

MILITARY HOUSING PRIVATIZATION INITIATIVE AIR FORCE PROJECT SUMMARY

INSTALLATION:

Hanscom AFB, Massachusetts

SCOPE:

The project involves a non-Federal Acquisition Regulation (FAR) real estate transaction with the Successful Offeror (SO) under which the Government will convey 687 existing government-owned housing units and lease approximately 137 acres of improved land divided among four housing areas (Old Musket Meadows, New Musket Meadows, Flintlock Ridge, and Battle Road Glen), for up to 50 years. In exchange, the SO will finance, plan, design and construct improvements, demolish as well as own, operate, maintain and manage a rental housing development for 784 military family housing units for 50 years. The Successful Offeror (SO) will construct demolish all 687 units and construct 676 new housing units on Hanscom AFB by November 2007. The other 108 units will be constructed off base on land provided by the developer until November 2017 when an additional 41 acres of Government-owned land on Hanscom AFB, which is currently improved with 163 units of Section 801 leased housing (Patriot Village), becomes available. The Patriot Village housing area was constructed under a leasehold interest in the land expiring in October 2017, and leased back to the Air Force under a project lease expiring in October 2007. These additional 41 acres will be leased to SO to construct the 108 housing units after the Section 801 land lease expires in 2017. The developer will then sell their interest in the 108 units on the off-base land.

The developer will demolish 575 existing inadequate units. Housing units and other improvements within the housing area will be constructed, owned and operated by the SO under appropriate legal instruments, including a Lease, Operating Agreement, Lockbox Agreement, and Use Agreement. The lease will also require the substantial renovation or replacement, as required, of all 784 privatized units no later than 25 years after completion of their last major renovation. The modernization will include, but not be 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, and updating the architectural finishes, appliances, cabinetry and plumbing fixtures.

The USAF competitively solicited and selected a developer who provided the "best value" proposal. Total development cost for the project is \$207.6M. The developer will obtain a \$149.5M private sector loan, provide \$13.9M in equity, and contribute \$44.2M in net operating income during the construction period. The Government will not participate in any financial agreements in this transaction. The Government will obligate zero (0) funding to this project. There is no scored cost. As such, the leverage for this project is infinite.

The agreement will provide service members the opportunity to occupy quality housing that is safe, secure and affordable. Housing and rent shall not exceed the Basic Allowance for

Housing (BAH) at the dependent rate for the designated military pay grade minus an amount sufficient to cover 110% of average estimated utility charges. The service members will pay rent and utilities through allotment. The rental units will be made available to Air Force families on a preferential basis. Occupancy guidelines are outlined in detail in the solicitation. Referred military families will not pay tenant security or pet deposits.

No AAFES, DeCA, or AF Services 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, DeCA, or AF Services. The developer will provide some ancillary support facilities, such as a swimming pool and a community center, and these services are provided at no charge to the residents.

The new housing units will consist of a mixture of two-, three-, and four-bedroom attached and single-family housing units. Unit density will not exceed six multiplex units or four single-family units per acre.

AUTHORIZATION:

10 U.S.C. Section 2872a, Utilities and services. The government will provide utilities, fire fighting and protection services, and police protective services for housing areas on leased government land. Jurisdiction on the developer-provided land off the installation, if required, will be proprietary.

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 constructed as part of this project will be similar to that found in the local community.

10 U.S.C. Section 2881, Ancillary supporting facilities. No conflict with AAFES, DeCA or nonappropriated fund activities. The developer will provide some ancillary support facilities, such as a swimming pool and a community center.

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.

JUSTIFICATION:

This project will provide military families access to safe, quality, affordable housing. The existing commercial housing market near Hanscom AFB is not able to provide the required adequate housing. The 575 units in Flintlock Ridge, Battle Road Glen and Old Musket Meadows, constructed between 1953 and 1971, are inadequate and will be replaced. As part of their development plan, the developer will also demolish the remaining 112 government-owned units, constructed between 1994 and 1997, and construct 112 new units. Based on the 2003

Housing Requirement and Market Analysis, the installation requires 97 units in addition to the 687 existing government-owned housing units.

FUNDS REQUIRED:

The budget scoring analysis developed for OMB indicates no required scoring cost for this project.

SOURCE OF FUNDS:

No Air Force funds are required to cover government requirements.