



DEPARTMENT OF THE AIR FORCE
WASHINGTON, DC

15 OCT 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 606 units of military family housing for Moody Air Force Base, Georgia, 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. We would appreciate early approval to proceed so that we may go ahead with this project as soon as possible to provide this much-needed housing for our military members and their families.

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:

Moody AFB, Georgia

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 606 military families. The project will result in a privatized end state of 606 housing units. The project involves a non-FAR real estate transaction with a Successful Offeror (SO) under which the Government will convey the entire base inventory of 300 existing housing units and other improvements to the SO. The SO will construct 306 units within 36 months of the award; 11 units to be constructed on Moody AFB and 295 units to be constructed on a site provided by the SO. Ninety-four existing units will be demolished and replaced within 36 months of award. 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 and/or a limited loan guarantee. Offerors shall utilize their equity contribution and private sector commercial loan proceeds before using a Government direct loan or a limited loan guarantee of a permanent loan from an approved commercial lender 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 \$11.2M since the proforma indicated a need for a direct loan.

SOURCE OF FUNDS:

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

FY01 MFH CONSTRUCTION for Moody AFB: \$7.401M

FY02 MFH CONSTRUCTION for Hickam AFB, bid savings: \$3.799M