

U.S. Army Residential Communities Initiative (RCI)

**Innovative and Successful P3 Model Application from
Public, Private, Financial, and Legal Perspectives**

Panel Speakers

- Mr. Addison D. “Tad” Davis, IV
Chief Executive Officer United States Army Reserve Command
Public Partner Perspective
- Mr. John G. Picerne
President & CEO Corvias Group
Private Partner Perspective
- Mr. Tony Freedman
Partner Holland & Knight, LLP
Legal Perspective
- Mr. John Germain
Director Barclays Capital
Financial Perspective

United States Army

Residential Communities Initiative

By 1998, three quarters of Army soldier and family housing was in substandard condition. Traditional solutions would have needed 20 years to clear the maintenance backlog of more than \$7 billion.

Today, thanks to the Partnerships between the US Army and the Private Sector:

- 98% of Army housing (**88,000 homes in 23 states at 44 military installations**) is developed, managed, and maintained by private partners.
- The \$7 billion maintenance backlog was eliminated 20 times faster than if done by traditional procurement methods.
- Army Leadership, Soldiers and their families are highly satisfied with spacious, modern communities featuring community centers, tot lots, green space and other amenities.
- RCI partners leveraging public funds approximately 10:1.
- Program transparency and accountability is maintained through joint administration and decision-making structure expressed in an LLC operating agreement.
- More than 70% of vendor and service expenditures go to small, disadvantaged & minority-owned businesses.

Case Study

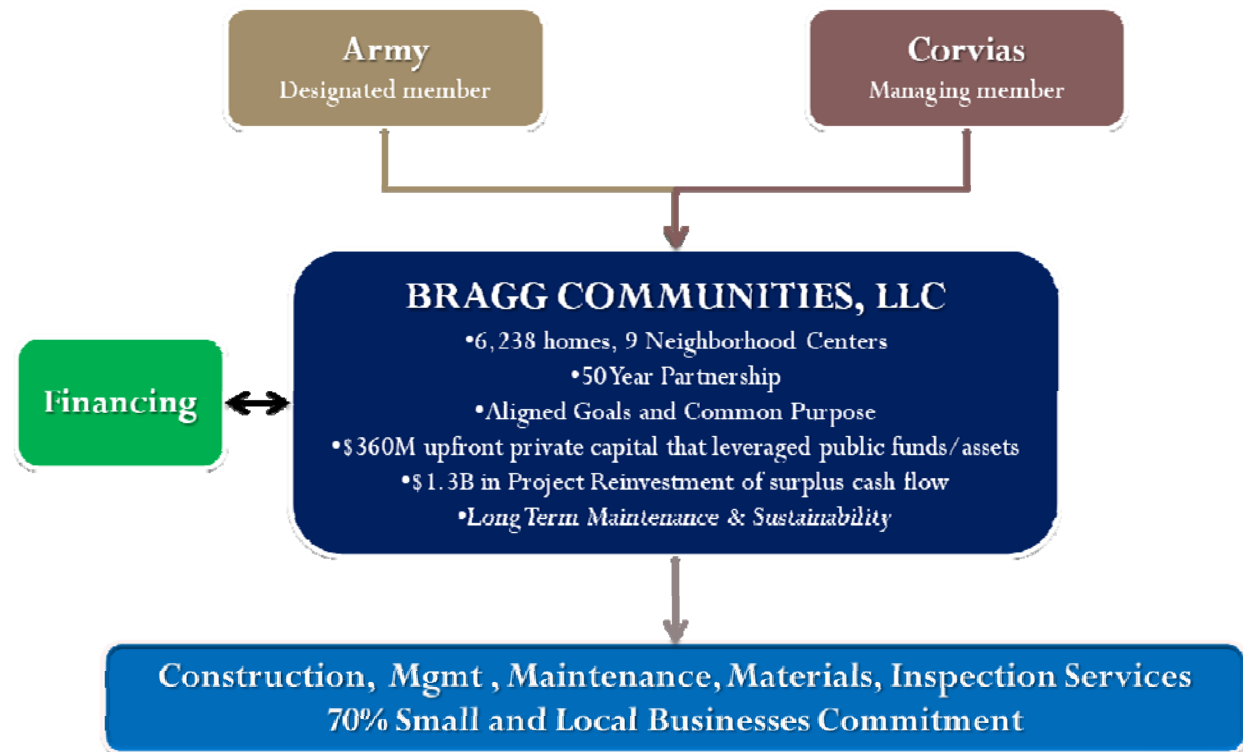
Fort Bragg RCI Family Housing Partnership

- Fort Bragg, North Carolina
 - Home of the US Army's FORCES Command(FORCECOM), US Army Reserves Command, 101st Airborne, and Special Forces.
 - Largest Military Installation (by population) in the World!
 - Supports over 260,000 personnel on over 160,000 acres
 - Comprised of over 600 square miles
 - Over 1,400 miles of paved roads.
 - Over 2,000 miles of electric and water infrastructure
 - 9 On Post Schools and 11 Churches
 - Annual Economic Impact of over \$11 billion
 - **Over 6,000 Single Family On Post Homes**

Case Study

Fort Bragg RCI Family Housing Partnership

- Bragg Communities established 2003
- \$360M Initial Development Period (2003 – 2013)
- \$1.3B Secondary Development/Reinvestment Period (2014-2053)
- On schedule to meet or exceed all scope, budget, and schedule requirements.



Public Partner Perspective

Quality of life for military families is a key issue for the well-being of the warfighter and a significant contributor to the Army's recruitment, readiness, and retention.

- Prior to Bragg Communities, LLC
 - Housing maintenance backlog
 - Incremental funding for capital improvements and operations
 - Disconnected funding sources, silos
 - Shrinking resources and growing requirements
 - Onerous procurement process resulting in small one-off projects
- Public Partner's benefit from a Partnership solution
 - Shared Governance and Aligned Interests = "Partnership"

**Mr. Addison D. "Tad" Davis, - Chief Executive Officer United States Army Reserve Command
(Retired Colonel, United States Army & Former Fort Bragg Garrison Commander)**

Private Partner Perspective

- Reframing the problem
 - From building houses to building long term sustainable military communities
- Creating Aligned Goals and a Common Purpose
- Building Trust with our Partner
 - 3 Core Principles

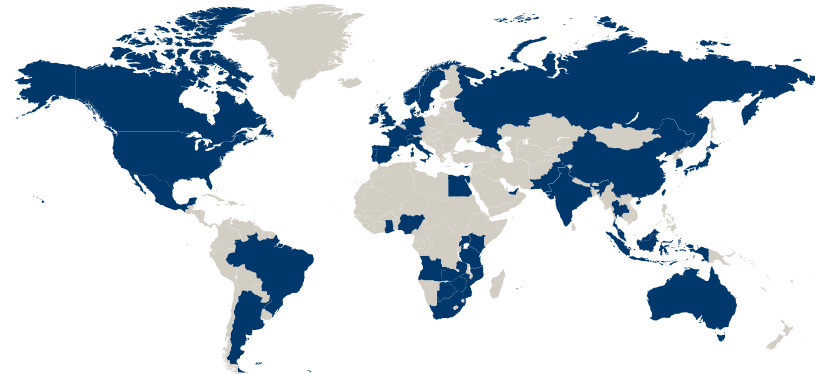
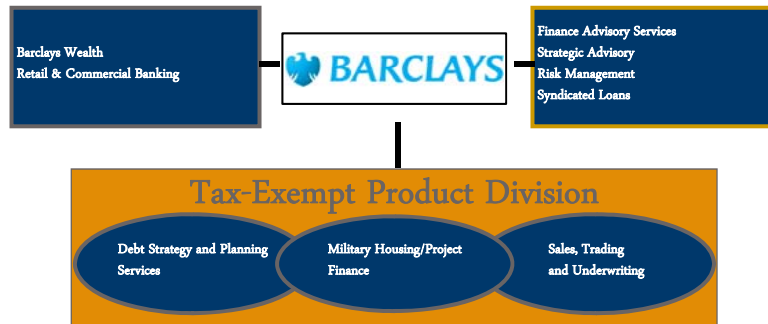
Legal Perspective

- Creating a legal Partnership structure that incorporates:
 - Transparency, Aligned Interests, Long Term/Commitment, Flexibility, Accountability.
- Why a “LLC” Partnership?
 - Shared Governance that balances control and risk for both partner entities.
 - Ensures long term “50 year” commitment from both public and private partners
 - Maximizes the private sector’s ability to leverage public funds in the most cost efficient manner.

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John Germain, Director at Barclays

- Director in the Military Housing/Affordable Housing Finance Group
- Twenty-five years of experience in raising capital for public private partnerships and multifamily housing programs nationwide
- Has led over \$8 billion in financings including a quarter of all military housing financings in the country
- Clients include The United States Navy, Army and Air Force, Public Private Partnership developers and Housing Finance Agencies nationwide

Financial Perspective

- MHPI collateral very similar to Storm Water Management Retrofit program
 - MHPI revenue stream originates as a federal appropriation through DOD's Basic Allowance for Housing (BAH)
 - Storm Water Management Retrofit program also has revenue stream via legislative authority for a stormwater utility fee.
 - Both programs contain the fundamental & prerequisite collateral for securitization in capital markets

Financial Perspective

- How does the Capital Markets view the Military Housing Privatization Model?
 - Capital market appetite is strong
 - \$25B in financing completed as part of the Department of Defense's Military Housing Privatization Initiative from 1996-2013
 - \$360M for the Fort Bragg RCI Family Housing partnership.
 - No Risk to issuer
 - No General Obligation Pledge
 - Off balance sheet financing

Financial Perspective

- Streamlined Partnership Debt Model
 - Long term Fixed Rate Programs
 - Taxable or AMT eligible
 - Non Recourse
 - Fully funded on Day One of the program
 - Low cost of funds
 - Greater Capitalization
- Standardized Debt Offerings with adequate Reserves
 - Debt Service Reserve Fund
 - Maintenance / Replacement reserves
 - Construction contingencies

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