

“Historic Leasing in the National Park System: Assessing Challenges and Building on Successes”

Testimony

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Introduction

Hot Springs National Park’s Bathhouse Leasing Program has had an incredible impact on the community and economy of Hot Springs, Arkansas. In this testimony, I will illustrate some of the most important factors related to the benefits to the community of this leasing program.

1.

It’s a common principle in economic development that private investment follows public investment. Economic developers are always mindful to steer capital in a fashion that will catalyze further investment from the private sector. Hot Springs National Park’s Bathhouse Row along the eastern side of Central Avenue, is a significant public institution that is uniquely intertwined with the City of Hot Springs’ historic downtown district on the western side of Central Ave., where the vast majority of the land and improved property is privately owned.

Prior to the bathhouse leasing program, the majority of the eight bathhouses along Bathhouse Row sat empty, dark and vacant. Since the leasing program has filled these bathhouses with new businesses, the eastern national park side of the street has come alive with activity.

Instead of shouldering the burden of the full capital outlay to open these structures to the public, Hot Springs National Park solicited business ideas from the private sector that would put this real estate back into productive use, reactivate the square footage, and finance the final property improvements privately. The only compromise that the national park has had to make, is to allow businesses to fill these spaces that sell a product or service that is not identical to the thermal bathing of 100 years ago for which these structures were built.

When these bathhouses were built 100 years ago, before the invention of penicillin, thermal bathing was a popular treatment for many illnesses. The demand for bathing has decreased significantly since that day and caused most of the bathing businesses in the bathhouses to close by the 1980’s.

The bathhouse leasing arrangement has allowed the public institution to offload the ideation and capital investment needed to put this property back to work to the private sector while still retaining oversight of the land, real estate and business.

It’s also important to consider the genesis of the Bathhouse structures themselves. They were built by the private sector on federal land for the purpose of operating as private businesses, so in Hot Springs this concessioner concept is over 100 years old.

This reactivation of public space due to the bathhouse leasing program has served as a catalyst for private investment and business growth in the City of Hot Springs' downtown historic district, where these two areas are so uniquely intertwined. Where nearly all of the bathhouses on the eastern side of the street appeared closed and dark, they are now open for business. The new businesses that have occupied the bathhouses have proved some interesting new markets in Hot Springs and set the foundation for a tremendous wave of investment in recent years. In downtown over the past four years, over 100 new businesses have opened, over 80 historic commercial properties have been bought and sold, and over \$80 million of private capital has been invested. I'm sure none of this would have been possible if the Hot Springs National Park side of downtown remained "closed for business."

And even better for Hot Springs National Park, instead of a sizeable public investment, private capital has been used to improve, preserve and maintain the bathhouse properties. That capital was attracted by the opportunity of the bathhouse leasing program and the unique markets that exist in Hot Springs.

2.

The businesses that occupy these bathhouses get an extraordinary amount of national and international attention, which pays dividends for our community. Due to the unique nature of their business and to a certain degree, the uniqueness of the lease with the national park, the press loves these businesses.

The Superior Bathhouse Brewery operates the business on Bathhouse Row that is most fundamentally different than the original bathing experience; they sell beer that's made with the thermal water from Hot Springs National Park. This is a very unique practice. In fact, this is the only business making beer with naturally thermal water in the world. Because of this unique quality, and because the beer is good, Superior gets a remarkable amount media exposure nationwide.

Just two examples of this type of national coverage in 2016 are that Superior was featured on the CBS Sunday Morning Program and in the Chicago Tribune. Visit Hot Springs, our city's tourism agency, estimates the reach of these two pieces alone at nearly three million people with a retail advertising value of just over \$120,000.

Additionally, owners of The Quapaw Baths & Spa attended an international summit on thermal bathing in Japan representing Hot Springs, Arkansas, where they were the only attendees from the United States of America.

This type of national and international coverage is very impactful on our local economy, because not only does it promote exciting new businesses, the news coverage always introduces Hot Springs as the setting for this interesting activity. This equates to great exposure from very credible editorial sources that generates tourism for Hot Springs.

Tourism is very important to Hot Springs. It is the largest sector in the Hot Springs economy, supporting 7,592 jobs or roughly 22% of the workforce in our area. Visitors spent \$799 million in Hot Springs last year.

3.

The Bathhouse Leasing program has a general reputation for being onerous and the business owners who have completed the process are regarded as exceptionally capable people.

The average citizen in our community does not know the exact specifics and particulars related to completing the bathhouse leasing process. But there is a perception among the general population of Hot Springs that it is an extremely complicated and lengthy process which may deter potential applicants.

This perception is fueled by the elongated timeline of the process. Many of these prospective lessees make very highly visible announcements announcing their intent to lease a bathhouse. In many cases, years pass by before any tangible progress is seen, either through construction or occupation of the real estate. A multiyear timeline to open a business is not feasible for most businesses and most cannot sustain a business through this period without revenue coming in. Other factors are involved in extending the timeline for opening with financing being central among them, but the leasing process is always the most visible public obstacle.

The difficulty of this process is magnified when compared to the process for leasing a private commercial space just a few dozen feet across Central Avenue in the City of Hot Springs' downtown historic district. A simple lease agreement between two parties is usually all that's needed and in a best-case scenario where the property is ready to be occupied, a tenant business could have the opportunity to move in within days. This scenario looks more favorable to most businesses, but the bathhouses offer the unique benefit of access to the thermal water which is important enough for most of the businesses who have leased bathhouses to opt for this more difficult lease route.

This issue is also reflected in the fact that many of the bathhouse lessees are highly regarded in our community as having an exceptional aptitude for success. These people show extraordinary tenacity in their everyday lives and the management and execution of their businesses and they exhibit characteristics of extremely competent and successful people. Pat McCabe is the Mayor of Hot Springs and has been the CEO of Levi Hospital for nearly two decades. Anthony Taylor and Bob Kempkes are both accomplished architects, business owners, and real estate developers. Rose Schweikhart is an accomplished musician, business owner and beer brewer. The fact that only the most exceptional business people are holding leases to the bathhouses makes me question the ability of the average business owner to see this process through to completion.

Conclusion

The Bathhouse Leasing Program has had an extremely positive impact on Hot Springs and especially the downtown area. What was once an entire half of downtown that appeared closed and dark is now open for business. The new businesses that have occupied the bathhouses have set the foundation for a tremendous wave of investment in recent years. In downtown over the past four years, over 100 new businesses have opened, over 80 historic commercial properties have been bought and sold, and over \$80 million of private capital has been invested. Many other factors were involved in the development of downtown Hot Springs over the years, but I'm sure none of this would have been possible if the Hot Springs National Park side of downtown remained to appear "closed for business."