greater scrutiny
  - Building Services
  - Utilities
  - Equipment and fixtures



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## LSI Credit Type 2: Fixture/Non-Removable Equipment

- NPS:
  - Manufactured items of personal property of independent form and utility necessary for the basic functioning of a structure that are affixed to and considered to be part of the structure such that title is with the Director as real property once installed



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## LSI Credit Type 2: Fixture/Non-Removable Equipment

- Private Sector: “Fixture”
  - “Something added or appended to a property and has since become an inherent part of the property; usually passes with the property when title is transferred” (Dictionary of Real Estate Appraisal)



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## Fixture or Non-Removable Equipment (cont'd)

- Private Sector: Criteria for Personal Property vs. Fixture (Appraisal of Real Estate):
  - The manner in which the item is affixed:
    - Personal property if can be removed without serious harm to the real estate or itself
  - Character of the item and the adaptation to the real estate:
    - Items that are specifically constructed for use in a particular building or installed to carry out the purpose for which the building was erected
  - The intention of the party who attached the item:
    - The terms of a lease reveal whether the item is permanent or is to be removed at some future time

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## Fixture or Non-Removable Equipment (cont'd)

- Defining a fixture vs. personal property is somewhat problematic for identifying which parts of a project are LSI-eligible
- An analysis of Uniformat II Level 2 provides some guidance for which Group Elements may include items eligible to become fixtures
- May be necessary to analyze Uniformat II Level 3 detail to ascertain specific LSI credit for fixtures

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## Fixture or Non-Removable Equipment (cont'd)

- Examples of Fixtures (from Uniformat II Levels 2 and 3):
  - Toilet & bath accessories
  - Storage shelving (fixed to wall/floor)
  - Water heater
  - Rooftop air conditioner
  - Electrical transformer
  - Ceiling lighting fixtures
  - Telephone and security systems
  - Fountains

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## LSI Depreciation

- Estimates value on an annual basis
- Based on amount allocated to either building or components
- Condition assessment at end of contract term determines actual physical depreciation
- Periodic condition assessments will be performed during term of contract

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## Depreciation Key Issues

Issue	Comments
Estimating of component age and remaining useful life	End of term condition assessment will “true-up” any inconsistencies
Long-lived components may appreciate in value over term	Consistent with intent of 36 CFR Part 51
Improvements to only a portion of a building component	Under development

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## Presentation of Tool

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