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

10 SEP 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

Title 10, U.S.C., Section 2884 requires that Congress be notified of each contract for the acquisition or construction of 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 Nellis Air Force Base, Nevada. 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:

Nellis AFB, Nevada

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 1178 military families. The whole-base project involves a non-FAR real estate transaction with a Successful Offeror (SO) under which the Government will convey 1,278 existing housing units and other improvements to the SO. The SO will demolish 915 units within 10 years and construct 815 units within 10 years. The Air Force will lease 294 acres to the developer for 50 years, 77 acres for 30 years and 62 acres for 10 years. The SO will finance, plan, design and construct improvements, as well as own and operate the 1178 unit 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. Offerors shall utilize their equity contribution and private sector commercial loan proceeds before using a Direct Government Loan.

The agreement will provide service members the opportunity to occupy quality housing. 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. 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, MWR/Services, 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 quality 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 developed for OMB indicates a projected credit subsidy or scored cost of $5.4M since the pro forma indicated a need for a direct government loan.

SOURCE OF FUNDS:

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

FY02 MFH CONSTRUCTION for Nellis AFB, NV: $1.449M
FY01 MFH CONSTRUCTION for Nellis AFB, NV: $3.951M