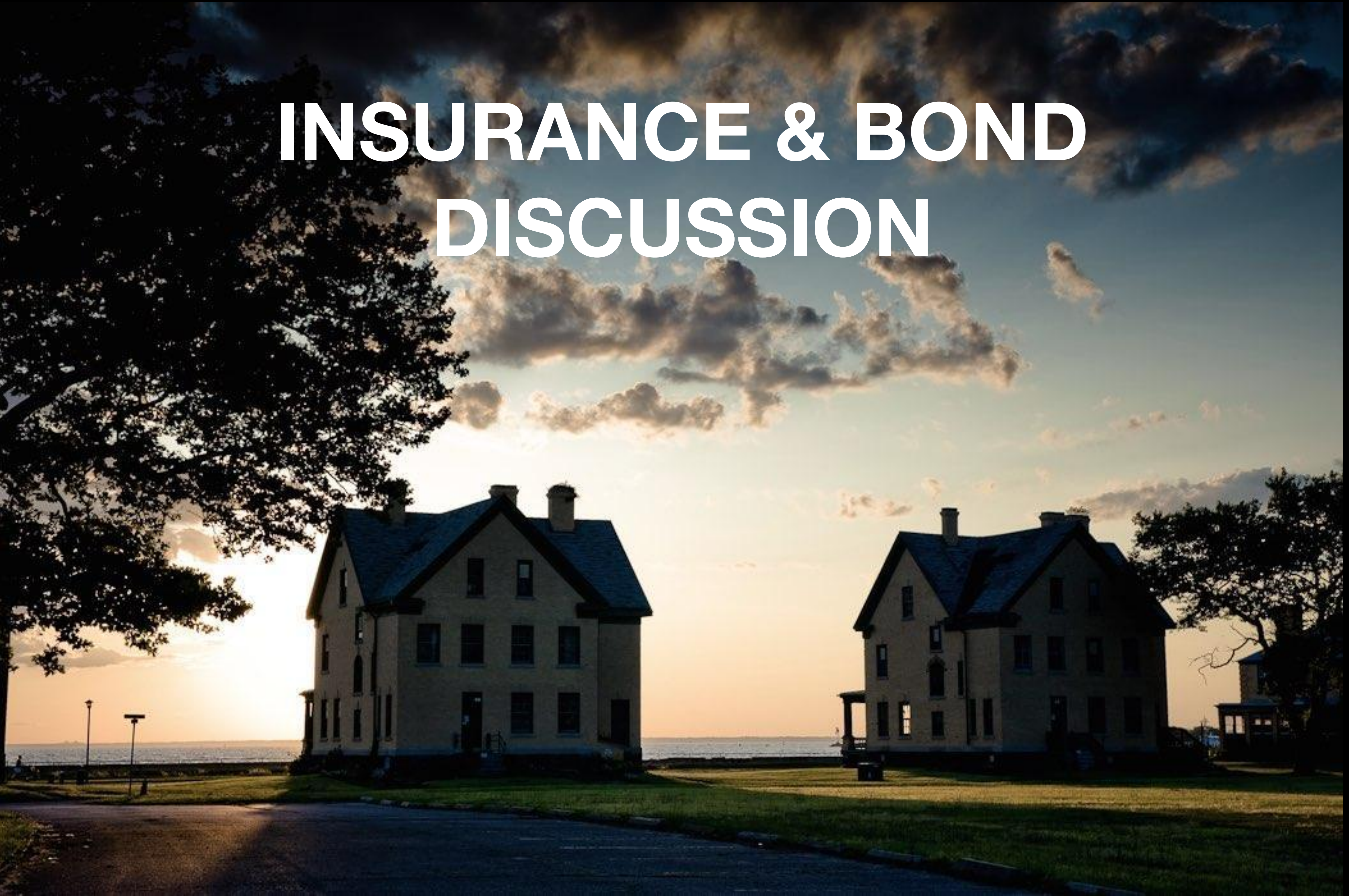




Gateway National Recreation Area

# INSURANCE & BOND DISCUSSION





# Lease Requirements

The standard Lease terms and conditions require the Lessee to obtain insurance and provide proof of same to the United States. The types of insurance required include but may not be limited to the following :

- Insurance During Construction:
  - Builders Risk
  - Bonds as applicable
- Property Insurance
- Flood Insurance
- General Liability
- Liquor Liability





# Building 52 Case Study for Discussion

- NPS has issued a 60 year Lease dated November 30, 2018
- The Lessee proposed to adaptively reuse Building #52 for residential purposes.
- The building is not currently habitable.
- The Lessee is acting as the General Contractor for the project.
- The Lessee is required to make Initial Improvements in the amount of \$200,000.00. If the Lessee is able to complete the Initial Improvements at a lower cost, those Initial Improvements will be acceptable so long as they are completed in accordance with NPS approved Construction Documents.

# Builder's Risk Insurance

The Lessee will be obligated to provide proof of construction insurance in an amount not less than \$324K prior to undertaking the Initial Improvements.

The \$324K value is based on the reconstruction estimates (Marshall and Swift) and considered the costs of Initial Improvements and an additional calculation to account for historic nature of the structure.

## Discussion Questions

1. Should the Builder's Risk Insurance be based
  - a. Replacement Cost New?
  - b. Cost of the proposed improvements?
  - c. Government Cost Estimate to complete the project in the event a Lessee does not complete the rehabilitation?
2. Other Questions to consider?



**Builder's Risk**

# Property Insurance

- The Lessee will be obligated to provide proof of property insurance in an amount not less than \$324K upon completion of the Initial Improvements and acceptance of same by the Lessor.
- This figure is based upon the value of the Initial Improvements as well as the reconstruction costs identified using a Marshall and Swift Cost Index for NJ markets with an additional multiplier of 20% to account for historic nature of the structure (Attachment A).



## Discussion Questions

1. Any other recommendation about how we should determine the Replacement Cost New (RCN)? This would not cover the Government costs.



# Flood Insurance

- Is required in sufficient coverage amounts up to the maximum available through the National Flood Insurance Program.

[https://www.floodsmart.gov/floodsmart/pages/residential\\_coverage/rc\\_overview.jsp](https://www.floodsmart.gov/floodsmart/pages/residential_coverage/rc_overview.jsp).

- Flood Insurance available through the NFIP is capped at \$250K.



# General Liability

- The Lease requires the Lessee to obtain a General Liability Insurance policy, providing at minimum coverage in the amount of \$1,000,000 per incident and \$3,000,000 aggregate.

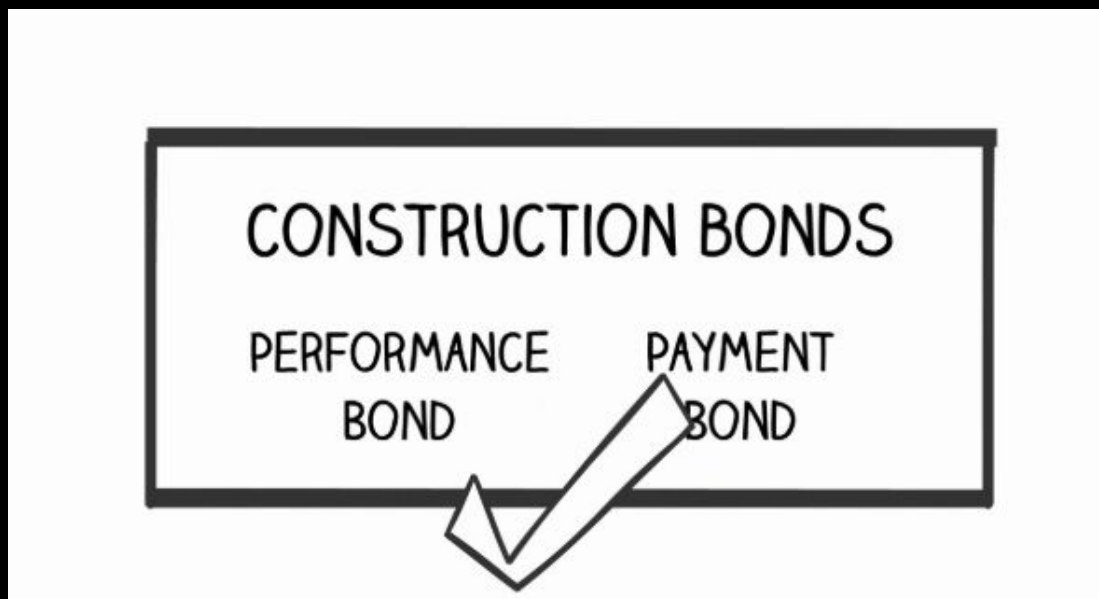


## Discussion Questions

This is the NPS required minimum. Is this sufficient?

# Bond

Under the Lease, **NPS reserves the right to require a construction bond** (Exhibit B: Insurance Requirements, Paragraph B.2 Insurance During Construction), covering “payment of all obligations arising under all contracts let in connection with construction and guaranteeing performance and payment under the applicable contracts, and payment in full of all claims for labor performed and materials supplied under such contracts.”



## Discussion Questions

1. Under what conditions should NPS forego a bond?
2. How should we determine the required bond amount?