DEPARTMENT OF THE AIR FORCE

WASHINGTON, DC

Office of the Assistant Secretary

08 JUL 2003

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

Title 10, United States Code, Section 2884 requires that Congress be notified of each contract for the acquisition or construction of a portion of the 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 Hanscom Air Force Base, Massachusetts. 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 30 days after the date of this notification. The project summary is attached.

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

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

Attachment:
Project Summary

MILITARY HOUSING PRIVATIZATION INITIATIVE
AIR FORCE PROJECT SUMMARY

INSTALLATION:

Hanscom AFB, Massachusetts

SCOPE:

The purpose of this project is for a private entity to finance, plan, design and construct improvements, as well as own, operate and maintain a rental housing development for 784 military family housing units. The Successful Offeror (SO) will construct 277 new housing units and renovate 507 existing units by FY 2007. The project involves a non-FAR real estate transaction with the 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. The other 97 units will be constructed off base on land provided by the developer. As an alternative, the Government desires that these 97 units be constructed on 41 acres of Government-owned land on Hanscom AFB, which is improved with 163 units of Section 801 housing (Patriot Village). The Patriot Village Section 801 housing project 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 41 acres can be leased to SO to construct the 97 housing units after the Section 801 land lease expires in 2017. In the interim between October, 2007 and October, 2017, the developer could provide the 97 units off base or through agreement with the current Section 801 housing owner.

The developer will demolish 180 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 will competitively solicit and select a developer who provides the "best value" proposal. It is the responsibility of the SO to arrange the necessary debt financing and equity contribution. The Government will not participate in any financial agreements in this transaction. The Government will obligate zero (0) funding to this project.

The agreement will provide service members the opportunity to occupy quality housing that is safe, secure and affordable. 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 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 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 may provide some ancillary support facilities, such as a swimming pool and a community center, as long as these services are provided at no charge.

The new housing units will consist of a mixture of two-, three-, and four-bedroom attached 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 any 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 renovated and 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 may 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 housing market near Hanscom AFB is not able to provide the required adequate housing. The 180 units in Battle Road Glen and Old Musket Meadows, constructed between 1963 and 1971, are inadequate and will be replaced. The remaining 507 government-owned units, constructed between 1958 and 1997, require modernization or minor renovation. 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.

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WASHINGTON, DC

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The Honorable Joel Hefley
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Committee on Armed Services
United States House of Representatives
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