



RCI, PAL and Army Housing Training

Major Decisions, Out-Year Planning, and Modified Scope Planning

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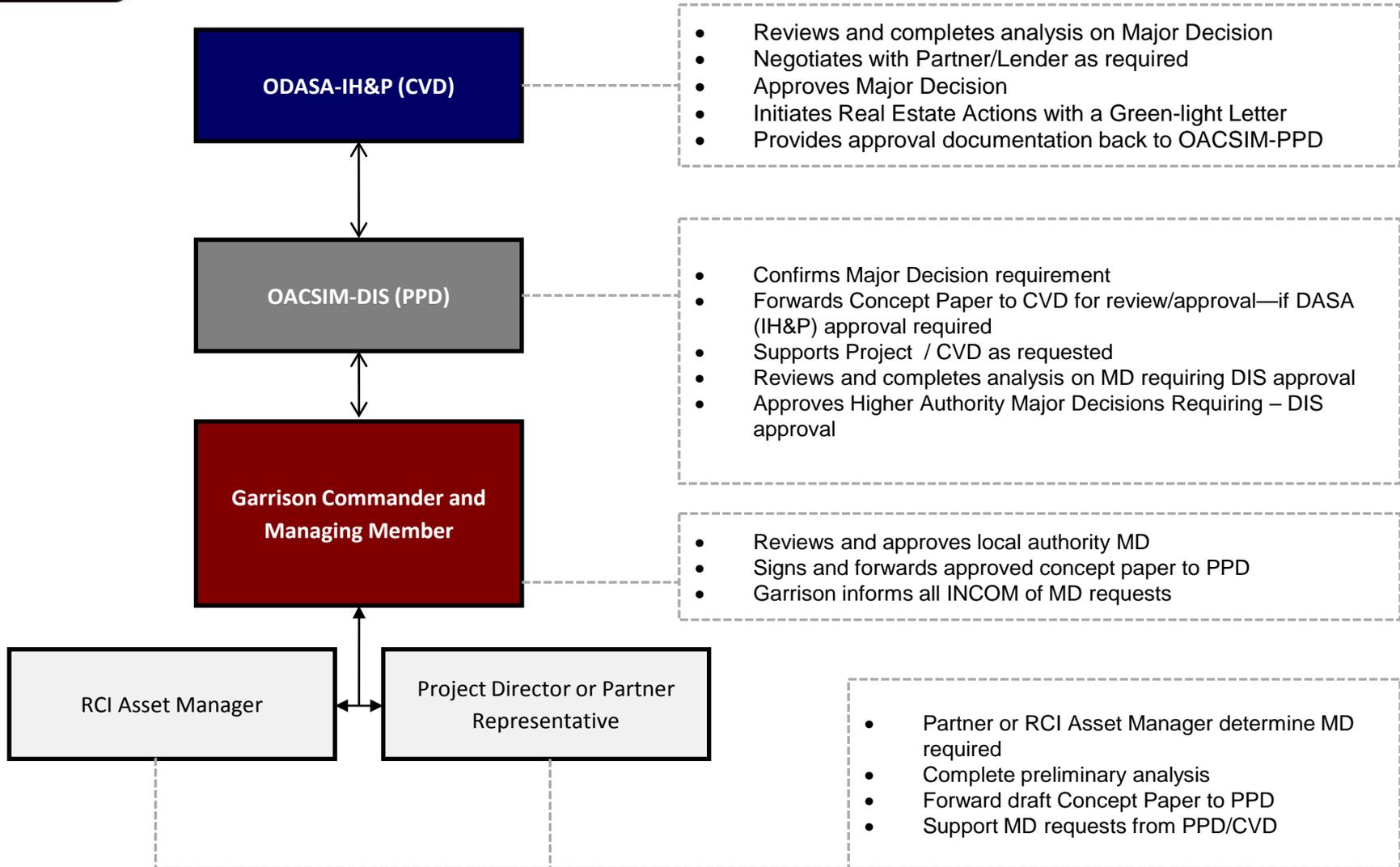


Major Decision Process

- Major Decisions are categorized into two types:
 1. Local Authority Major Decisions
 - 1) May be agreed to by the Garrison Commander on behalf of the Army without review and approval of DASA (IH&P) or ACSIM (DIS).
 2. Higher Authority Major Decisions
 - 1) Require DASA (IH&P) or ACSIM (DIS) approval as currently delegated by the ASA (IE&E).
 - 2) Initiated with the submittal of a Concept Paper by the Garrison Commander / Managing Member at the Project Level to the PPD PM for review and coordination.
 - 3) The participants in the process are the Garrison Commander, Managing Member, RCI Asset Manager, Project Director, the PPD and CVD PM (supported by USACE / OGC as required).
- Any Major Decision must be evidenced by written signature of the approving authority prior to implementation by the Project.



RCI Higher Authority Major Decision Coordination Requirements





Major Decision Triggers

- **Local Authority Major Decision Requiring IMCOM Garrison Commander Approval**
 1. Approval of Annual or Quarterly Performance Incentive Fee Awards within approved budgets.
 2. Address and/or resolve day to day property management/operations issues.
- **Higher Authority Major Decision Requiring HQDA - ACSIM Approval**
 1. Decisions where total cumulative financial impact is the lesser of: between 5- 10% of annual operating, construction , or development budgeted costs; more than \$250,000 from the approved annual operating, construction, or development budgeted costs; or ASA IE&E Major Decision Criteria #17.
 2. Use of project funds for installation force protection initiatives.
 3. Change in the Property Management Incentive Fee Program Metrics.
 4. Army Review and Approval of Project Annual Property Management Budget. OACSIM-ISP coordinates the review of the proposed annual budget with the Army project level team prior to approval of the Project's annual budget. NOTE: Items which meet the criteria for a Major Decision may not be approved in the Annual Property Management Budget and are not to be included in the Annual Property Management Budget without Major Decision approval.
 5. Changes to the allocation and distribution of funding to any of the lockbox accounts with respect to waterfall distribution and reserve accounts for any accumulated amount less than \$2,499,000.



Major Decision Triggers

- **Higher Authority Major Decision Requiring HQDA - ASA IE&E Approval**
 1. Decisions where total cumulative financial impact is greater than 10% of annual operating, construction or development budgeted costs.
 2. Increase or decrease in Project debt/equity , including associated changes to the initial development scope. This includes any increases or decreases in the government contribution to the Project.
 3. Movement of funds between Projects using the Integrated LLC.
 4. Loans from Project funds .
 5. Merger or consolidation of the Partnership.
 6. Acquisition or disposal of real property.
 7. Removal or change of primary partners.
 8. Changes to the initial or out year development scope or annual budget directly affecting end-state housing inventory, renovation versus replacement of housing, grade designation/distribution.
 9. Out-Year Development Plans.
 10. Removal or change of an affiliated contractor for Property/Asset Management, Construction Management and Development Management.
 11. Use of project funds for schools or other ancillary facilities not approved in the CDMP.
 12. The use of any reinvestment account funds for un-programmed/unbudgeted project expenses.



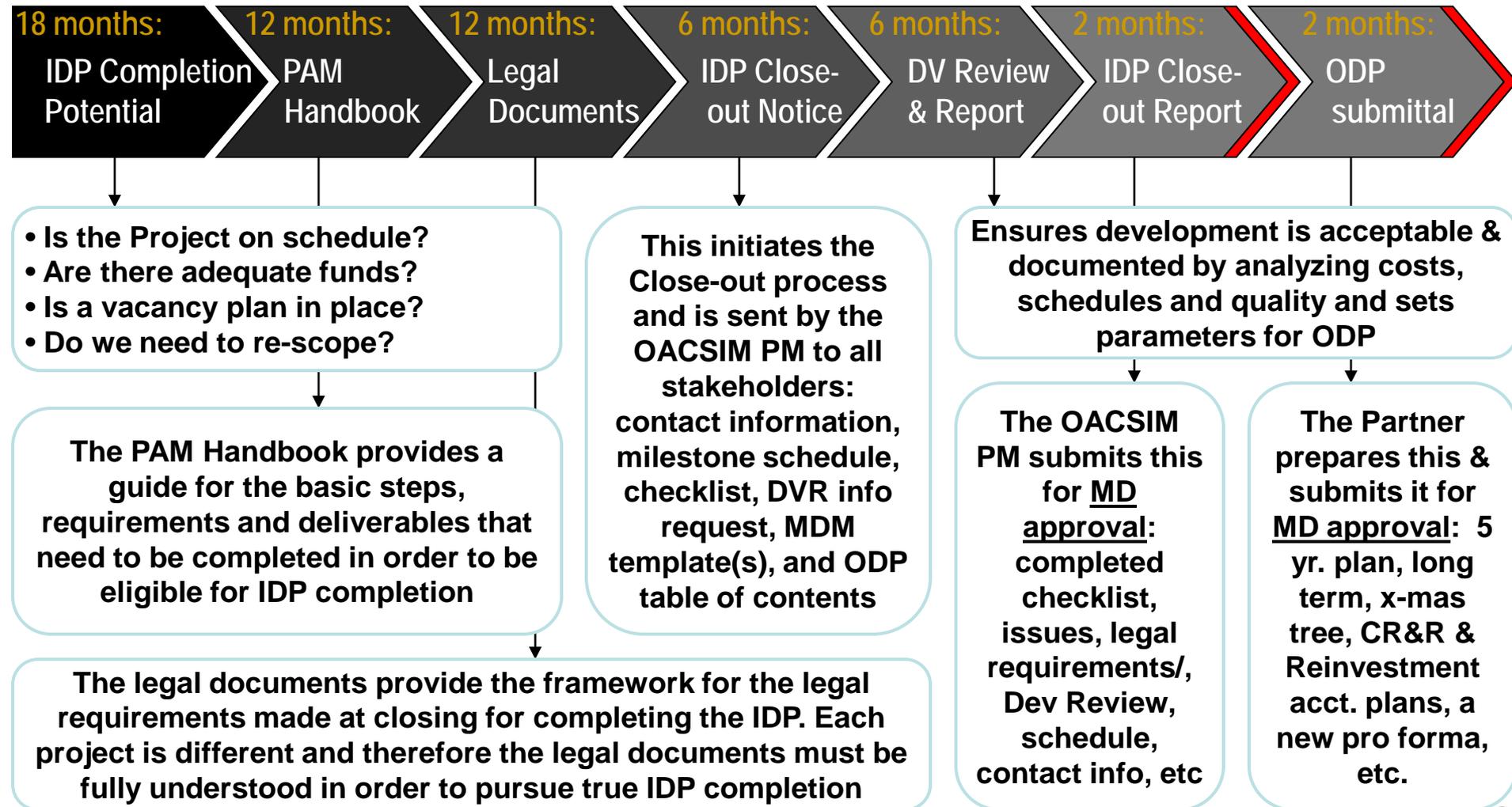
Major Decision Triggers

- **Higher Authority Major Decision Requiring HQDA - ASA IE&E Approval**
 13. Deviation from the minimum RCI construction/renovation standards.
 14. Permanent changes to the end-state unit designation schedule that changes annual operating revenue by +/- 5%.
 15. Actions requiring a change in the ground lease.
 16. Changes to the allocation and distribution of funding to any of the lockbox accounts with respect to waterfall distribution and reserve accounts for any accumulated amount over \$2,500,000.
 17. Unbudgeted or unplanned -- one time annual costs greater than \$25,000 per home for construction, replacement or renovation and greater than \$50,000 for non-housing construction, replacement or renovation projects. Exceptions will be limited to requests for health and safety requirements and to prevent deterioration of homes and/or community facilities and services.
 18. Exceptions to the Army policy that set rents for military families equal to the Installation BAH.
 19. Use of funds greater than \$500,000 from the approved development budget.
 20. Annual Review and Approval of Project Annual Development Budget. DASA IH&P CVD coordinates the review of the proposed annual Development Budget with the Army Project level team prior to approval of the Project's annual Development Budget. NOTE: Items which meet the criteria for a Major Decision may not be approved in the Annual Development Budget and are not to be included in the Annual Development Budget without Major Decision approval.
 21. Approval of changes to aggregate fee amounts/percentages.



IDP Close-Out Timeline

Communication with Residents and Senior Leadership Support





Out-Year Development Plan (ODP) Summary

- Five Year ODP will be developed and finalized as part of the IDP Close-out period.
- This initial ODP will serve as the road map for transitioning from the initial development and construction phase of the Project to on-going project operations, asset renewal and replacement, and associated financial management
- ODPs will be updated and approved through the Major Decision process by the DASA (IH&P) every five years following the close-out of each Project's IDP for the duration of the project term.
- During the IDP Close-out period and prior to the end of each ODP phase, the Partner will provide a Concept Paper to the PPD Program Manager summarizing a proposed ODP. Upon forwarding the Concept Paper to DASA (IH&P) and receiving approval to fully develop the plan, the Partner will work to finalize the ODP. The objective is to have an approved ODP at time of the IDP Close-out (and every five years following to coincide with completion of the previously-approved ODP).



Modified Scope Plan (MSP)

- A Modified Scope Plan (MSP) is a plan for incrementally increasing, decreasing or otherwise modifying the scope of the original CDMP agreed to at project closing or with respect to a previously approved MSP or ODP currently in force.
- It is necessary to obtain Army approval of a Concept Paper that summarizes the proposed action(s) prior to preparing a detailed MSP.
- NOTE: The submission of a MD that includes a Real Estate action, to include a transfer of land to or from the Project, shall be formally initiated with a Greenlight Letter issued by ODASA IHP (HQDA).



ODP & MSP Comparison

- The ODP and MSP encompass similar elements to whatever degree of detail is necessary to adequately describe proposed project strategies and plans.
- The key differences between the ODP and MSP requirements are that the ODP will be a comprehensive 5-year development plan while the MSP only provides required changes/updates to a previously approved IDP, ODP, or MSP.
- Additionally, the ODP will have a particular focus on updated CR&R Account and Reinvestment Account plans utilizing new assumptions that track with the current inventory and future development plans.
- Major changes required to a Project's ODP prior to the resubmission and approval of the Project's next 5-year ODP will require a MSP.



Modified Scope Plan / Out-Year Development Plan Outline

The following slides provide a summary on preparing an MSP and Out-Year Development plan for Army review and approval.

If there are elements in the MSP / Out-Year Development plan that will not change, an affirmative statement that no change is anticipated for each key plan element that remains unaffected is required.

- I. Executive Overview**
- II. Development Plan**
- III. Financial Plan**
- IV. Legal and Governance Plan**
- V. Property Management and Operations Plan**





Modified Scope Plan / Out-Year Development Plan Outline

I. Executive Overview

- I. The Executive Overview is the primary document utilized with the levels above the Headquarters, Department of the Army, HQDA (e.g., Office of the Secretary of Defense (OSD), Office of Management & Budget (OMB) and Congress) to obtain approval of the MSP/ODP as required. The document should include graphics and project renderings as appendices to facilitate explanation of the changes to land planning and design of neighborhoods and homes if changing from the currently approved CDMP/MSP/ODP. Specific items to be included in this section follow:
 - I. Development, Financial, Legal and Governance, and Property Management and Operations Plan Overview.
 - II. 50-year development (i.e., “Christmas Tree”) charts showing the Development Plan of the current CDMP/MSP/ODP in force and the revised Development Plan as proposed. For clarity, these should be two separate charts with the incremental changes in project scope clearly identified in the second chart.
 - III. Proposed major variances/changes to the current CDMP/MSP/ODP in force.
 - IV. Proposed approach to modifying legal agreements to accommodate the revisions.
 - V. A comparison of CDMP, interim MSP (if applicable) and ODP total (50-year) sources and uses as well as a summary of the pro forma results. The updated pro forma should reflect actual results since project closing to date and going-forward projections.



Modified Scope Plan / Out-Year Development Plan Outline

II. Development Plan

- i. Development Overview: Summary of Development Plan, focusing on incremental changes to the current CDMP/MSP/ODP Development Plan in force.
- ii. Master Planning: Describe site location, master planning challenges, revised HMA requirements, summarize strategies and planned actions to mitigate new challenges.
- iii. IDP / ODP Detailed Development Plan: Detail by neighborhood, include 50-year development “Christmas Tree” chart.
- iv. 50-Year Reinvestment Plan: Renovation and Replacement Strategy including planned renovation and replacements for each neighborhood and building detailed by year.
- v. Construction Plan: Include Development Budget (hard and soft costs), Phasing Plan, Structure of Construction Agreement, Infrastructure Strategy.
- vi. Capital Repair and Replacement Plan: Updated 50-year notional CR&R plan utilizing new assumptions that track with current inventory, condition assessment and future development plans.
 - A1. *Project Drawings*
 - A2. *Technical Specifications*
 - A3. *Environmental Reports*



Modified Scope Plan / Out-Year Development Plan Outline

III. Financial Plan

- i. Financial Overview: Summary of Financial Plan for the MSP or ODP, focusing on proposed changes to the financial structure. Shall include summary of significant financial principles, cash flow summary, summary of sources and uses (including a 5-year forecast).
- ii. Project Financial Pro Forma: Throughout the development, review and refinement of the MSP/ODP, the pro forma must be provided to the Army electronically (in a working Microsoft Excel format with embedded calculation formulas versus hardcoded values).
- iii. Debt Competition Analysis (if applicable)
- iv. Lockbox Accounts: Describe the challenges experienced to date, corrective action taken to address challenges, and a summary of each account, including planned balance as of the date of MSP/ODP submission (per the current CDMP/MSP/ODP in force), actual balance as of the date of submission, and the interest rate type and amount earned on funds in each account.
- v. Fees and Equity: Detail all fees and other forms of profit anticipated by the Partner and the Service Providers. Specifically, describe the amount, breakdown, and timing of fees for the Construction Contractor, Development Manager, Property Manager and Asset Manager.
- vi. Government Investment: Detail the amount of government investment that will be used as well as the projections for the scope that will be generated as a result of the government investment.



Modified Scope Plan / Out-Year Development Plan Outline

IV. Legal and Governance Plan

- i. Legal and Governance Overview: Summary of Legal and Governance Plan for the MSP/ODP, focusing on required adjustments to the legal documents.
- ii. Legal Structure Overview: Detailed legal structure of the Project including planned approach for implementing MSP/ODP, abstract relevant legal terms and conditions associated with proposed planned, level of government participation in ownership structure, summary of MDs that have been made to date, and tax implications.

V. Property Management and Operations Plan

- i. Property Management Plan and Operations Overview: Summary of Property Management and Operations Plan for the MSP, focusing on incremental changes in the current plan.
- ii. Operations Plan: Include detailed budget for operations, provide a summary of incremental increases in staffing, a summary of the implementation of resident responsibility for utilities, impact of MSP/ODP on local community stakeholders and procedures in place to address these concerns, and priorities of assignments and resident “waterfall” for UH and any other operations deviations from operations portion of family housing project.
- iii. Maintenance Plan: Provide a detailed budget for maintenance, provide a summary of incremental increases in staffing, and discussion of CR&R planning.
- iv. Resident Services: Detail any incremental differences in any level of service provided, and the resident service plan for the UH project should be detailed.



Lessons Learned

- Ensure Local Partner and Army (including GC) are in sync prior to sending up ODP/MD/MSPs
- Ensure the request is clear, concise and accurate (2-3 page concept paper)
- Clarify the advantages of approving the MD
- Think through second and third order effects
- Create realistic milestones and expectations
- Weekly / bi-weekly calls with all parties are essential
- Fast turnaround of pro formas is critical; financial analysts should be readily available to implement changes quickly and accurately
- Be prepared to adjust the plan; changes are common
- Know your legal documents; know your boundaries
- CVD will turn back the action if documents or funding is not available and the project can resend once they are available



Questions?

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