



DEPARTMENT OF THE NAVY
OFFICE OF THE ASSISTANT SECRETARY
(INSTALLATIONS AND ENVIRONMENT)
1000 NAVY PENTAGON
WASHINGTON, D.C. 20350-1000

APR 26 2004

The Honorable Duncan Hunter
Chairman, Committee on Armed Services
House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

Section 2884 of Title 10, United States Code, requires Congressional notification prior to the solicitation for a contract for the acquisition or construction of family housing units under the housing privatization authorities and for each conveyance or lease proposed under Section 2878.

This letter notifies you of the Department of the Navy's intent to solicit proposals for the privatization of military family housing located at Marine Corps Base Camp Lejeune, North Carolina; Marine Corps Air Station New River, North Carolina; Marine Corps Air Station Cherry Point, North Carolina; and Stewart Army Subpost, Newburgh, New York. The Department of the Navy intends to issue the Request for Proposal no sooner than 30 days after the date of this notification. A report providing details on this project is enclosed. The Office of the Secretary of Defense concurs with this notification.

Similar letters have been sent to the House and Senate Appropriations Subcommittees on Military Construction and the Senate Armed Services Committee.

Sincerely,

A handwritten signature in black ink, appearing to read "Wayne Army", written over a circular stamp or seal.

Wayne Army
Deputy Assistant Secretary
(Installations and Facilities)

Enclosure

Copy to:
The Honorable Ike Skelton
Ranking Minority Member

MILITARY HOUSING PRIVATIZATION INITIATIVE
MARINE CORPS BASE, CAMP LEJEUNE, NC
MARINE CORPS AIR STATIONS, NEW RIVER AND CHERRY POINT, NC
AND STEWART, NY
FAMILY HOUSING PROJECT REPORT

INSTALLATIONS:

Marine Corps Base, Camp Lejeune, NC
Marine Corps Air Station, New River, NC
Marine Corps Air Station, Cherry Point, NC
Stewart Army Subpost, Newburgh, NY

SCOPE:

The purpose of this project is to allow the Department of the Navy to work with the private sector to upgrade the quality of family housing, and operate and maintain that family housing, in an essential area of need. This project will leverage Marine Corps assets with private investment to accomplish housing goals faster and at lower cost.

This project will result in the DoN's acquisition of interest in a limited liability company that will design, finance, construct, renovate, own, operate, maintain and professionally manage multiple family housing developments.

The following table summarizes the scope of this project:

	Existing Homes	Homes Demolished	Homes Replaced	Homes Renovated	Homes "No Work"	Total End State Homes
MCB Camp Lejeune	2,313	1,034	1,036*	1,045	234	2,315
MCAS New River	433	0	0	433	0	433
MCAS Cherry Point	555	48	0	229	278	507
Stewart, NY	299	299	171	0	0	171
Project Totals	3,600	1,381	1,207	1,707	512	3,426

*2 homes at Camp Lejeune (Tarawa Terrace) being replaced that the government is demolishing prior to privatization

All of the units will be made available to active duty military personnel on a right of first refusal basis.

AUTHORIZATION:

In addition to title 10 USC, Section 2872, General Authority, the following authorities will apply to this project or may be used in the future:

Section 2872a,	Utilities and Services
Section 2873,	Direct loans and loan guarantees
Section 2875,	Investments
Section 2877,	Differential Lease Payments *
Section 2878,	Conveyance or Lease of Existing Properties and Facilities
Section 2880,	Unit Size and Type
Section 2881,	Ancillary Support Facilities
Section 2882(c),	Lease Payments Through Pay Allotments

*Not anticipated, but may be used in the future

This project will not include any guarantees with respect to the closure or realignment of any installation or the extended deployment of any units stationed at such installation.

SUMMARY OF PROPOSED TERMS FOR AGREEMENT:

A Request for Proposals for this project will be issued and a successful offeror will be selected for exclusive negotiations via competitive procedures. The Department of the Navy is currently finalizing the request for proposals.

The existing units will be conveyed via transfer of title. Land associated with units to be conveyed and units to be constructed will be leased for the term of the basic agreement (50 years). At the end of the lease term, land will revert to the Marine Corps and the entity will be required to transfer title of all infrastructure and improvements, then existing, to the Marine Corps.

The 1,207 new/replacement units will be safe, high quality, energy-efficient, three and four bedroom single-family homes & townhouses. All of the units will remain available to active duty military personnel on a right of first refusal basis for the basic agreement term. Terms of the agreement will ensure that the total rent and normal utilities does not exceed individual military members' Basic Allowance for Housing (BAH).

This project represents the first phase of planned privatization of military family housing at MCB Camp Lejeune and MCAS Cherry Point. The target paygrades for this phase are E1 through O7-O10. This phase includes six existing General Officer Quarters located at MCB Camp Lejeune.

Additionally, the project will privatize a mobile home park, consisting of 49 mobile home spaces, at MCB Camp Lejeune.

The DoN will reserve the right to privatize additional DON-owned family housing, invest additional funding, and participate with the public-private business entity in the pursuit and execution of additional phases or projects at MCB Camp Lejeune, NC; MCAS New River, NC; MCAS Cherry Point, NC; Stewart, NY; Marine Corps Logistics Base (MCLB) Albany, GA; Westover DoD Family Housing, Chicopee, MA; and other independent locations, subject to prior Congressional approval.

JUSTIFICATION:

This project will result in the replacement of 1,207 existing units that are in disrepair. In addition to the new construction, renovations to 1,707 homes will occur with additional site work and amenities.

The use of public/private venture authorities will leverage the Navy assets and allow for the renovation and replacement of critically needed housing units. This project will significantly improve the family housing living conditions and quality of life for military personnel in the Eastern Region area more rapidly than exclusive reliance on military construction.

SOURCE OF FUNDS:

The DoN proposes funding this project using funds authorized and appropriated in FY05* for the construction/improvements of family housing units at MCB Camp Lejeune and MCAS Cherry Point, NC.

<u>FY</u>	<u>Location</u>	<u>Description</u>	<u>Amount</u>
05*	Camp Lejeune, NC	Improvements LE-H-0501	\$56,165,000
05*	Cherry Point, NC	Construction H-609 (Slocum/Lanham)	\$27,002,000

*Funds are requested in the President's Fiscal Year 2005 budget.

Funds required for execution of the project will be transferred into the Department of Defense Family Housing Improvement Fund subsequent to required Congressional notification.