



DEPARTMENT OF THE ARMY
ASSISTANT SECRETARY
INSTALLATIONS, ENERGY AND ENVIRONMENT
110 ARMY PENTAGON
WASHINGTON, DC 20310-0110

SAIE

FEB 05 2013

MEMORANDUM FOR SEE DISTRIBUTION

SUBJECT: Residential Communities Initiatives (RCI) Policy for Major Decisions
Authority - Policy Memorandum #1

1. This memorandum identifies the approval authority for RCI Major Decisions and also details the responsibilities of each Garrison Commander as the Secretary of the Army's Garrison representative for each RCI Project's Major Decision. Army representatives must understand and perform their duties within the framework of the RCI Limited Liability Company (LLC) (or Limited Partnerships) structure for each RCI project. This policy supersedes DASA (P&P) memorandum on policy for RCI Major Decisions dated 15 November 2007.
2. The day-to-day asset management oversight for RCI projects is performed by the Office of the Assistant Chief of Staff for Installation Management, Installation Services, Privatization and Partnerships Division (OACSIM - ISP), and RCI portfolio management oversight is performed by the Office of the Deputy Assistant Secretary of the Army for Installations, Housing and Partnerships, Capital Ventures Directorate (DASA-IH&P (CVD)). The RCI Major Decision approval process is a collaborative effort between the Army (DASA-IHP (CVD), ACSIM-IS (ISP), Garrison Commanders and/or their designated RCI Asset Manager, and the RCI private sector Partners/Managing Members. The procedures shown at Attachment 1 guide the orderly and efficient disposition of Major Decision requests and Attachment 2 provides the list of local Project and higher levels of authority for Major Decisions which require approval. DASA (IH&P) Major Decision authority may be delegated to the ACSIM on a case by case basis.
3. Garrison Commanders are expected to possess sufficient knowledge of an RCI Project's finances, operational goals, and development plans to act as the Secretary of the Army's representative for Project Major Decisions. While many RCI Major Decisions should be addressed at the Garrison level, there are Major Decisions, as outlined in the Project's Operating Agreement and Attachment 2, which have programmatic implications and require HQDA approval.

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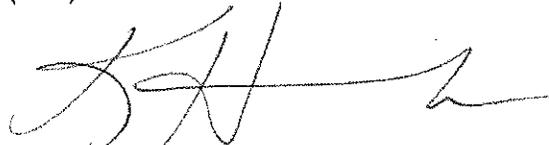
4. Garrison Commanders retain their inherent authority to regulate Installation activities to the extent necessary to maintain good order and discipline. The private sector Partner/Managing Member of each RCI Project, however, has the responsibility for overall Project management to include housing management functions and maintaining the financial health of the Project. Accordingly, Garrison Commanders shall not:

a. Authorize, direct, or permit Army representatives to initiate Health and Welfare Inspections of privatized housing. This prohibition does not limit a Garrison Commander's authority to authorize searches of privatized housing based upon their determination that there is "probable cause" to believe criminal conduct is occurring in the privatized housing or that evidence of criminal activity is located within the housing.

b. Participate in RCI Project eviction decisions. However, Garrison Commanders retain their authority to bar or otherwise restrict an individual's access to any part of the installation as necessary to maintain good order and discipline.

c. Influence the housing assignment process, including directing the holding of housing for specific personnel. This does not preclude the installation, in conjunction with the RCI private sector partner, from establishing the assignment and/or designation of homes should there be significant changes to the military requirement.

5. Please address any questions concerning this policy to Ms. Rhonda Hayes at Rhonda.q.hayes.civ@mail.mil or (703) 614-4601.



Katherine Hammack

Distribution:

Assistant Secretary of the Army (Financial Management and Comptroller)
Assistant Secretary of the Army (Manpower and Reserve Affairs)
Deputy Assistant Secretary of the Army (Installations, Housing and Partnerships)
Deputy Chief of Staff for Personnel (G-1)
Commander, Installation Management Command (IMCOM)
IMCOM Regional Directors
IMCOM RCI Garrison Commanders
IMCOM G4
Assistant Chief of Staff for Installation Management (ACSIM)
Director of Installation Services, OACSIM
RCI Partners

ATTACHMENT 1 - Major Decision Process

1. General.

The Army's RCI program and Projects may require periodic policy updates, re-structures, re-scopes, additional equity contribution, or other Major Decisions as identified in Attachment 2. This list of Major Decisions is also included in the RCI Portfolio and Asset Management (PAM) Handbook. Major Decisions require approval of the Office of the Assistant Chief of Staff for Installation Management, Installation Services (Privatization Division) (OACSIM - ISP) or Deputy Assistant Secretary of the Army for Installations, Housing and Partnerships (DASA (IH&P)), in accordance with the Major Decision Matrix, Attachment 2

2. Procedures.

Step 1. The installation Garrison's RCI Asset Manager and/or RCI Partner identifies the requirement for a Major Decision after discussions with the relevant stakeholders and prepares a RCI Major Decision Request in the form of a Concept Paper as detailed below. The Concept Paper should include signatures from both the Army's and the Partner's authorized representatives, however, should the parties not reach conceptual agreement in a timely manner on an issue, a Concept Paper may still be forwarded by either party with annotation that consensus has not been reached.

Step 2. The Project team forwards the Concept Paper to ACSIM (ISP). The ACSIM (ISP) Program Manager (PM) reviews the Concept Paper, and determines approval level (OACSIM or DASA (IH&P)). If the latter, the Program Manager documents the ACSIM position on the RCI Major Decision Concept Paper Request and forwards to the DASA (IH&P) no later than 10 work days from the receipt of the Concept Paper.

Step 3. IAW Attachment 2 the responsible entity will lead the coordination of all actions associated with the Major Decision, including but not limited to preparation of the approval/disapproval Decision Memorandum and coordinating the collection of supporting documentation.

Step 4. Once the Major Decision process is complete, the signed Decision Memorandum will be forwarded to the installation-level Project team with copy furnished to ACSIM and DASA (IH&P).

ATTACHMENT 1 - Major Decision Process

3. Concept Papers.

Concept Papers should include only the minimum supporting documentation necessary to articulate the proposed/requested Major Decision action. The Concept Paper should not exceed 3 pages and will include the following information:

a. Purpose - identify the applicable situation that triggers a Major Decision (see table in Attachment 2 for DASA(IHP), ACSIM (ISP) and Garrison Commander Authority and Approval levels);

b. Background – conditions leading to the proposal;

c. Justification – rationale for proposed action, to include short and long term impacts on the project;

d. Projected sources and uses of funds;

e. Impacts if proposed action is disapproved; and

f. Signatures – Garrison Commander and RCI Partner.

ATTACHMENT 2 – Major Decisions Authority and Approval Levels

The following Major Decisions matrix identifies a list of Local Authority and Higher Authority Major Decisions. This list provides a list of typical triggers which lead to a Major Decision, but it is important to note that each Project's Operating Agreement specifically identifies which Partnership decisions are to be considered Major Decisions, while it is Army guidance/Policy as to whether a Major Decision required by an Operating Agreement should be handled as a Local Authority versus Higher Authority Major Decision. If the RCI Asset Manager is uncertain whether Local or Higher Authority of a Major Decision approval is required, they should consult with the ACSIM Program Manager.

Major Decision Matrix Local Authority and Higher Authority for Approval of Major Decision	
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 - <u>10%</u> 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.
Higher Authority Major Decision Requiring HQDA – ASA IE&E Approval	
1	Decisions where total cumulative financial impact is greater than <u>10%</u> 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.
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.



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MEMORANDUM FOR SEE DISTRIBUTION

SUBJECT: Privatization of Army Lodging (PAL) Major Decisions Authority - Policy Memorandum #2

1. This memorandum identifies the approval authority for PAL Major Decisions. Army representatives must understand and perform their duties within the framework of the legal structure established for the PAL project. Unlike the Residential Communities Initiative (RCI) Program, the PAL structure is not that of a limited liability company or partnership with the Army having a legal role as a member, therefore, the PAL Lease encompasses all the associated business terms. The PAL Lease encompasses under one document all the lodging locations being privatized and stipulates the rights and obligations between the lessee and the Army, including the approval of certain PAL Major Decisions.

2. The day-to-day asset management oversight for the PAL project is performed by the Office of the Assistant Chief of Staff for Installation Management, Installation Services (Privatization) (OACSIM (ISP)). PAL Major Decision approval authority resides with the Office of the Deputy Assistant Secretary of the Army for Installations, Housing and Partnerships (ODASA (IH&P)). The PAL Major Decision review and approval process requires the collaborative effort between ODASA (IH&P), the Office of the Assistant Chief of Staff for Installation Management, Installation Services (Privatization) (OACSIM (ISP)), the United States Army Corps of Engineers, Norfolk District (USACE), the garrison-level PAL points of contact, and the PAL private sector entities. A major decision may be requested by a garrison commander, the OACSIM (ISP), or by the PAL lessee. The procedures shown at attachment (1) guide the orderly and efficient disposition of PAL Major Decision requests. Attachment (2) provides the list of PAL Major Decisions that require the approval of ODASA (IH&P). The ODASA (IH&P) PAL Major Decision authority may be delegated to OACSIM (ISP) or other entities on a case-by-case basis.

3. The OACSIM (ISP) will exercise approval authority for the lessee's annual operating and asset management budgets, and for the oversight of construction and development as delegated by the ODASA (IH&P). The PAL Lease is administered by USACE under the policy and guidance of the ODASA (IH&P), and USACE is the PAL office of record for all administrative actions under the PAL Lease and therefore is the official addressee for all PAL Lease correspondence, excepting that separately delegated.

4. Garrison commanders shall possess sufficient knowledge of the PAL project's operational requirements and scope of development at their garrison to provide PAL Major Decision requests to the OACSIM (ISP) for processing in accordance with this memorandum.

SUBJECT: Privatization of Army Lodging (PAL) Major Decisions Authority (continued)

5. This memorandum does not affect the garrison commander's inherent authority to regulate installation activities to the extent necessary to protect life and safety, to maintain good order and discipline, and to sustain anti-terrorism force protection requirements. Garrison commanders retain their authority to bar or otherwise restrict an individual's access to any part of the installation as necessary to maintain good order and discipline. The private sector lessee under the PAL Lease, however, has responsibility for overall project management to include construction and development, lodging and property management functions, and for maintaining the financial health of the project. Accordingly, garrison commanders shall not:

- Permit Army representatives to initiate health and welfare inspections of privatized lodging or related lodging facilities. This prohibition does not limit a garrison commander's authority to authorize searches of privatized lodging facilities based upon their determination that there is "probable cause" to believe that evidence of criminal activity is located within the lodging facilities.

- Direct or interfere with the lodging room reservation process, including directing the holding of specific lodging rooms for specific personnel. This does not preclude the garrison's protocol office from developing specific protocol procedures in conjunction with the OACSIM (ISP) and the PAL lessee.

6. Please address any questions concerning this policy to Ms. Rhonda Hayes at Rhonda.Hayes@us.army.mil or (703) 614-4601.



Katherine Hammack

Encl

Distribution:

Assistant Secretary of the Army (Financial Management and Comptroller)
Assistant Secretary of the Army (Manpower and Reserve Affairs)
Deputy Assistant Secretary of the Army (Installations, Housing and Partnerships)
Deputy Chief of Staff for Personnel (G-1)
Assistant Chief of Staff for Installation Management (ACSIM)
Director of Installation Services, OACSIM
Commander, Installation Management Command (IMCOM)
IMCOM Regional Directors
IMCOM PAL Garrison Commanders
USACE HQ, Director of Real Estate
USACE, Norfolk District, Real Estate Office
Rest Easy LLC (Lend Lease)

SUBJECT: Privatization of Army Lodging (PAL) Major Decisions Authority (continued)

ATTACHMENT 1 – PAL Major Decision Process

1. General. The Army's PAL program may require periodic policy updates, revisions to legal documents, scope changes, financial revisions, additional equity contributions, or other PAL Major Decisions as identified in Attachment 2. All PAL Major Decisions require approval of the Office of the Deputy Assistant Secretary of the Army for Installations, Housing and Partnerships (ODASA (IH&P)) unless further delegated.

2. Procedures.

Step 1. The Garrison Commander, the Office of the Assistant Chief of Staff for Installation Management, Installation Services-Privatization (OACSIM (ISP)), or PAL lessees identifies a requirement for a Major Decision after discussions with the relevant stakeholders and prepares a PAL Major Decision Request in the form of a Concept Paper as detailed below. The concept paper should include signatures from both the Army's and the Lessee's authorized representatives, however, should the parties not reach conceptual agreement in a timely manner on an issue, a Concept Paper may still be forwarded by either party.

Step 2. The Concept Paper will be sent to the OACSIM (ISP), with a copy furnished to USACE. The OACSIM (ISP) Program Manager (PM) reviews the Concept Paper, and documents the OACSIM (ISP) position on the PAL Major Decision Request, processing of which should be completed and forwarded to the ODASA (IH&P) no later than 10 work days from the receipt of the Concept Paper.

Step 3. The OACSIM (ISP) PM forwards the Concept Paper to the ODASA (IH&P) for appropriate action, with a copy furnished to USACE. The ODASA (IH&P) is responsible to lead the coordination of all actions associated with the MD, to review and approve/disapprove of the Major Decision, including but not limited to preparation of the ODASA (IH&P) decision memorandum and coordinating the collection of supporting documentation. The OACSIM (ISP) PM and USACE will assist as necessary.

Step 4. Once the Major Decision review is complete, the ODASA (IH&P) will provide a PAL Major Decision Memorandum to the OACSIM (ISP), with copies to USACE and to the PAL Lessee either approving or disapproving the request. If the request is approved, the PAL Major Decision Memorandum will also identify the Secretariat-level point of contact for the action, any prerequisites or stipulations including requirements for payment of transaction costs, and expected transaction timeline.

3. Concept Papers. Concept Papers should include only the minimum supporting documentation necessary to articulate the proposed Major Decision action. The Concept Paper will be no more than 3 pages and will include the following information:

- 1) Purpose – identify the applicable situation that triggers a Major Decision (see table in Attachment 2);
- 2) Background – conditions leading to the proposal;
- 3) Justification – rationale for proposed action, to include short and long term impacts on the project;
- 4) Projected sources and uses of funds, to include any transaction costs;

SUBJECT: Privatization of Army Lodging (PAL) Major Decisions Authority (continued)

- 5) Impacts if proposed action is disapproved; and
- 6) Authorized Signature of the requesting entity, e.g. the Garrison Commander, PAL Lessee, or OACSIM (ISP), and space for any required execution signatures (e.g. DASA (IH&P), Lender, Lessee, etc.)

PAL LEASE MAJOR DECISIONS MATRIX

Major Decision Reference Number	Lease Condition Reference	Category/Item Description:
1		Application of Army/Service regulations or policies that may reasonably be expected to impact the project beyond those policies or regulations governed by existing Army-approved agreements.
2		Increase or decrease in the government equity, cash or real property contribution.
3		Approval of the Initial Development Period Close-out
4		Any action/decision/policy change that could reasonably be determined to have associated scoring impacts.
5		GAO/OSD/OMB/Congressional reports/briefings/approvals.
6		Actions that will require a change or amendment to the PAL Lease footprint, terms and conditions, including all exhibits to the PAL Lease.
7	11	Approval of Exceptions or Waivers to the PAL Lease Condition 11. Prohibited Uses and Limitations
8	15	Approval under, Exceptions to, or Waivers to the PAL Lease Condition 15. Transfers, Assignments, Changes of Corporate Structure, Sales of Assets, or Sub-Leases, including, but not limited to: Lessee plans to provide AAFES & MWR-type amenities; Requests for Sub-Leases; Changes in the Lessee structure (incl. merger or consolidation of the project company, and Acquisition or disposal of real property by Lessor/Lessee outside of existing Lease language including any Sale of Assets, including Govt. facilities, land and/or improvements, removal or change of primary partners).
9	17.e	Removal, Replacement, or change of the Development Manager, Hotel Operator, Asset Manager or Construction Contractor
10	17 and Exhibit O	Proposed Revisions to or exceptions to/waivers from the project documents referenced in Condition 17 and Exhibit O of the Lease, to include but not limited to: the Limited Liability Company Operating Agreement of the Lessee; Asset Manager Agreement; Lockbox Agreement (Cash Management and Disbursement Agreement); Lodging Management Agreement; Lodging Management Agreement Guaranty; Design/Build Agreement; Development Management Agreement; Construction Contracts & Independent Construction Consultant; Municipal Services Agreements (Utilities and Fire/Police Services Agreements); Insurance Documents; and the suitable instruments under and pursuant to Condition 23.a.(ii).
11	17 and Exhibit O	Execution of new/succeeding agreements, etc. for the project documents referenced in Condition 17 and Exhibit O of the Lease, to include but not limited to: the Limited Liability Company Operating Agreement of the Lessee; Asset Manager Agreement; Lockbox Agreement (Cash Management and Disbursement Agreement); Lodging Management Agreement; Lodging Management Agreement Guaranty; Design/Build Agreement; Development Management Agreement; Construction Contracts & Independent Construction Consultant; Municipal Services Agreements (Utilities and Fire/Police Services Agreements); Insurance Documents; and the suitable instruments under and pursuant to Condition 23.a.(ii).
12	18 and Exhibit J	Approval of Exceptions or Waivers to the PAL Lease Condition 18. Performance of Lessee's Hotel Operations or under Exhibit J.

13	21 and 31	Approval of Installation Specific Development Plans and Proposed Out-Year Development Period, and related approval of associated documents, project assumptions (including Proformas) and fees, as stipulated or identified under Condition 21. Installation Specific Development Plans and under Condition 31. Outyear Development Period; and any subsequent changes to the then currently approved development scope (Installation Specific Development Plan) directly affecting the delivery schedule or mix of renovation versus new construction, hotel branding strategy or the construction of any additional facilities.
14	22.a	Approval of all Major Work, and changes thereto - excepting the approval of Changes Orders as may be further delegated or identified within a Construction Contract approved under Condition 22.
15	22.b	Approval of all Independent Construction Consultants, and associated roles and scopes of work, and/or changes thereto under Condition 22.
16	22.k	DB Manager Work or Construction related Change Orders - Individual Cost >\$500K & All COs when Cumulative Change Orders exceed \$15M in aggregate for the IDP
17	22.l	Changes as may be requested in accordance with Condition 22.l. - including: end-state room count variances; use of project funds and/or resources to improve or to provide services to non-project assets/facilities (to include but not limited to AAFES, MWR Facilities or Services or Installation ATPF requirements); modifying a scope of work; or making changes to the providers of any letters of credit, debt service reserve surety bonds, credit enhancement or guaranteed investment contracts where the Lessee's funds are involved.
18	24	Approval of any exception or waiver to the requirements under Condition 24. Rates and Prices.
19	25	Approval of any exception or waiver to the requirements under Condition 25. Occupancy Requirements and Rights.
20	26.a	Lessee's Operating Budget Review and Comments above the following thresholds for each respective budget: Budgeted Expense >5% Variance; NOI >10% Variance; (Annual Operating Budget, Construction Budget, Development Budget); and for Decisions where total cumulative financial impact is greater than 10% of annual operating, construction or development budgeted costs.
21	26.c	Approval of Lessee's Operating Budget - when accompanied by a Notice By Lessee to Lessor of negative effect on End State, Renovation or Replacement scope or timing, Branding or services in Hotel Mgmt Agreement.
22	28	Approval of Mortgages, Liens and Encumbrances; including any increase or decrease in the terms of the project debt or Lessee equity investment.
23	29	Approval of substantive changes to any Insurance Policy or Amount of Coverage that is required to be maintained IAW Lease Requirements
24	34 and Exhibit G	Approval of any changes, amendments or financial adjustments to the requirements under Condition 34. Accounts; including the processing and use of moneys received, and the Lockbox. This Major Decision includes: loans from project funds; approval of and changes in investment vehicles or investment vehicle providers for project funds held in the project lockbox accounts; approval over any transfer, reallocation, or redistribution of funds between the financial accounts that are established and/or governed by these agreements unless such transfer, reallocation, or redistribution of funds are stipulated as allowed under the terms and conditions of the respective agreement.
25	36 thru 40	Approval over the Process and Decision concerning: Non-Compliance, Default by Lessee/Lessor, Termination Default & Instances of Failure to Insist upon Compliance, Conflicts between Documents; Conveyance by the Lessor upon Installation Closure