

ARMY INFORMATION PAPER

7 March 2014

SUBJECT: Army Residential Communities Initiative (RCI) Project Challenges

REQUEST: Provide an update on specific Army RCI project concerns for the Fiscal Year (FY) Military Construction (MILCON) Staffers briefing.

KEY POINTS:

- The Army is protecting its investments through a portfolio and asset management program. This program monitors project performance, compliance with development plans and schedules, and financial health over the 50-year term.
- The Army RCI program has 34 independently and privately owned business entities, known as Limited Liability Companies (LLCs) and/or Limited Partnerships (LPs) located at 44 installations.
- Each private entity has a Managing Member who has the overall responsibility to ensure development, financial and operational performance expectations are achieved and sustained. Financial and performance challenges are dealt with according to the legal framework and business agreements which govern the project.
- Of the 34 project entities, 31 are meeting or exceeding project performance expectations, and three projects are facing significant financial challenges as described below.

BACKGROUND:

- **Fort Irwin:** Lower than planned rent revenue due to sustained low or negative Basic Allowance for Housing (BAH) growth since 2006 has constrained project cash flows resulting in a negative financial impact to the project. The project had a favorable BAH increase of 7% in 2014 to help make up some of the revenue shortfall. The Army is working revenue solutions with the partner.
- **Fort Knox:** Army is deactivating a Brigade Combat Team (BCT) beginning in March 2014 through January 2015. Nearly 50% of project residents are assigned to the BCT. It is estimated that this could drop the project's occupancy rate to 50%. To prevent a future project default, the Army is working with the partner to develop mitigation strategies for the impending personnel drawdown.
- **Fort Wainwright-Greely:** Due to excessively high utility commodity costs at Fort Greely, the project's financial performance is significantly impacted. Each home at Fort Greely is a net drain on the project, which was not anticipated at financial closing. The Army is currently looking at different options to mitigate the overall impact to the project.