

INFORMATION PAPER

SAIE-RCI
August 2004

SUBJECT: Army's Residential Communities Initiative (RCI) Army Family Housing (AFH) Privatization Program

1. Purpose. To provide information on the RCI Program.

2. General. DoD/Army goal is to eliminate all inadequate military family housing by 2007 using: (1) traditional MILCON, (2) BAH increases, and (3) privatization. In 1996, Congress provided the Services with the authorities to leverage scarce funds and assets to obtain private sector capital and expertise to operate and build military housing in the U.S. RCI is the major initiative to help Army meet the goal, and a summary of the program, plan and successes is enclosed.

3. RCI Plan.

a. Plan includes 45 installations (grouped into 35 projects), with almost 85,000 houses -- over 92% of the AFH inventory in the U.S.

b. As of August 2004, Army transitioned 16 installations (12 projects) to privatized operations (37,379 homes). 13 more installations (8 projects) are awarded and will transition by July 2005 (23,359 homes). In these 20 projects, Army will leverage \$455M of appropriations and obtain \$7.2B of private capital to construct/renovate housing during project initial development periods (IDPs). IDPs range from 3-10 years, and at the end of IDPs, inadequate housing is eliminated. An additional 16 installations (15 projects) are either in solicitation or under development (23,515 homes).

4. RCI Processes.

a. Acquisition Process.

(1) RCI uses a Request for Qualifications (RFQ) acquisition that attracts quality developers who bring best practices/innovations to RCI reduces time/costs for Army and developers. The process also seeks to evaluate/award on the basis that the firm selected is the most highly qualified to engage in discussions with Army to create a mutually agreed upon business plan to meet Army's requirements.

(2) The RFQ approach allows Army to: (1) provide flexibility in negotiating long-term agreements, (2) maximize interchange between developers/stakeholders/Army, (3) provide opportunities to craft best business plans, (4) provide for consultation with Congress during the process, (5) promote competition by lowering entry costs for bidders, (6) maximize competition because the process is acceptable to private sector, and (7) create complex real estate plans with expertise of expert consultants.

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(3) Army publishes three Minimum Experience Requirements for an initial screen of bidders, and then Army announces the sites with a 2 Step RFQ. The three factors include: (1) development, (2) property management, and (3) capital formation. Step 1, of the follow-on 2 Step RFQ process, determines the competitive range for a group of sites using the following five evaluation factors: experience, financial capabilities, organizational capability (corporate), past performance, and small business plan (general history). Step 2 then allows those in the range to bid on any of the sites listed in Step 1 as solicited. Step 2 uses the following four factors and these factors are evaluated based on submissions and oral presentations: preliminary project concept statement, financial return, organizational capability (installation specific), and small business utilization plan (installation specific).

b. Community Development and Management Plan (CDMP). Upon award, the selected partner crafts a CDMP that is the plan that sets forth the terms of the developer's long-term relationship with the Army. The CDMP has three components: (1) Development, (2) Financial/Transactional, and (3) Operations and Property Management. Benefits of the CDMP process are that it: (1) allows the Army and developer to work through issues collaboratively to ensure that major issues are identified/addressed before execution of the plan, (2) provides a forum for the Army to consider proposals from the developer concerning the use of specific privatization authorities, and (3) provides a mechanism for conferring with Congress, local communities and other organizations to ensure the needs of all parties are considered. The CDMP process takes about seven months. During the first six, the partner and Army craft the CDMP. The Army then staffs the CDMP and submits it to Congress. If Congress does not object to the project, the Army issues a Notice to Transition. Three months later, assets/operations are turned over to the partnership.

c. Portfolio and Asset Management (PAM) Program. PAM ensures that Army's investments, assets and portfolio are protected against current/potential crises and shortfalls over the 50-year span of the projects. Under PAM, RCI project performance is measured on: (1) Soldier/family satisfaction, (2) enhancement/preservation of housing, (3) mitigation of risk to the project, and (4) successful completion of development. To measure this performance, PAM is established at two levels: (1) Portfolio Management (the information required by Headquarters to ensure overall success), and (2) Asset Management (the focus on information prepared/used by the installation to evaluate its success).

5. Summary. RCI is the main part of Army's plan to meet the goal to eliminate inadequate housing. For more information, call 703-601-2603 or visit www.rci.army.mil.