

MILITARY HOUSING PRIVATIZATION INITIATIVE AIR FORCE PROJECT SUMMARY

INSTALLATION:

Elmendorf AFB, AK

SCOPE:

The project involves a non-FAR real estate transaction with the Successful Offeror (SO) of the Elmendorf AFB Housing Privatization Phase I project under which the Government will convey the remaining 986 housing units and lease approximately 515 acres of land divided among 13 parcels to the developer at closing of the transaction. The purpose of this business venture is for the same private entity of Phase I to finance, plan, design, construct, own, operate, maintain and professionally manage all on-base housing units providing military families priority access for 50 years.

Within 4 years of award, the SO will demolish/construct 552 replacement units, construct 208 deficit reduction units, provide major renovations on 36 units and minor renovations on 274 units, and accept "as is" 124 units that currently meet Air Force standards. Within 4 years of the award, 1,194 privatized housing units will be available to military families, consisting of a mixture of two-, three- and four-bedroom duplex and single family units. This project provides housing for both enlisted and officer personnel as it privatizes the remaining housing inventory on Elmendorf AFB. Thus, all on-base housing--2,022 units--will now be privatized. Utility systems will be conveyed.

The USAF will sole source solicit this phase with the SO of the first phase. It is the responsibility of the SO to arrange the necessary debt financing and equity. The Government participation may include a direct government loan in addition to a commercial first mortgage loan. The SO will utilize their equity contribution and the commercial first mortgage loan proceeds before using the Government direct loan in project financing. Leverage for the project is 9.9:1 based on the equivalent MILCON project cost of \$308.6M and the scored cost of \$31.3M. The preliminary economic analysis indicates that Phase II privatization is more economical than the MILCON alternative. The SO will be allowed to propose combining financing of Phase I with Phase II is such is cost effective and mutually beneficial to all parties of the transaction.

The lease will require the substantial renovation or replacement, as required, of all 1194 privatized units of Phase II no later than 25 years after completion of construction or the last renovation. The modernization shall be an upgrade including, but not limited to, updating the unit functionality and space requirements, integration of new technologies, modernization of the units as a whole including energy efficiencies, electrical and mechanical systems, updating of architectural finishes, kitchen appliances, cabinetry and plumbing fixtures.

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 deal. The service member will pay rent and utilities by monthly allotment in arrears. The rental units will be made available to Air Force families on a preferential basis.

No AAFES or DECA activities will be affected by this privatization initiative. The MWR/Services Temporary Lodging Facility (TLFs) with 51 lodging units that is located within the Sunflower housing area will be replaced to improve housing density for the housing replacement units, base community plan, and housing safety. The replacement TLFs will be 46 converted housing units in the Phoenix neighborhood where housing will no longer exist. The land leases will preclude the SO from having any revenue generating activities that compete with AAFES, DECA, or MWR/Services.

In addition, the project includes site preparation and utilities infrastructure on 256 acres of land to be transferred from Fort Richardson to Elmendorf AFB for the construction of 570 units of the 1,194 units in Phase II, construction of a new road through the new housing area on Army land through the new Air Force housing area to joint service community facilities on Elmendorf AFB, land mitigation for a moose habitat in the new housing area, land reclamation in housing areas where units are being demolished and not being rebuilt, demolition of a vacated facility previously used as a thrift store that is within the housing area and needs to be removed to improve housing density for the housing replacement units and housing safety, and conversion of steam heating systems to gas heating systems in 272 housing units.

AUTHORIZATION:

10 U.S.C. Section 2873, Direct loans and loan guarantees. The government will provide a direct second mortgage loan.

10 U.S.C. Section 2878, Conveyance or lease of existing property and facilities. Housing units will be conveyed and land will be leased to the SO as part of this project.

10 U.S.C. Section 2880, Unit size and type. The housing to be renovated and constructed as part of this project will be similar to that found in the local community, to include Phase I.

10 U.S.C. Section 2881, Ancillary supporting facilities. No conflict with AAFES, DeCA or nonappropriated fund activities. Ancillary facilities may include a community center, with an indoor lounge, community rooms, common kitchen, business center, pool complex, and exercise club; playgrounds; athletic fields; bus shelters; and a jogging trail/bike path.

10 U.S.C. Section 2882, Assignment of members of the armed forces to housing units. Military members will pay BAH minus an allowance for utilities to the SO by allotment.

10 U.S.C. Section 2883, Department of Defense Housing Funds. A transfer of appropriated funds to the DoD Family Housing Improvement Fund will be required.

JUSTIFICATION:

This project will provide military families access to safe, quality, affordable housing. Of the 986 existing housing units, 36 units must be upgraded to meet current life-safety codes and to provide a comfortable and appealing living environment for our military families assigned to Elmendorf AFB. The 552 units scheduled for demolition and replacement were built in various phases from 1948-1965 and require improvements that exceed 70 per cent of their replacement value. Existing conditions and recent renovations allow 124 units to be conveyed to the developer with no work required. The remaining 274 units require minor renovations to meet the needs of today's military families. To eliminate the projected housing deficit, 208 new housing units will be built. This project will complete the required renovation within four years rather than a piecemeal approach inherent in MILCON or other alternatives. The sole source initiative will further save time and money in the acquisition of Phase II and the integration of shared ancillary and support facilities and project management and operations, plus enable the quality of housing for our Air Force families match that being provided today in Phase I by the same developer.

FUNDS REQUIRED:

The preliminary budget scoring analysis developed for OMB indicates a projected credit subsidy or scored cost of \$31.3M due to the proposed direct loan.

SOURCE OF FUNDS:

Fiscal Year	Project Number	Project Location	Amount
2002	FXSB 054401	Elmendorf AFB, AK	\$ 12.161 million
2003	FXSB 034403	Elmendorf AFB, AK	\$ 26.732 million
Total			\$ 38.893 million