

INFORMATION PAPER

SAIE-RCI
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SUBJECT: Army's Residential Communities Initiative (RCI) Army Family Housing (AFH) Privatization Program and Processes

1. Purpose. To provide information on the RCI Program and processes.

2. General.

a. The Department of Defense (DoD) / Army goal is to eliminate all inadequate family housing by 2007 using a combination of: (1) traditional Military Construction (MILCON), (2) Basic Allowance for Housing (BAH) increases, and (3) privatization. As of the end of fiscal year (FY) 2000, over 70% of the Army Family Housing (AFH) inventory were considered inadequate. The Army's plan utilizes these three programs to eliminate this inadequate AFH and therefore meet the 2007 goal.

b. Privatization plays a vital role in eliminating inadequate family housing in the U.S. In 1996, the Military Housing Privatization Initiative Act (MHPI) provided the military Services with the authorities to leverage scarce funds and assets to obtain private sector capital and expertise to operate, manage, maintain, improve and build military family housing in the U.S.

c. Army's current privatization program, known as RCI, includes four pilot projects. Pending DoD / Congressional concurrence, 23 more RCI projects are planned for FY 2002-2004. These 27 RCI projects represent over 68,000 homes in the U.S., equating to close to 80% of the U.S. AFH inventory.

d. Status of initial projects follows:

- Fort Carson. Includes the operation, maintenance and revitalization of 1,823 existing homes, and construction of 840 additional homes. The partner assumed operations in November 1999, and delivers 20 new / 40 renovated homes per month.

- Fort Hood. Includes the operation, maintenance and revitalization 5,622 existing homes, and construction of 290 additional homes. Transfer of assets / operations to the development partner occurred in October 2001.

- Fort Lewis. Includes the operation, maintenance and revitalization of 3,637 existing homes, and construction of 345 additional homes. Transfer of assets / operations to the partner is scheduled for March 2002.

- Fort Meade. Includes the operation, maintenance, and revitalization of 2,862 existing homes, and construction of 308 additional homes. The Army submitted the project to Congress in December 2001 and transfer to the development partner is scheduled for May 2002.

3. Acquisition Process.

a. RCI focuses on the total residential community (not just houses) and uses a two-step RFQ acquisition process instead of the traditional Request for Proposals (RFP). The RFQ process attracts world-class developers who bring best practices / innovations to AFH privatization projects. The best value RFQ process reduces time and costs for both Army and private sector developers who participate in the RCI program.

b. The traditional RFP process is used in negotiated procurements to communicate specific government requirements to prospective firms and to solicit proposals based on those specific requirements. A RFQ process seeks to evaluate and award on the basis that the firm selected is the most highly qualified (based on applied criteria) to engage in discussions with the Army to create a mutually agreed upon business plan to meet the Army's requirements.

c. The Army prefers a RFQ procurement approach rather than the more traditional RFP approach because RFQs:

- ?? Provide greater flexibility in negotiating long-term partnership agreements with the private sector partner.
- ?? Maximize opportunities for interchange between developers, the local community, and the Army.
- ?? Foster innovation and creativity and provide opportunities to craft the best business and development plans.
- ?? Take greater advantage of private sector expertise and provide a mechanism for consultation with OSD and the Congress during the process.
- ?? Promote competition by lowering the entry cost for private sector offerors to submit a response.
- ?? Are acceptable to the private sector -- number of bidders has increased.
- ?? Allow the Army to create large and complex real estate plans with the expertise and advice of private consultants.

d. The Fort Carson project used the RFP approach. The remaining three pilot projects used a one-step RFQ process. Follow-on RCI sites will be solicited using a two-step RFQ process that will save money and expedite the process by announcing multiple sites.

e. Step 1 of the RFQ process determines the competitive range for a group of projects (e.g., Forts Bragg, Campbell, Stewart / Hunter Army Airfield, and Polk) using the following five evaluation factors.

- ?? 1 -- Experience
- ?? 2 -- Financial Capabilities
- ?? 3 -- Organizational Capability (Corporate)
- ?? 4 -- Past Performance
- ?? 5 -- Small Business Plan (General History)

f. Step 2 then allows those in the competitive range to propose for any or all of the projects listed in Step 1 as they are individually solicited (not grouped). Step 2 uses the following 4 factors.

- ?? 1 -- Preliminary Project Concept Statement
- ?? 2 -- Financial Return
- ?? 3 -- Organizational Capability (Installation Specific)
- ?? 4 -- Small Business Utilization Plan (Installation Specific)

g. The format of the proposal in Step 2 utilizes oral presentations. During orals, offerors provide a detailed presentation of the four factors and answer questions submitted by the evaluation team. Final selection is based on evaluation of the oral proposals and subsequently requested written submissions.

4. Community Development and Management Plan (CDMP).

a. Once the two-step procurement process is complete, the Army awards a contract to the selected development partner to prepare a CDMP. The CDMP serves as the business plan developed for each specific RCI project, and it sets forth the proposed terms of the developer's long-term relationship with the Army. The CDMP consists of three main components: (1) Development Plan, (2) Financial Plan and Transactional Instruments, and (3) Operations, Maintenance, and Property Management Plan. Benefits of the CDMP process follow.

- ?? Allows Army / developer to work through issues collaboratively, and to ensure that major issues are identified and addressed before execution of the plan.
- ?? Provides a forum for the Army to consider proposals from the developer concerning the use of specific privatization authorities.
- ?? Gives the Army a mechanism for periodically conferring with Congressional oversight committees during project planning, as well as with representatives from the local community and other Army and Defense Department organizations to ensure the needs of all interested parties are satisfied.

b. It is expected that the CDMP process will require approximately seven months. During the first six months, the selected developer works closely with the Army to craft a CDMP that is the business plan for the proposed RCI project. The Army staffs this plan, and then submits it to the Congress for review. If Congress does not object to the

project, the Army issues a Notice to Transition and the developer is paid a fixed sum for the CDMP. In return for this payment, the Army is granted full and unlimited rights to use the CDMP. Approximately three months later, housing assets and operations are turned over by the Army to the project that is typically a limited partnership or limited liability company that includes the Army and developer as limited partners / members.

5. Summary. Army's use of the two-step RFQ procurement process has many advantages over the traditional RFP process. World-class developers are attracted to the RCI program, and the Army is assured that the best business and development plans and deals are crafted at the best cost to the Army and development partner. For additional information on the Army's RCI Program, you can browse through our website or call the RCI Project Office at 703-692-9898.