DEPARTMENT OF THE ARMY
OFFICE OF THE ASSISTANT SECRETARY OF THE ARMY
INSTALLATIONS AND ENVIRONMENT
110 ARMY PENTAGON
WASHINGTON DC 20310-0110

March 8, 2004

REPLY TO
ATTENTION OF

The Honorable Duncan Hunter
Chairman, Committee on Armed Services
United States House of Representatives
2265 Rayburn House Office Building
Washington, DC 20515-0001

Dear Mr. Chairman:

In accordance with section 2884, Title 10, United States Code, this letter notifies you of the Army's intent to competitively select a developer for the privatization of military family housing at Fort Knox, Kentucky; Fort Leavenworth, Kansas; Redstone Arsenal, Alabama through a Request for Qualifications (RFQ) process. A report summarizing the proposed project is enclosed.

We are submitting this notice pursuant to Section 125 of the Military Construction Appropriations Act for Fiscal Year 2000, Public Law 106-52. Section 125 requires the Department of the Army to notify Congress 60 days before issuing any solicitation for a contract with the private sector for military family housing that may propose a loan guarantee in the scope of the project. Once the Army and the developer selected for the project have completed the Community Development and Management Plan (CDMP) required under the RFQ, we will ensure, in coordination with the Department of Defense, that Congress is provided at least 45 days to review the CDMP prior to any action taken to authorize its implementation.

The Office of the Deputy Under Secretary of Defense for Installations and Environment concurs with our intent to proceed toward selection of a partner or partners for these projects. We would be pleased to provide you with any additional information you may need. This letter has been sent to the House and Senate Armed Services and Appropriations Committees, as well as the appropriate subcommittees of jurisdiction.

Sincerely,

William A. Armbruster
Deputy Assistant Secretary of the Army
Privatization and Partnerships

Enclosure
cc: Honorable Ike Skelton, Ranking Member

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10 U.S.C. 2884 PROJECT REPORT

INSTALLATION: Central Projects

SCOPE:
The Army intends to establish a long-term business relationship with one or more private sector entities for the purpose of improving the military family housing community at Fort Knox with 3090 units, Kentucky; Fort Leavenworth with 1583 units, Kansas; and Redstone Arsenal, Alabama with 459 units. There are currently 5,132 government-owned family housing units at these three Central locations. Should the Army validate a family housing deficit at any of the installations, then the successful offeror(s) will be asked to address the need for additional units within project economic constraints and Department of Defense programming requirements.

The Army intends to transfer ownership of the existing family housing units and provide an appropriate long-term interest in the underlying land to the selected offeror(s), who will serve as the residential community developer and property manager. In return, the partner(s) will replace or renovate a specified number of units and upgrade the balance of the requirement during the initial 10 years at each of the three installations. During the out-year development period (years 11-50), the entire military family housing inventory will be replaced or provided major renovation.

AUTHORIZATIONS:
Authorizations for this project are: (1) Section 2801 of the National Defense Authorization Act for Fiscal Year 1996, Public Law 104-106, 110 Statute 186, identified as the Military Housing Privatization Initiative (MHPI), as extended in Section 2806, and (2) Extension of Alternative Authority for Acquisition and Improvement of Military Housing which became Public Law under Enactment of Provisions of H.R. 5408, the Floyd D. Spence National Defense Authorization Act for FY 2001.

SUMMARY OF PROPOSED TERMS FOR AGREEMENT:
The Army will select a partner or partners for the U.S. Army Central RCI project based on full and open competition through a two-step Request for Qualifications (RFQ) process. This RFQ includes the following installations: Fort Knox, Kentucky; Fort Leavenworth, Kansas; Redstone Arsenal, Alabama. Award to the successful offeror(s) is scheduled for fiscal year 2005.

The RFQ emphasizes the selection of a developer based on a two-step evaluation process. An initial base competency screening will be completed by evaluation of a five-page submission of Minimum Experience Requirements (MERs). MERs have been established to address the skill sets of residential community development, property management, and real estate financial capability. The first step of the RFQ process will identify those offerors determined to be highly qualified and thus eligible for further consideration for potential long-term business relationships. Selection to this exclusive competitive range will be based upon evaluation of a seventy-five page submittal where offerors will address the five evaluation factors of (1) Experience, (2) Financial

Capability, (3) Organizational Capabilities, (4) Past Performance and (5) Small Business Utilization. At the conclusion of step one OASA (I&E), the Contracting Officer and all offerors selected to the exclusive competitive range will have open discussions on the most effective and efficient method for the conduct of the second step. At a minimum, the second step will involve evaluation of oral and written presentations addressing four project specific factors: (1) Preliminary Concept, (2) Organization, (3) Financial Return, and (4) Utilization of Small and Disadvantaged Business.

The selected partner(s) will work closely with the Army to jointly develop an installation specific Community Development and Management Plan (CDMP) that is acceptable to the Army, Office of the Secretary of Defense, and Congress. The CDMP will describe all aspects of the each installation's project, to include financing, construction, revitalization, management, and operation of the family housing units. It is estimated that it will take approximately 210 days to complete and staff the CDMP. All of the Military Housing Privatization Initiative authorities will be considered in developing the CDMP, and Congress will be provided at least 45 days to review the CDMP prior to its execution. After this notification, if authorized by the Army, the selected offeror(s) will begin execution of the CDMP for the Fort Knox; Fort Leavenworth; and Redstone Arsenal projects.

JUSTIFICATION:

Through RCI, the Army seeks to bring private sector resources and market-based incentives to improve the quality of life for soldiers and their families in military family housing communities.

FUNDING:

Funds that may be used in support of this project include Military Personnel, Army for payment of the Basic Allowance for Housing (BAH), annual Army Family Housing Operations Funds, Army Family Housing, Construction Funds, and/or Department of Defense Family Housing Improvement Funds.