



**DEPARTMENT OF THE AIR FORCE**  
WASHINGTON, DC

04 DEC 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

We are notifying you of the Department of the Air Force's intent to award a housing privatization project for 1200 units of military family housing for Little Rock Air Force Base, Arkansas, using the Military Housing Privatization Initiative authorities enacted by Section 2801 of the National Defense Authorization Act for Fiscal Year 1996, P.L. 104-106, as amended (codified at 10 U.S.C. 2871 - 2885). The Under Secretary of Defense (Comptroller) will notify the Committees separately of the transfer of funds appropriated for Air Force military family housing construction into the Family Housing Improvement Fund in conjunction with this project. A summary of the project is attached for your information.

The Deputy Under Secretary of Defense (Installations and Environment) concurs with this notification.

The Air Force intends to award the project no sooner than 30 days after the Congressional notifications.

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 cursive script, 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:

Little Rock AFB, Arkansas

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 1200 military families. The project will result in a privatized end state of 1200 housing units. The successful offeror (SO) will demolish 607 units (335 of which are surplus) within 84 months and construct 272 units within 72 months of award. 594 units will receive whole house renovations, and 334 will receive minor renovations within 72 months. 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 will include a direct loan. Offerors shall utilize their equity contribution and private sector commercial loan proceeds before using a 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.

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.

JUSTIFICATION:

This project will provide military families access to safe, quality, affordable housing. The existing housing is inadequate and requires a major renovation and must be completely remodeled to meet, as a minimum, the current AF Housing standard. The SO is given the option to replace these units if more feasible.

FUNDS REQUIRED:

The budget scoring analysis indicates a projected credit subsidy or scored cost of \$6.1M since the developer's proforma indicated a need for a direct loan.

SOURCE OF FUNDS:

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

FY00 MFH CONSTRUCTION for Little Rock AFB:	\$3.994M
FY01 MFH CONSTRUCTION for Little Rock AFB:	\$0.993M
FY01 MFH CONSTRUCTION for Travis AFB:	<u>\$1.813M</u>
	\$6.800M