DEPARTMENT OF THE AIR FORCE
WASHINGTON, DC

15 MAY 2003

Office Of The Assistant Secretary

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

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

Dear Mr. Chairman

Title 10, U.S.C., section 2884 requires that Congress be notified of each contract for the acquisition or construction of 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 Cannon Air Force Base, New Mexico. 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 60 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 Subcommittee.

Sincerely

FRED W. KUHN
Deputy Assistant Secretary of the Air Force
(Installations)

Enclosure
Project Summary

MILITARY HOUSING PRIVATIZATION INITIATIVE
AIR FORCE PROJECT SUMMARY

INSTALLATION:

Cannon AFB, New Mexico

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 1246 military families. The whole-base project involves a non-FAR real estate transaction with a Successful Offeror (SO) under which the Government will convey 1294 existing housing units and other improvements to the SO. The SO will demolish 384 units and construct 336 units on a variable schedule within 72 months of the award; 910 units are to be renovated. The SO will finance, plan, design and construct improvements, as well as own and operate the rental housing development for military families for 50 years.

The USAF will competitively solicit and select a developer. It is the responsibility of the developer as 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 private sector commercial loan proceeds before using a Direct Government Loan.

The agreement will provide service members the opportunity to occupy quality housing. Payment of rent and reasonable utility costs will not exceed the member's 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, MWR/Services, or DECA.

AUTHORIZATION:

10 U.S.C. Section 2873, Direct loans and loan guarantees.
10 U.S.C. Section 2878, Conveyance or lease of existing property and facilities.
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, Assignment of members of the armed forces to housing units.