



DEPARTMENT OF THE AIR FORCE
WASHINGTON, DC

14 FEB 2003

Office of the Assistant Secretary

SAF/IEI
1665 Air Force Pentagon
Washington, DC 20330-1665

The Honorable Duncan Hunter
Chairman, Committee on Armed Services
United States House of Representatives
Washington, DC 20515-6035

Dear Mr. Chairman

Title 10, United States Code, Section 2884 requires that Congress be notified of each contract for the acquisition or construction of a portion of the family housing units or unaccompanied housing units being solicited under the housing privatization authorities.

The Air Force intends to enter into such an agreement with a private entity for the construction, operation and maintenance of family housing at Buckley Air Force Base, Colorado. The Deputy Under Secretary of Defense for Installations and Environment concurs with our plan to solicit this project. The Air Force intends to release the request for proposal no sooner than 30 days after the date of this notification. The project summary is enclosed.

A similar letter has been sent to the Ranking Minority Member of your Committee and to the Chairman and Ranking Minority Member of the Senate Armed Services Committee.

Sincerely

A handwritten signature in black ink, appearing to read "Fred W. Kuhn".

FRED W. KUHN

Deputy Assistant Secretary of the Air Force
(Installations)

Attachment:
Project Summary

MILITARY HOUSING PRIVATIZATION INITIATIVE
AIR FORCE PROJECT SUMMARY

INSTALLATION: Buckley AFB, Colorado

SCOPE:

The purpose of the business venture is for a private entity to finance, plan, design and construct improvements, as well as own and operate a rental housing development for 332 military family housing units, including 10 key and essential units. The project involves a non-FAR real estate transaction with a Successful Offeror (SO) under which the Government will lease approximately 65 acres of unimproved land for up to 50 years. Housing units and other improvements within the housing area will be constructed, owned and operated by the SO under appropriate legal instruments. The SO will construct 332 units within 24 months of award.

The USAF will competitively solicit and select a developer. It is the responsibility of the SO to arrange the necessary debt financing and equity contribution. The Government participation may include a direct loan. Offerors shall utilize their equity contribution and commercial loan proceeds before using the Government direct loan in project financing.

The agreement will provide service members the opportunity to occupy quality housing that is safe and affordable. Payment of rent and reasonable utility costs will not exceed the members Basic Allowance for Housing (BAH) under this transaction. The service members will pay rent and utilities. The rental units will be made available to Air Force families on a preferential basis. Occupancy guidelines are outlined in detail in the solicitation.

No AAFES or DeCA activities will be affected by this privatization initiative and the land lease will preclude the SO from having any revenue generating activities that compete with AAFES or DeCA. The developer may provide some ancillary support facilities, such as a swimming pool and a community center.

Forty-one of the sixty-five acres to be leased are being purchased by the Air Force from the State of Colorado. The newly purchased land is adjacent to the twenty-four acres of existing AF-owned, on-base land, to be leased to the SO. Unit density will not exceed six units per acre in accordance with AF design guide standards.

AUTHORIZATION:

- 10 U.S.C. Section 2872a, Utilities and Services.
- 10 U.S.C. Section 2873, Direct loans and Loan Guarantees.
- 10 U.S.C. Section 2880, Unit size and type.
- 10 U.S.C. Section 2881, Ancillary supporting facilities.
- 10 U.S.C. Section 2882(c) Lease Payments through Pay Allotments

JUSTIFICATION:

This project will provide military families access to safe, quality, affordable **housing**. **There is no existing government-owned housing at Buckley AFB and the existing housing market is not able to provide the required adequate housing.**

FUNDS REQUIRED:

The budget scoring analysis developed for OMB indicates a projected credit **subsidy or scored** cost of \$12M for a government direct loan.

SOURCE OF FUNDS:

Air Force funds available to cover government requirements to the project are:

FY02 MFH MILCON for Buckley: \$11.4M
Bid savings from FY02 MFH Privatization program: \$0.6M



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The Honorable Joel Hefley
Chairman, Subcommittee on Readiness
Committee on Armed Services
United States House of Representatives
Washington, DC 20515-6035

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FRED W. KUHN
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(Installations)

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**MILITARY HOUSING PRIVATIZATION INITIATIVE
AIR FORCE PROJECT SUMMARY**

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JUSTIFICATION:

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