



Top Challenges for Privatization

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Privatization Challenges

- **Troop Reductions**
- **HQ and Garrison Staffing**
- **BAH Reduction**
- **Tenant Waterfall**
- **Key and Essential Personnel**
- **Executive / General Flag Officer Homes**
- **Senior Commander Involvement in RCI Process**



PAM Handbook 5.0

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PAM Handbook 5.0

SUMMARY OF KEY UPDATES TO PORTFOLIO AND ASSET MANAGEMENT HANDBOOK

Section I (a) – RCI Portfolio and Asset Management Overview

Additional detail on HQ Installation Management Command (IMCOM)/Region roles

Section I (b) – PAL Portfolio and Asset Management Overview (new section)

Provides overview of the Privatized Army Lodging (PAL) program, principal parties involved in oversight, and oversight model

Provides underlying principles for PAL performance evaluation the Army PAM tools are intended to support

Section II (a) – RCI Roles and Responsibilities

Updates roles and responsibilities as defined in new ASA (IEE) RCI Policy for Major Decisions and on new requirements per 10 U.S.C. 2884/5

Section II (b) – PAL Roles and Responsibilities (new section)

Explains the roles and responsibilities for key parties involved in PAL, in accordance with the ASA (IEE) *Policy Memorandum #2, Privatization of Army Lodging (PAL) Major Decisions Authority* (dated 7 May 2012)

Clarifies overall relationships/communication process between key parties for PAL PAM oversight functions

Provides a detailed explanation of the customer service resolution process

Section III (a) – RCI Major Decisions

Provides detail on the Major Decision process in accordance with the ASA (IEE) *Policy Memorandum #1, RCI Policy for Major Decisions Authority* (dated 5 Feb 2013)

Moves Modified Scope Plan information to Section VI

Attaches the Policy Memorandum as the guiding document



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SUMMARY OF KEY UPDATES TO PORTFOLIO AND ASSET MANAGEMENT HANDBOOK

Section III (b) – PAL Major Decisions (new section)

Provides detail on the Major Decision process in accordance with the ASA (IEE) *Policy Memorandum #2, Privatization of Army Lodging (PAL) Major Decisions Authority* (dated 7 May 2012)
Attaches the Policy Memorandum as the guiding document

Section IV (a) – RCI Incentive Performance Management Plans

Provides additional Incentive Performance Management Plan (IPMP) metrics related to Capital Repair and Replacement for Property/Asset Managers and Development Managers

Section IV (b) – PAL Incentive Performance Management Plans (new section)

Provides detail on the IPMP process specific to PAL
Provides discussion of the overall purpose, timeframes, and considerations needed to accurately complete the Garrison Commander Evaluation

Section VI – RCI Project Planning (Previously IDP Close-out Process)

Changes focus of chapter to Out-Year Development Planning, Modified Scope Plans, and IDP Close-outs
Provides clarification on requirements for Out-year Development Plans (5 year plans)

Appendix A.1 – RCI Program Compliance and Quality Assurance

Provides explanation on the updated requirements for 10 U.S.C. 2884 and 2885 per NDAA 2013
Provides new internal control compliance requirements and checklists



PAM Handbook 5.0

SUMMARY OF KEY UPDATES TO PORTFOLIO AND ASSET MANAGEMENT HANDBOOK

Appendix A.2 – PAL Lease Compliance(new section)

Explains lease compliance requirements

Appendix B.1 – RCI Accounting and Financial Reporting

Updated Monthly Project Dashboard, Quarterly Reporting templates, and glossary

New 10 U.S.C. 2884/2885 reporting requirements updated in templates

New guidance and templates for OSD Program Evaluation Report (PER) and 10 U.S.C. 2884(c) Semi-Annual Report on Privatized Housing to Congress

Deletes OSD Program Evaluation Performance (PEP) report information

Appendix B.2 – PAL Accounting and Financial Reporting (new section)

Summarizes and describes the various financial reporting components contained within the PAL Lease

Provides expanded discussion of the Quarterly Snapshot report, including interpretation of performance data

Appendix D – Project Compliance and Partnering Visits

Provides updated Compliance and Partnering visit templates and checklists

Provides a project visit timeline

Describes required preparation tasks for a typical Compliance and Partnering Visit for PAL



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SUMMARY OF KEY UPDATES TO PORTFOLIO AND ASSET MANAGEMENT HANDBOOK

Appendix E – Project Reviews

Provides description of a Capital Repair and Replacement Review

Provides description of a PAL Construction Review

Appendix G – Training and Professional Development

Refers Army Housing personnel to the Army Civilian Training, Education and Development System (ACTEDS) Career Program 27

Appendix G – Document Management

Provides guidance for PAL document management methods, retention, and access

Provides examples of specific PAL documents and how they should be treated

Includes copy of security form required for Documentum access

Appendix I – Summary of RCI and PAL Policies

Updated summary to include all current policies

Appendix J – Glossary of PAM terms

Minor updates throughout

Includes new terms specific to PAL



Army Housing Update

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Management



Top Housing Issues

- **Impacts of troop strength changes and stationing**
- **Korea Housing**
- **FSBP 2020**
- **Housing Leasing**
- **USMA Barracks/Cadet Barracks Upgrade Program**
- **HOMES.mil**
- **Use of eMH**
- **Civilian Workforce Transformation**
- **Congressional Engagements**
- **DD1391 preparation**



HQ IMCOM Update

Ms. Connie Glenn
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Installation Management Command



HQ IMCOM Update

- **FY15 Funding Distribution**
- **FSBP 2020 - Stakeholders' Roles**
- **MDEP Rebalance & the Manpower Study**
- **Local Moves**



FY15 Funding Distribution

SAG / Account		FY14 (000)	2015 (000)	Variance
191100000	Opns and Svc	36,748	38,143	3.8%
191200000	Municipal Services	10,489	9,108	-13.2%
191300000	Furnishings	22,544	14,136	-37.3%
191400000	Coast Guard	794	700	-11.8%
192000000	M&R	112,262	65,245	-41.9%
193500000	Utilities	71,838	82,686	15.1%
194000000	Leased Housing	153,585	86,822	-43.5%
195000000	RCI	15,701	10,844	-30.9%
900725	Unexpired Funds	215		-100.0%
TOTAL		424,177	307,684	-27.5%



AFHO FY14 vs FY15

SAG / Account	FY14 (000)	2015 (000)	Variance
191000000		38,143	3.8%
191500000		9,108	-13.2%
192000000		14,136	-37.3%
192500000		700	-11.8%
192000000 M&R	112,262	65,245	-41.9%
193500000 Utilities	71,838	82,686	15.1%
194000000 Leased Housing	153,585	86,822	-43.5%
195000000 RCI	15,701	10,844	-30.9%
900725 Unexpired Funds	215		-100.0%
TOTAL	424,177	307,691	-27.5%

- This reduction focused on leases in Germany;
- HQDA “salami slice” method to meet a required balance
- All other AFHO accounts reduced; limitations imposed in order to fully fund required leases in Germany





FY15 HQ IMCOM Funding Guidance

- **27% AFHO expected reduction as compared to FY14**
 - Impacts ability to provide quality housing and housing services
 - Garrison Housing Managers, DPWs will develop an annual work plan to mitigate the impact
- **Fully funding existing leases resulted in reductions across all other AFH accounts**
 - Garrisons will develop a 1-N list to reduce FY15 costs in utilities, payroll, service contracts, maintenance and repair contracts, refuse, furnishings and leasing
 - Army will increase risks across all Housing Programs (AFH, HSO, UPH, RCI)
 - Same level of service impossible to deliver
- **Priorities:**
 - Life, health, safety
 - Q3/Q4 facility repair
 - Minimum required work to keep quarters in serviceable condition
 - BOM, quarters cleaning limitations
 - Furnishings acquisition requires HQ IMCOM DCG approval



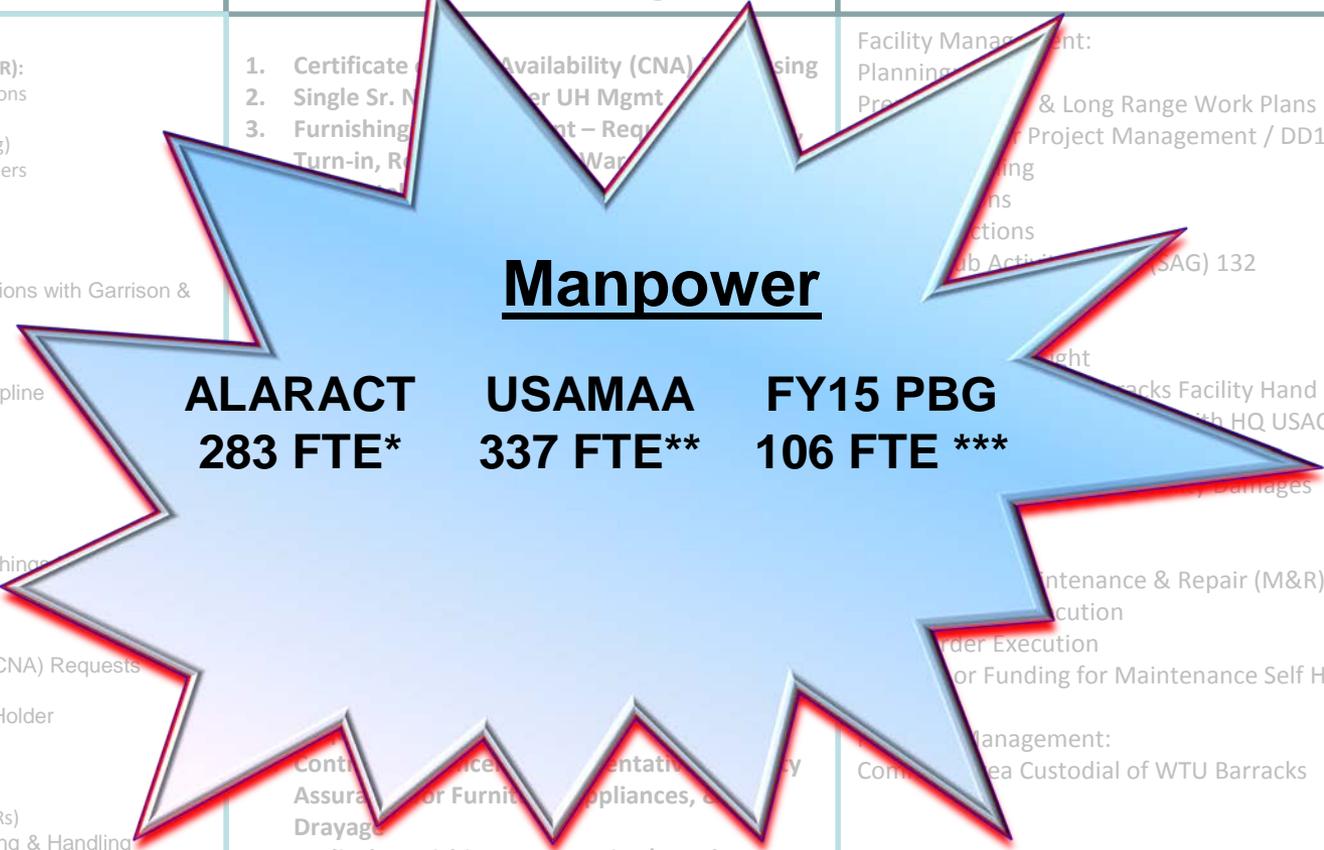
FSBP 2020 - Stakeholders' Roles

Military/Tenant Unit	Garrison (GC, Garrison CSM, DPW)	
	Unaccompanied Housing Office	DPW
<p>Facility Management: Inspections / Maintenance & Repair (M&R): Preventive Maintenance Building Inspections Maintenance Self Help Grounds Maintenance (≤ 50' from Building) Initiate & Track Work Orders / Service Orders</p> <p>Housing Program Management: Administration: Participate in Routine Partnering Sessions with Garrison & Unit Leadership</p> <p>Service Member Services: Maintain Barracks Good Order & Discipline Health & Welfare Inspections Command & Control (C2)</p> <p>Property Management: Administration: Initiate Collections for Facility & Furnishings Damages & Loss Furnishings Serviceability Actions Furnishings Replacement Requests Initiate Certificate of Non-Availability (CNA) Requests Common Area Hand Receipt Holder Building & Furnishings Hand Receipt Holder</p> <p>Service Member Services: Room Assignments & Terminations Issue Room Furnishings Hand Receipts (HRs) Furnishings 1 for 1 Replacement Moving & Handling Assignment Outside of Unit Footprint Issue Room Keys Lockout Room Access Common Area Custodial* (Excluding WTU Barracks) Room Check-in/out Inspections</p>	<ol style="list-style-type: none"> 1. Certificate of Non-Availability (CNA) Processing 2. Single Sr. NCO / Officer UH Mgmt 3. Furnishings Management – Requisition, Issue, Turn-in, Repair, Disposal, Warehousing, Accountability, etc. 4. Temp Lodging Allowance (TLA) / Temp Lodging Expense (TLE) Processing 5. Budget Sub Activity Group (SAG) 131 6. Analyze & Review Units' Barracks Footprints 7. Barracks Utilization Reporting 8. Training Units on UH program, policies, and eMH system 9. Housing Policy (Perm Party, Training, & Transient) 10. Lead Routine Partnering Sessions with Garrison & Unit Leadership 11. Geographical Bachelor Management 12. IJO Work Order Review 13. ISR-S Evaluation 14. Input to Annual & Long Range Work Plans 15. Determine Construction & Leasing Requirements 16. Contracting Officer's Representative / Quality Assurance for Furniture, Appliances, & Drayage 17. Cyclical Furnishings Inventories (warehouse, HRs) 18. Whole Barracks Furnishings Replacement 19. Furnishings Budget & Future Program 20. Review of Diversion / Conversion Requests 	<p>Facility Management: Planning: Prepare Annual & Long Range Work Plans Barracks Major Project Management / DD1391 Master Planning 4L Inspections ISR-I Inspections Budget Sub Activity Group (SAG) 132</p> <p>Administration: Inspections Oversight Real Property; Issue Barracks Facility Hand Receipts Facilitate Leasing Execution (with HQ USACE) Diversion / Conversion Processing Collection Processing for Facility Damages Key Control</p> <p>Inspections / Maintenance & Repair (M&R): Service Order Execution Work Order Execution Supplies or Funding for Maintenance Self Help</p> <p>Property Management: Common Area Custodial of WTU Barracks</p>



Stakeholders' Roles

Military/Tenant Unit	Garrison (GC, Garrison CSM, DPW)	
	Unaccompanied Housing Office	DPW
<p>Facility Management: Inspections / Maintenance & Repair (M&R): Preventive Maintenance Building Inspections Maintenance Self Help Grounds Maintenance (≤ 50' from Building) Initiate & Track Work Orders / Service Orders</p> <p>Housing Program Management: Administration: Participate in Routine Partnering Sessions with Garrison & Unit Leadership</p> <p>Service Member Services: Maintain Barracks Good Order & Discipline Health & Welfare Inspections Command & Control (C2)</p> <p>Property Management: Administration: Initiate Collections for Facility & Furnishings Loss Furnishings Serviceability Actions Furnishings Replacement Requests Initiate Certificate of Non-Availability (CNA) Requests Common Area Hand Receipt Holder Building & Furnishings Hand Receipt Holder</p> <p>Service Member Services: Room Assignments & Terminations Issue Room Furnishings Hand Receipts (HRs) Furnishings 1 for 1 Replacement Moving & Handling Assignment Outside of Unit Footprint Issue Room Access Lockdown Room Access Common Area Custodial (Excluding WTU Barracks) Room Custodial</p>	<ol style="list-style-type: none"> Certificate of Non-Availability (CNA) Issuing Single Sr. NCO for UH Mgmt Furnishings Inventory - Request Turn-in, Repair, War Contractor Selection & Management Assurance for Furnishings, Appliances, & Drayage Cyclical Furnishings Inventories (warehouse, HRs) Whole Barracks Furnishings Replacement Furnishings Budget & Future Program Review of Diversion / Conversion Requests 	<p>Facility Management:</p> <p>Planning & Long Range Work Plans Project Management / DD1391 Inspections Sub Activities (SAG) 132 Barracks Facility Hand Receipts (with HQ USACE) Damages Maintenance & Repair (M&R): Execution Funding for Maintenance Self Help Management: Area Custodial of WTU Barracks</p>



* HQDA
 ** Pre-decisional
 *** Some positions harvested to other garrison priorities



Stakeholders

Military / Tenant Units' Responsibilities



Stakeholders' Roles

Military/Tenant Unit	Garrison (GC, Garrison C)	Unaccompanied Housing Office
Facility Management: Inspections / Maintenance & Repair (M&R) Preventive Maintenance Building Inspections Maintenance Self Help Grounds Maintenance (≤ 50' from Building) Initiate & Track Work Orders / Service Orders	1. Certificate of Non-Availability (CNA) Processing 2. Single Point CO / Off-ear UN Night 3. Furnishings Management - Acquisition, Issue, Turn-in, Repair, Dispose, Warehousing, Accountability, etc. 4. Temp Lodging Allowance (TLA) / Temp Lodging Expenses (TCE) Processing 5. Budgeting Activity Group (SAG) 10: 6. Analyze Review Units' Barrels Footprints 7. Barrels Situation Reporting 8. Training on UN program, policies, and WHR 9. Reception from Party, Training, & Transfer 10. Lead Room Partnering Sessions with Service Unit Leadership 11. Degree of Bachelor Management 12. UN Work Order Review 13. UN-S Inspection 14. Input to Annual & Long Range Work Plans 15. Detachment Construction & Leasing Reports 16. Controlling Officer's Representations / Quality Assurance for Furniture, Appliances, & Drapery 17. Critical Furnishings Inventories (warehouse, HRs) 18. Whole Stock Furnishings Replacement 19. Furnishings Budget & Future Program Review of Division / Connection Requests	1. Plan 2. Proc 3. Serv 4. Max 5. Adm 6. Bud 7. Ach 8. Insp 9. Eval 10. Div 11. Coll 12. ROL 13. Insp 14. Work 15. Sup 16. Proc 17. Com
Housing Program Management: Administration: Participate in Routine Partnering Sessions w/ Garrison & Unit Leadership Service Member Services: Maintain Barracks Good Order & Discipline Health & Welfare Inspections Command & Control (C2)		
Property Management: Administration: Initiate Collections for Facility & Furnishings Damages & Loss Furnishings Serviceability Actions Furnishings Replacement Requests Initiate Certificate of Non-Availability (CNA) Requests Common Area Hand Receipt Holder Building & Furnishings Hand Receipt Holder Service Member Services: Room Assignments & Terminations Issue Room Furnishings Hand Receipts (HRs) Furnishings 1 for 1 Replacement Moving & Handling Assignment Outside of Unit Footprint Issue Room Keys Lockout Room Access Common Area Custodial* (Excluding WTU Barracks) Room Check-in/out Inspections		

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Facility Management: Inspections / Maintenance & Repair (M&R):

- Preventive Maintenance Building Inspections
- Maintenance Self Help
- Grounds Maintenance (≤ 50' from Building)
- Initiate & Track Work Orders / Service Orders

Housing Program Management: Administration:

- Participate in Routine Partnering Sessions w/ Garrison, Unit Leadership

Service Member Services:

- Maintain Barracks Good Order & Discipline
- Health & Welfare Inspections
- Command & Control (C2)

Property Management: Administration:

- Initiate Collections for Facility & Furnishings Damages & Loss
- Furnishings Serviceability Actions
- Furnishings Replacement Requests
- Initiate Certificate of Non-Availability (CNA) Requests
- Common Area Hand Receipt Holder
- Building & Furnishings Hand Receipt Holder

Service Member Services:

- Room Assignments & Terminations
- Issue Room Furnishings Hand Receipts (HRs)
- Furnishings 1 for 1 Replacement Moving & Handling
- Assignment Outside of Unit Footprint
- Issue Room Keys
- Lockout Room Access
- Common Area Custodial* (Excluding WTU Barracks)
- Room Check-in/out Inspections



Stakeholders' Roles

DPW's Responsibilities

Facility Management:
Planning:
 Prepare Annual & Long Range Work Plans
 Barracks Major Project Management / DD1391
 Master Planning
 4L Inspections
 ISR-I Inspections
 Budget Sub Activity Group (SAG) 132

Administration:
 Inspections Oversight
 Real Property; Issue Barracks Facility Hand Receipts
 Facilitate Leasing Execution (with HQ USACE)
 Diversion / Conversion Processing
 Collection Processing for Facility Damages
 Key Control

Inspections / Maintenance & Repair (M&R):
 Service Order Execution
 Work Order Execution
 Supplies or Funding for Maintenance Self Help

Property Management:
 Common Area Custodial of WTU Barracks

Stakeholders' Roles

Military/Tenant Unit	Garrison (GC, Garrison CSM, DPW)	
	Unaccompanied Housing Office	DPW
Facility Management: Inspections / Maintenance & Repair (M&R) Expedient Maintenance Building Operations Maintenance Self Help Barracks/Maintenance (M&R) from Building Mobile & Fixed Unit Orders / Service Orders	1. Certificate of Non-Availability (CNA) Processing 2. Single Sr. ACO / Officer UN/Agent 3. Furnishings Management - Reproduction, Issue, Turnin, Repair, Disposal, Warehousing, Accountability, etc. 4. Temp Lodging Allowance (TLA) / Temp Lodging Expense (TLE) Processing 5. Budget Sub Activity Group (SAG) 132 6. Analyze & Review Units' Barracks Footprints 7. Barracks Utilization Reporting 8. Training Units on UN program, policies, and WHM system 9. Housing Policy (Mem.Party, Training, & Transition) 10. Lead Routine Partnering Sessions with Garrison & Unit Leadership 11. Geographical Bachelor Management 12. LEI Work Order Review 13. ISR-I Evaluation 14. Input to Annual & Long Range Work Plans 15. Determine Construction & Leasing Requirements 16. Contacting Officer's Representative / Quality Assurance for Furniture, Appliances, & Drapery 17. Cyclical Furnishings Inventories (warehouse, WUs) 18. Mobile Barracks Furnishings Replacement 19. Furnishings Budget & Future Program 20. Review of Division / Garrison Requests	Facility Management: Planning: Prepare Annual & Long Range Work Plans Barracks Major Project Management / DD1391 Master Planning 4L Inspections ISR-I Inspections Budget Sub Activity Group (SAG) 132 Administration: Inspections Oversight Real Property; Issue Barracks Facility Hand Receipts Facilitate Leasing Execution (with HQ USACE) Diversion / Conversion Processing Collection Processing for Facility Damages Key Control Inspections / Maintenance & Repair (M&R): Service Order Execution Work Order Execution Supplies or Funding for Maintenance Self Help Property Management: Common Area Custodial of WTU Barracks

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MDEP Rebalance & the Manpower Study

- **ORPORD 14-031, 11 Dec 13**
- **HQDA mandated MDEP Rebalance**
- **Associated with Army drawdown (540K to 490K)**
- **Impacted all Commands**
- **MDEP Rebalance affected “Authorizations”**
- **G4 Housing Manager executed rebalancing**
 - **Total Army Analysis (TAA) considered**
 - **Inventory, population served, mission reviewed**
 - **Close coordination with Region SMEs**
 - **Regions coordinated with Garrisons**
 - **Briefed HQDA RM on risks, operational impact**
 - **CG, IMCOM approval authority for MDEP recommendations**



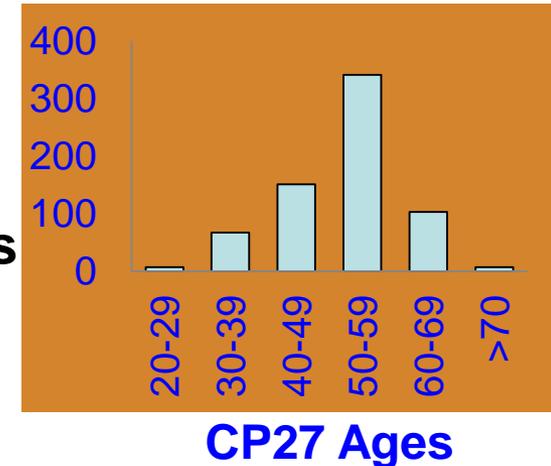
Reduction Impacts

- **Loss of expertise**

- 77% of CP27 careerists are >50 years old; 22.5 years service
- MDEP rebalance compounded by careerists retiring, separating, VERA/VSIP

- **Less staff to oversee housing assets, execute programs**

- Impacts all branches within Housing Divisions
 - AFH, HSO, UPH, RCI
- Reduced utilization rates
- Increased risk to Soldiers of predators, fair housing act violations
- Degradation of property accountability, facility condition
- Loss of capacity to perform above minimum requirements





Authorizations vs Requirements

- **Authorizations** are the number of Full Time Employees (FTE) funded IAW the TOA
- Authorizations do not reflect the number **required** to perform a mission
- **Requirements** are the number of FTEs needed to perform the full scope of a mission
 - Established through a manpower analysis through the US Army Manpower Analysis Agency (USAMAA)
 - Approved by Army G3
 - Requirements under review through the manpower analysis being conducted now



Requirements must be Established

- **Current TDA “Requirements” are not based on an approved manpower analysis**
- **Requirements needed to perform 100% of the mission not accurately depicted in current TDA**
- **Manpower study will identify the disparity between the number required to perform the mission and the number executing the mission**
- **Will provide the basis of the Army’s argument to adjust authorizations to more closely reflect the requirements during the POM process when the TOA is established**



Authorizations Out of Whack

- **Results of MDEP rebalance “Authorizations” to “Requirements”**
 - **E33H: 85%**
 - **E35H: 84%**
 - **ERCI: 91%**
 - **QHFM: 40% (no actual reductions during this rebalance)**
- **Are the ratios above correct? NO!**
- **LTG Ferriter, CG, HQ IMCOM, 2013: Having 85% of our requirements would be a good day! ***
- **If we do not accurately identify our requirements, we cannot successfully defend our authorizations**
- **The USAMAA study will do that**
 - **Results will not be perfect but they will be better than what we currently have**

** Paraphrased from a comment made during a HQ IMCOM Town Hall meeting*



Local Moves

- **Local Moves are “short distance moves”**
- **Directorates of Logistics functions transferred to AMC 1 Oct 12***
- **Directorate of Logistics (DOL) renamed Logistics Readiness Centers (LRC)**
- **Predicated on AMC LRC performing all missions previously performed by IMCOM DOLs**
- **LRC responsible for funding, executing short distance moves as validated by IMCOM and non—temporary storage of military personnel assigned OCONUS**
- **MDEP QLOG funding transferred from IMCOM to AMC**
 - Problematic when one command directs the finances of another

**Exception JBLM*



Policy, Procedures

- **ACSIM Memo Local Short Distance Moves and non-Temporary Storage, 11 Jul 14 clarifies policy, procedures**
 - **Joint Travel Regulations, Ch 5 and Ch6 excerpts identifying legal description of short distance moves, NTS parameters**
 - **OACSIM responsible for coordinating with IMCOM and AMC to accurately capture short distance moves, NTS requirements in the POM**
 - **If funding is not available, LRCs will request funding from HQDA**
 - **Form requesting funding short distance moves, NTS standardized (enclosure of ACSIM Memo)**
 - **Provides examples of short distance moves that are and are not entitled**



RCI, PAL and Army Housing Training

TOP 10 IHP-CVD CONCERNS

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Capital Ventures Directorate
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TOP 10 IHP – CVD CONCERNS

Current Environment similar to “Changing the Oil While Driving Down the Road”

- Do More With Less
- No Backfills for Vacant Positions
- Added Missions
- Reorganizations

Budgets, BAH, and Backlogs

- Sequestration
- Additional Reporting Requirements
- Scoring

Top Ten IHP- CVD Concerns

- #10 Davis Bacon
- #9 Contractor Access to Post
- #8 Renewable Energy Projects
- #7 Future Scoring Rules
- #6 Rising Operating Costs
- #5 Bondholder Consents
- #4 Work Classification – CRR vs. Reinvestment Acct
- #3 BAH Reduction/Loss of Renters Insurance
- #2 Impact of Troop Reductions
- #1 Potential Requirement to Fund Reinvestment Accounts



TOP 10 IHP – CVD CONCERNS

#10 DAVIS BACON

- **Army position has always been that the DFARs Standard with regard to Davis Bacon is applicable to Property Management activities.**
- **DFARs Standard says Davis Bacon applies when there is over 32 hours of work on a single work order or over 200 square feet of painting.**
- **Applicability of this standard is a point of contention with some of the RCI partners; Ms. Hammack committed to working with OSD and the other Services to find a common policy.**
- **Two meetings were held over the past 90 days with all Services and OSD present. All positions were discussed and Army General Counsel submitted a formal opinion for consideration.**
- **OSD agreed to take lead for issuance of a policy regarding this topic.**



TOP 10 IHP – CVD CONCERNS

#9 CONTRACTOR ACCESS TO POST

- **Partners being asked to verify US Citizenship for employees.**
- **Partners have employees who are not US citizens, but who are eligible to work in the US.**
- **Partners being told that this applies to subcontractors who have multi-year contracts.**
- **Negatively impacts grounds maintenance subcontractors who use H2-B workers.**



TOP 10 IHP – CVD CONCERNS

#8 RENEWABLE ENERGY PROJECTS

- **Several partners have proposed roof-mounted photovoltaic projects.**
- **Army policy requires that all RECs generated be provided to the Army.**
- **RECs are transferred to the Army as consideration for amending the lease to include provisions for renewable energy development.**
- **Substitute RECs may be provided in lieu of RECs generated on the project.**
- **Energy generated by Photovoltaic Projects on RCI projects must be consumed by the project, not added to grid for other installation uses.**



TOP 10 IHP – CVD CONCERNS

#7 FUTURE SCORING RULES

Initial indications are that OMB would like to make the following changes:

- Any MHPI project approved prior to September 30, 2014 will continue to operate under the scoring rules described in the 1997 memorandum from then-OMB Director Raine -- recapitalization, credit assistance, and/or refinancing related to existing projects, but will not include any expansion of these existing projects.
- Any future MHPI project, including the expansion of existing projects, that is approved after September 30, 2014, will be subject to traditional scoring rules. These rules require both the public and private investment in the project to be fully scored in the year of authorization.
- Any MHPI project approved after September 30, 2014 should only be made available to service members and their families. Exceptions need to be approved by OMB.



TOP 10 IHP – CVD CONCERNS

#6 RISING OPERATING COSTS

- **“Nice-to-have” Amenities are funded to the detriment of NOI/Reinvestment.**
- **Insurance costs rising.**
- **Utility costs and the impact of Utility Privatization weigh on project.**
- **Large, high cost staffs – often unnecessarily; Layering of regional staffs and corporate overhead is problematic.**
- **Transition from IDPs to Out-years places greater financial burden on Property Management.**
- **Managing expectations of Garrison is critical in light of future BAH changes.**



TOP 10 IHP – CVD CONCERNS

#5 BONDHOLDER CONSENTS

- **Bondholder Reps are becoming more anxious due to discussions about troop strengths and budgets.**
- **Bondholder Due Diligence prior to granting consents taking longer and becoming more detailed.**
- **Bondholder Reps charge a significant fee for providing a consent, regardless of complexity.**
- **Bondholder Reps appear to look out for their best interests, not necessarily the best interest of the Project company.**



TOP 10 IHP – CVD CONCERNS

#4 WORK CLASSIFICATION – CRR vs. REINVESTMENT ACCOUNT

- **Reinvestment Accounts were designed to fund out-year renovations and Construction.**
- **Partners are deferring CRR work, requesting to use Reinvestment Account to do CRR work.**
- **Army on guard to ensure long term sustainability of projects.**
- **Partners sometimes more interested in maximizing returns in the short term; not willing increase deposits to CRR accounts.**



TOP 10 IHP – CVD CONCERNS

#3 BAH REDUCTION/LOSS OF RENTERS INSURANCE

- **BAH Policy Changes could result in Out-of-Pocket Expense for Service Members.**
- **Move toward 5% OOP and loss of Renter's Insurance.**
- **Army will allow RCI Partners to charge Out-of-Pocket rate to RCI occupants.**
- **Legislation appears to not favor reductions in 2015 NDAA.**
- **Could be first step toward true Market Rents.**
- **Implementation would be challenging; how to avoid pricing JNCOs out of the portfolio.**



TOP 10 IHP – CVD CONCERNS

#2 IMPACT OF TROOP REDUCTIONS

- **Army End Strength is drawing down to 450K, likely impact occupancy rates at some projects.**
- **Troop Strength reductions impact occupancy both on and off-post.**
- **As occupancy falls, rents will decrease and ultimately be reflected in BAH cuts.**
- **Some projects will house a greater percentage of Service Members.**
- **Some projects will need to be restructured as a result of drawdown.**



TOP 10 IHP – CVD CONCERNS

#1 POTENTIAL REQUIREMENT TO FUND REINVESTMENT ACCOUNTS

- **Ambac Assurance Corporation (Ambac) is seeking remedy actions to minimize its pay-out liability.**
- **Ambac provides reserve contracts worth \$254.1M and credit enhancement at 17 Projects.**
- **As the Credit Enhancer, Ambac acts as the Bondholder Representative and has given waivers from remedy action requirements to date.**



RCI, PAL and Army Housing Training

Questions?

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Ms. Suzanne Harrison

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