



Review of OSD Program Evaluation Report

Housing the Force 2025

UNCLASSIFIED



Review of New OSD Program Evaluation Report



AGENDA

- **Transition from Program Evaluation Plan (PEP) to Program Evaluation Report (PER)**
- **Key Differences between PER and PEP**
- **PER Information Requiring Update by RCI Asset Managers**
- **PER FY15 Reporting Schedule**



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PROGRAM EVALUATION REPORT REQUIRED BY OSD

- **10 U.S.C. Section 2884-2885 requires the Secretary of Defense to periodically report on the performance of Military Housing Privatization Initiative (MHPI) programs to Congress**
 - Previous reports known as Program Evaluation Plan (PEP) Reports were reformulated by OSD and are now called Program Evaluation Reports (PER)
 - Current PER reporting period matches government FY15
 - Information on RCI FH, RCI UH and PAL projects submitted
- **Key differences between PER and PEP**
 - Two parts to RCI Asset Manager submission
 - PER Current Data Sheet (only selected, unlocked fields)
 - PER Long-Term Data Sheet (only 3 unlocked fields at the bottom)
 - No Project Summary Report (PSR)
 - Project-level summary in MSWord format is eliminated
 - Critical PSR information is summarized into three paragraphs on “Operating Performance”, “Capital Performance” and “Other Actions” at bottom of PER Long-Term Data Sheet



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PROGRAM EVALUATION REPORT REQUIRED BY OSD

- **Key differences between PER and PEP** *(continued)*
 - PER “Current Data Sheet” in MSEXcel format captures critical information previously reported in PEP Fact Sheets, PEP Fact Sheet Updates and PEP Monitoring Matrix
 - All information for a specific project is now in one MSEXcel column
 - Information in most fields will be locked and will not require update by RCI Asset Managers (RCI AMs)
 - Similar to PEP Monitoring Matrix information
 - New section called “Military Housing Demographics” asks for Total Military Families broken down into Enlisted Families (E1-E6), Enlisted Families (E7-E9) and Officer Families
 - PER “Long Term Data Sheet” in MSEXcel format
 - Top section that covers pro-forma projections and FY operating performance will be completed at HQDA level
 - As mentioned, RCI Asset Managers will complete bottom section titled “Performance Outlook and Business Strategy” that requests summarized PSR data



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PER CURRENT DATA SHEET – FIELDS NEEDING UPDATE

- Comparison of to-date deliveries to pro forma deliveries
- Resident demographic breakout table that was previously part of PEP PSR
- New resident demographic breakout by rank

Line	Element	Project X
8	CONSTRUCTION	
9	New construction completed (#)	210
10	New construction scheduled for completion (#)	210
11	Major renovation completed (#)	65
12	Major renovation scheduled for completion (#)	125

Line	Element	Project X
20	OCCUPIED UNITS	
21	Military Families (#)	411
22	Military Unaccompanied (#)	18
23	Military Retirees (#)	53
24	Civil Service (#)	214
25	Civilians (#)	0

Line	Element	Project X
26	MILITARY HOUSING DEMOGRAPHICS	
27	Enlisted Families (E1-E6)	159
28	Enlisted Families (E7-E9)	153
29	Officer Families (O1-O10) (W1-W4)	99
30	Total Military Families	411



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PER CURRENT DATA SHEET – FIELDS NEEDING UPDATE

- **Occupancy and DSCR (DCR) information**

Line	Element	Project X
31	OCCUPANCY AND DSCR	
32	Units available for occupancy (#)	735
33	Occupied units (#)	688
34	Average occupancy rate (%)	93.6%
35	DSCR on 1 st mortgage (#)	1.99
36	DSCR on 1 st mortgage plus 2 nd mortgage (#)	N/A

- **Remaining loans balances, reinvestment account deposits as % of pro forma projections and outstanding litigation (if applicable)**

Line	Element	Project X
68	REMAINING PRINCIPAL BALANCE	
69	Senior Mortgage (\$)	\$54
70	Junior Mortgage (\$)	N/A
71	Reinvestment Account	
72	Outstanding Litigation (Yes/No)	N/A
73	Short Term Outlook (5 Years)	Calm
74	Long Term Outlook (6-25 Years)	Calm

- **Tenant survey results**

Line	Element	Project X
79	TENANT SURVEY	
80	Effective Date of Survey (Mo./Yr.)	5/2015
81	Number of Tenants Surveyed this Reporting Period (#)	675
82	Recommendation for Newly Constructed Units	210
83	Recommendation for Newly Renovated Units	70
84	Recommendation for Unrenovated Units	372



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PER LONG TERM DATA SHEET – FIELDS NEEDING UPDATE

- **Summary of operating performance**

- First paragraph provides information about average occupancy this PER period, average occupancy last period and pro forma occupancy expectation for this PER period
- Next paragraph includes sentence on actual versus pro forma revenues, with explanations for unfavorable variances. Second sentence discusses actual versus pro forma operating expenses, with explanations for unfavorable variances. Third sentence discusses actual versus pro forma net operating income (NOI), with explanations for unfavorable variances. Fourth sentence includes average DCR this PER period versus average DCR last period
- Third paragraph includes sentence on actual versus pro forma new construction deliveries, with explanations for unfavorable variances. Second sentence discusses actual versus pro forma major/medium renovations, with explanations for unfavorable variances

(118) Operating Performance:

Average occupancy for the period was 93.8% as compared to 89.5% last period and pro forma of 91.4%.

Revenues were \$13.8M for the period compared to pro forma of \$16.2M, representing an unfavorable variance of 14.8%. The unfavorable variance in revenues is due to more higher ranking homes than budget being vacant as well as concessions being offered. Operating Expenses were \$6.3M compared to pro forma spending of \$5.6M, representing an unfavorable variance of 12.5%. The unfavorable variance in operating expenses is due to higher turnover costs and higher than budgeted utility expenses. NOI was \$7.5M compared to pro forma of \$10.6M, representing an unfavorable variance of 29.2%. The unfavorable variance in NOI is due to a combination of lower revenue and higher operating expenses. The average DCR (first mortgage) increased to 1.99 this period from 1.90 last period.

The Project has completed 210 new homes compared to pro forma expectations of 210 new homes. The Project has also completed 65 major/medium renovations compared to pro forma expectations of 125 major/medium renovations. Delays in renovations are due to funding issues and it is expected that these delays will be addressed through a recently submitted Major Decision Memorandum requesting approval of the use of surplus IDP funds for renovations.



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PER LONG TERM DATA SHEET – FIELDS NEEDING UPDATE

- **Summary of capital performance**

- First sentence provides information about the status of the Reinvestment Account balance versus pro forma expectations

(119) Capital Performance:

The balance of the Reinvestment Account is zero because all funds are being utilized to fund the construction account for the Project during the IDP.

- **Other actions**

- If applicable, include information about ongoing litigation
- Always include the “Safe Harbor” statement about long-term forward-looking statements in the example below

(120) Other Actions:

N/A.

This PER Long-Term Data Sheet contains forward-looking statements, the achievement or success of which involves risks, uncertainties, and assumptions. If any such risks or uncertainties materialize or if any of the assumptions prove incorrect, the results of this MHPI project could differ materially from the results expressed or implied by the forward-looking statements made in this PER document.



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PER SCHEDULE FOR REPORTING PERIOD

- **Mid Sep: Email PER Current & Long-Term Data Sheets and OSD's instructions to RCI AMs**
- **Late Sep: Tele-training on PER templates (if necessary)**
- **30 Sep: End of PER FY15 Reporting Period (1 Oct 14 – 30 Sep 15)**
- **1 Nov: RCI AM PER submissions due to OACSIM PM (& PAL too!)**
- **1-15 Nov: Review and validation of PER submissions**
- **15-30 Nov: Portfolio data consolidation and report development**
- **1 Dec: Army consolidated PER reporting package sent to OSD**