



USAG-Miami/Small Installation Privatization Initiative

Carla Coulson

*Deputy Assistant Secretary of the Army,
Installations, Housing, & Partnerships*

05 August 2021



Project Concept



- **WHO:** U.S. Army and Private RCI company
- **WHAT:** Privatize housing/lease land at 7 small installations with lease of land at USAG-Miami
- **WHERE:** Fort Buchanan, Fort McCoy, Rock Island Arsenal, Soldier Support Center – Natick, Tobyhanna Army Depot, Fort Hunter Liggett, Dugway Proving Ground, and USAG-Miami
- **WHY:** To eliminate on-going SOUTHCOM mission risk; to leverage BAH revenue for sufficient debt to construct housing at USAG-Miami; to reduce the Army Family Housing Operations (AFHO) budget by privatization of 7 sites



Project Concept



- **WHEN:** As soon as required Real Estate and Environmental Studies are complete
- **HOW:**
 - Obtain OSD support for concept
 - Obtain a waiver to current OMB scoring guidance
 - Select RCI company with both debt capacity and ability to meet Section 2875 thresholds
 - Lease land to privatized partner at all 8 locations to RCI company
 - Convey existing homes to RCI Company; RCI Company owns, operates, and maintains



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Housing Challenge



- **Challenge: USAG-Miami has reported a housing shortfall since its standup in 2010**
 - **Current and previous SOUTHCOM commanders have consistently reported a lack of safe and affordable housing as a significant operational risk to the mission**
 - **Negative financial impacts to assigned junior and mid-grade personnel – security deposit, first and last month rent ~ \$9K**
 - **Difficult to obtain proper maintenance - often language barrier between owners, maintenance personnel, and residents.**
 - **23 SOUTHCOM personnel in ranks E5 to O8 have recently had to relocate mid-tour due to high foreign investment and frequent turnover of investment properties, increased rents, and failure of owner to meet maintenance standards; Service Members' (SM) lives are disrupted, and they must direct their energy away from the mission and toward finding a new residence when this occurs**
 - **81% of SOUTHCOM personnel live outside Doral, FL (HQ location).**



SOUTHCOM Must Be Mission Ready



- **SOUTHCOM deters aggression, defeats threats, and rapidly responds to crises in the Caribbean, Central, and South America**
 - Provides immediate and necessary humanitarian assistance, noncombatant evacuation, and defense of critical infrastructure to each of 31 partner nations
 - Deflects the impacts of global and regional aggressive nations; combats violent extremists and transnational criminal organizations; ensures the Western Hemisphere is secure, free, and prosperous with each of 31 partner nations
 - Provides instantaneous response to devastating environmental, weather, migratory crises, and known climate conditions, especially during annual hurricane seasons (6 months of the year)
- **SOUTHCOM Command's ability to focus immediately on any contingency, let alone be forward-leaning to attack problems PRIOR to the point of impact is challenged by the geographic dispersion of the housing of its critical staff**



SOUTHCOM Operational Risk



- **Challenge: SOUTHCOM needs to recall its Service Members (SMs) within an immediate recall window in order to effectively respond to mission requirements**
 - **Communications experts, intelligence analysts, mission planners, as well as members of the Command Group are currently scattered throughout the greater Miami/Doral area**
 - **Extreme weather conditions (amplified in recent years by the effects of global warming) create hazardous commuting conditions for SMs, delaying their arrival during recalls and adversely impacting their ability to support Command requirements and decisions**
 - **A narrow window exists when conditions align at both the SOUTHCOM location and the impacted site to effectively accomplish mission imperatives**
 - **Recall times have extended to four hours in severe weather events**



Analysis of the Problem



- **USAG-Miami Housing Requirement:**
 - 160 Family Housing (FH) units [90% of 178]
 - 7 K&E GFOQ/Special Command Positions; total of 61 K&Es
 - 120 Unaccompanied Housing (UH) (E5 and below) [95% of 127]
- **No land previously available for construction**
- **Leasing Authorities (10 USC 2828/2874) provide:**
 - Up to 8 high cost leased units for K&E (5 utilized)
 - Up to 72 FH units (not utilized) and up to 25 UH 2-bedroom apartments/50 spaces (48 of 50 spaces typically utilized)
 - FH leasing program available, but currently underutilized
 - Highly competitive housing market; government leases unattractive to some private owners in the area
 - Lack of Service member awareness of the leased option



Recommended Solution



- **Residential Communities Initiative (RCI) project combining USAG-Miami and 7 small installations**
 - **FAA has agreed to direct transfer of ~50 acres to Army at no cost; MOU being finalized with subsequent direct transfer executed by USACE**
 - **Privatizing Miami alone would result in a \$95M funding gap at full scope; by leveraging the revenue stream from the 7 small sites and adjusting scope, the gap is eliminated**
 - **Reducing development scope at Miami to 75 FH units and 120 UH units eliminates the funding gap**
- **Project must receive waiver to current OMB scoring guidance (all public and private investment scored)**
 - **Waiver request is limited to this project; application of Raines memo scoring methodology is needed**



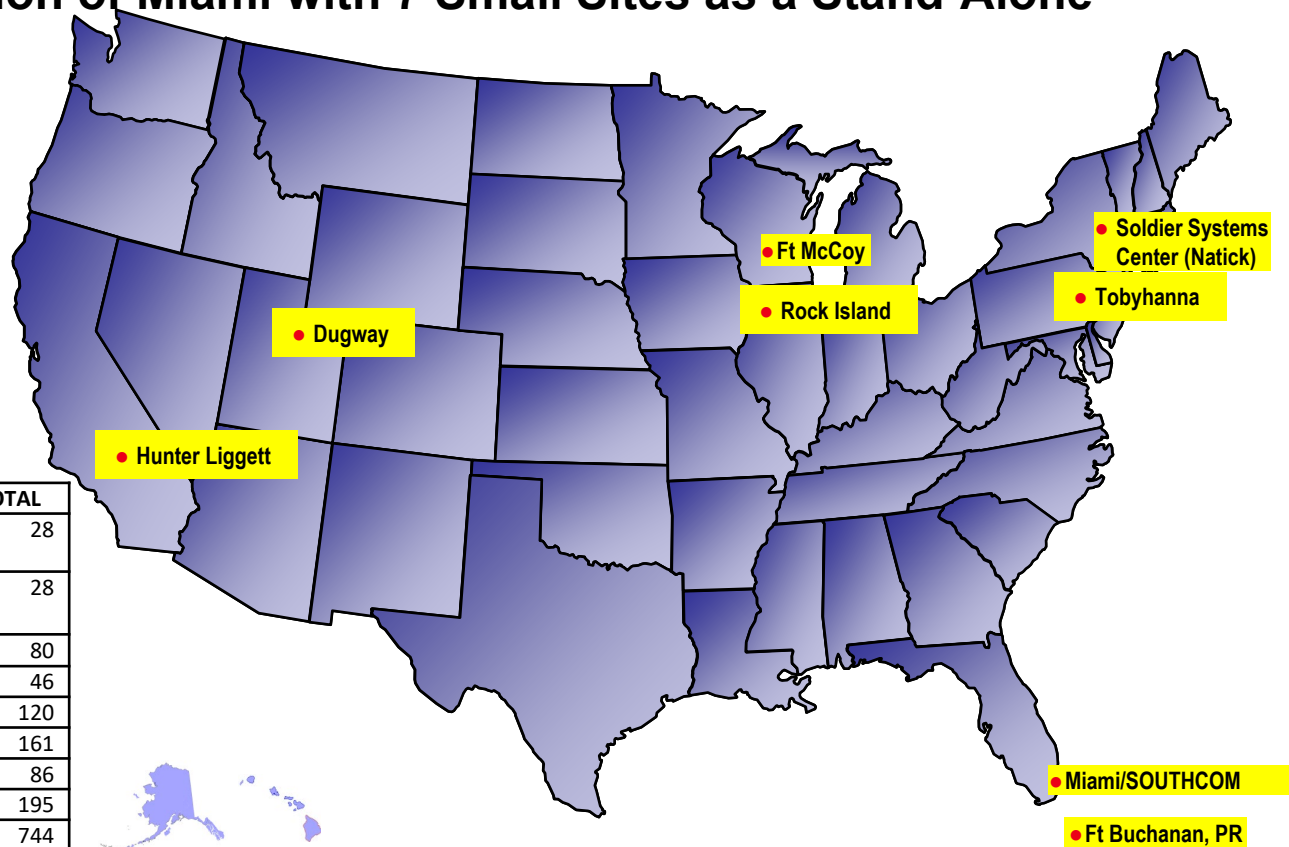
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Why Privatize Small Sites?



Problem: USAG-Miami Service Members cannot find adequate, affordable housing proximate to their duty station

Resolution: Privatization of Miami with 7 Small Sites as a Stand-Alone Project



INSTALLATION NAME	AFH	UH	TOTAL
Tobyhanna Army Depot, PA *	28	0	28
Soldier Systems Center (Natick), MA*	28	0	28
Rock Island Arsenal, IL **	80	0	80
Fort Buchanan, PR**	46	0	46
Fort McCoy, WI**	120	0	120
Dugway Proving Ground	161	0	161
Fort Hunter Liggett	86	0	86
USAG Miami**	75	120	195
TOTAL	624	120	744



Why Privatize Small Sites?



- **RCI is a sound program that has re-focused its efforts on partnership and customer service over the past year**
- **Tenant Bill of Rights will ensure accountability of RCI partners to provide quality, well-maintained homes**
- **Takes housing off Army budget and provides long term funding stream**
- **Small installation privatization was temporarily postponed in order to focus on Army Housing Campaign Plan and NDAA issues; justification to take these homes off AFH budget remains strong**
- **Sustaining the quality of life of SOUTHCOM personnel is crucial to recruitment, retention, readiness, and morale**



Project Description



- **8 installations privatized as one project (USAG-Miami plus 7 installations with small housing inventories)**

Tobyhanna Army Depot

Fort Buchanan

Fort McCoy

Rock Island Arsenal

Natick (SSSC)

Fort Hunter Liggett

Dugway Proving Ground

- **2-phase financial and real estate closing due to ongoing housing construction at Buchanan (17 units, BOD Jan24) and Tobyhanna (26 units BOD, Jul23)**
- **IDP to focus on USAG-Miami construction since other sites have relatively new inventory**



Project Description



- **All SIPI (7 installations) included with Miami project**
- **Each unaccompanied service member pays 75% of their BAH**
- **Development scope is increased above the K&E floor to maximize the number of units constructed without incurring a funding gap**



Army Contribution



- **Land**
 - **Long term lease**
- **Assets**
 - **Convey existing housing inventories at 7 small installations (depreciated value \$143.6M)**
 - **Military renters (no mandatory assignment)**
- **Deal Terms**
 - **No Army Equity**
 - **No Loan Guarantee**
 - **Will meet 2875 test**



Viabile Alternative Plan



- **Remove Fort Hunter Liggett (FHL) and Dugway Proving Ground (DPG) from project**
- **Mission and remote location necessitates some civilians residing on post (FHL - 37; DPG - 58; as of May 2021)**
- **Remote location and lack of waterfall tenants may cause lender to request loan guarantee**
- **Builds all 120 UH units; reduces FH units**
- **Each unaccompanied service member pays 75% of their BAH**



Transaction Challenges

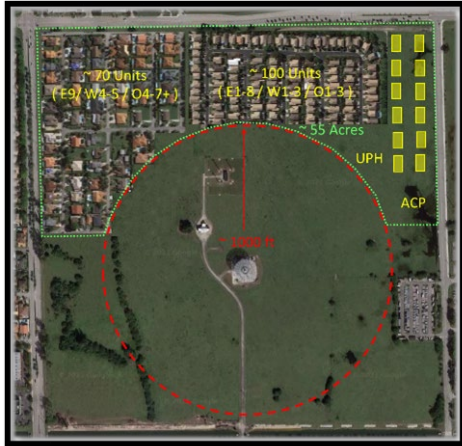


- **Complicated transaction**
- **Environmental Studies not started at small sites**
- **AFHO offset is minimal – 7 sites, 549 units, \$~8M/year (not including Miami leases of ~\$2M/year)**
- **Energy Savings Performance Contract (ESPC) running through 2033 exists at Fort Buchanan -- the Army would have to buy out the housing portion prior to privatization (\$2.9M)**
- **Privatization schedule would work around completion of AFHC projects (Tobyhanna-Jul23, and Buchanan-Jan24)**
- **Re-opening legal documents to add NDAA FY 2020, NDAA FY 2021, and recent Executive Order requirements**
- **Staying within the 45% Army contribution limitation for FMV of conveyed assets (2875 test)**
- **Rapidly escalating construction costs**

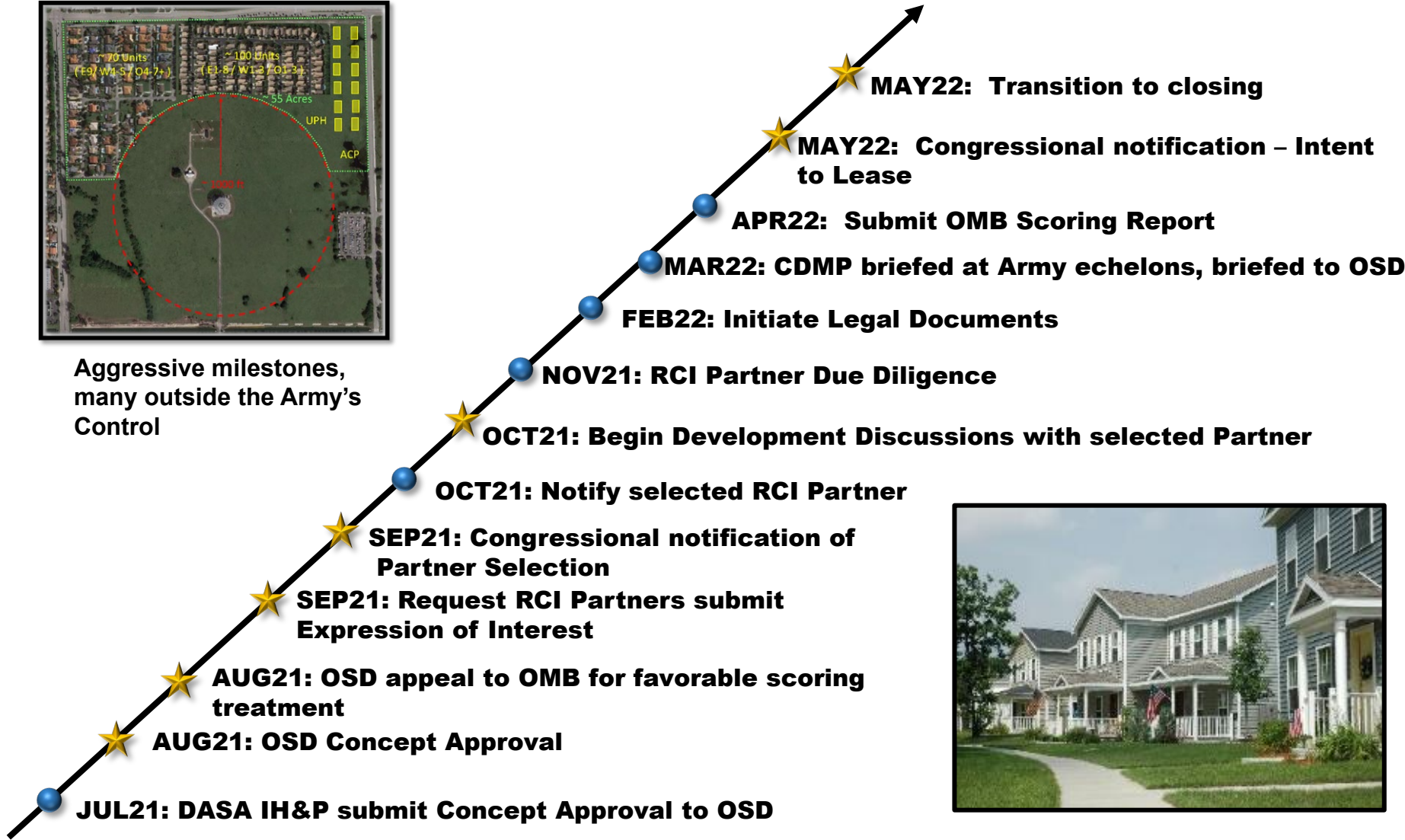


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Small Installation-Miami Housing Plan



Aggressive milestones, many outside the Army's Control





Next Steps



- ✓ **Continue Due Diligence to support Transaction**
- ✓ **Finalize MOU with FAA**
 - AMC Completes MOU; DASA signs
 - USACE directed to acquire land
- ✓ **OSD approve preliminary concept**
- ✓ **OSD appeal to OMB for favorable scoring treatment**
- ✓ **Solicit Congressional Support**
- ✓ **Work to ensure that Miami-Dade BAH is reflective of the local rental market**



QUESTIONS



Partner Selection Criteria



Considerations for Selecting MHPI/RCI Partner:

- ✓ Positive record and reputation during IDP and ODP development projects for:
 - Construction Quality
 - Adhering to construction budget & minimizing change orders
 - Transparency in reporting construction progress and costs
- ✓ Previous experience in low-rise and mixed-use development
- ✓ Track record of compliance and transparency with RCI Portfolio & Asset Management (PAM) program
- ✓ Partner must accept the potential risk/return profile offered by the proposed development.
- ✓ Proven property management capability to eliminate need for Army financial contributions
- ✓ Adequate reputation for responsible and quality housing after 2019 Army Housing Campaign
- ✓ Compliance to NDAA 2020, Sections 3013 and 3014
- ✓ Sophisticated asset management capability to effectively manage project across multiple sites/states



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Partner Selection Criteria (cont'd)



Additional Criteria for Selection of MHPI/RCI Partner:

✓ **Project Finance**

- Scoring capacity of proposed project based on an Integrated LLC
- Fee Structure
- Anticipated sources of capital and Debt/Equity structure
- Strategy for financing the project on a long-term basis, including anticipated costs
- Evaluation of proposed pro forma
- Summary of firm's approach to reinvestment and sustainment after initial development

✓ **Preliminary Project Concept**

- Concept summary providing the overall vision, strategy, and approach to improving and maintaining the housing community at the project site
- Assessment of housing need and proposed solution to that need
- Proposed approach to building a long-term working relationship with The Army and other community stakeholders

✓ **Organizational Capabilities**

- Outline of key personnel needed and their roles for the project
- Organizational chart and management strategy for initial development and subsequent property & asset management