



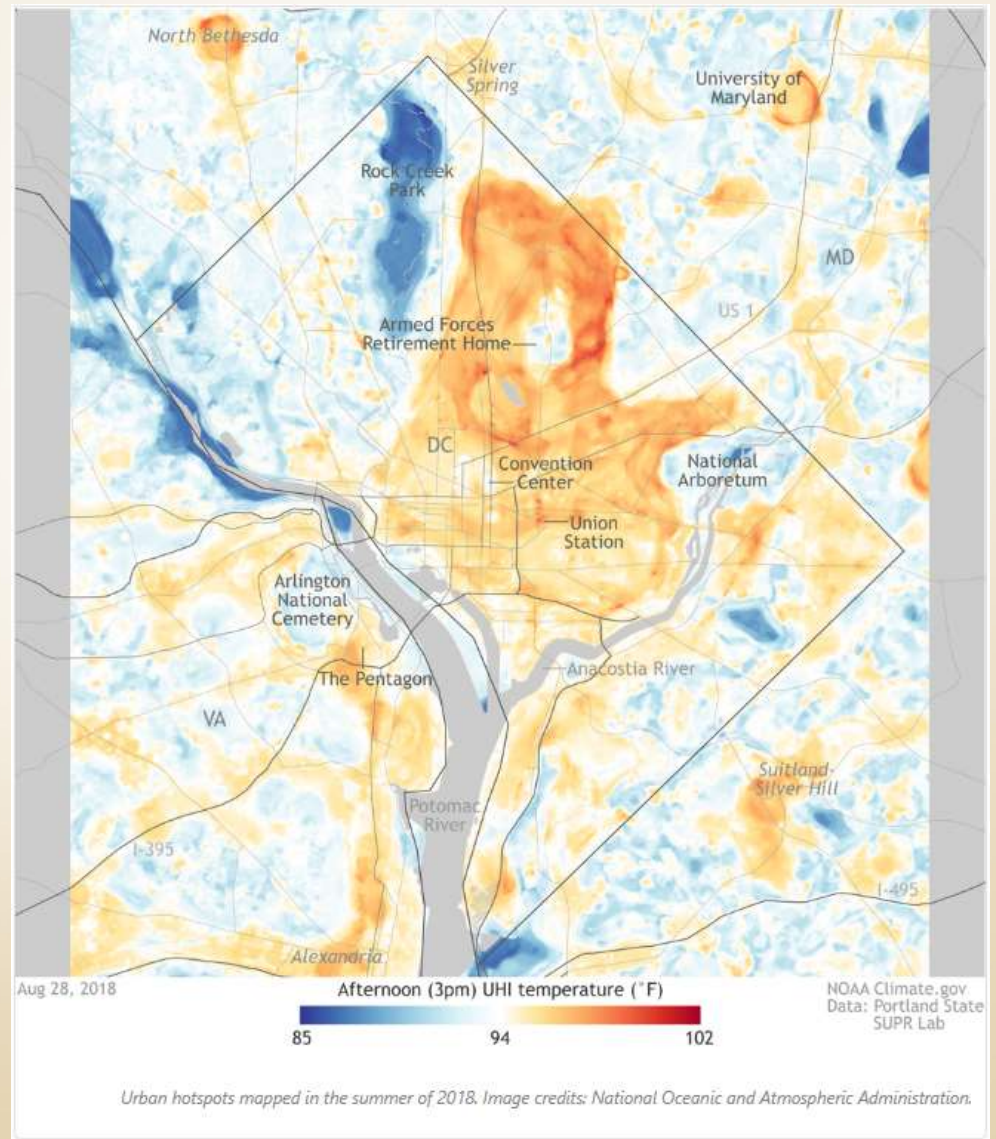
Strategic Asset Management Planning

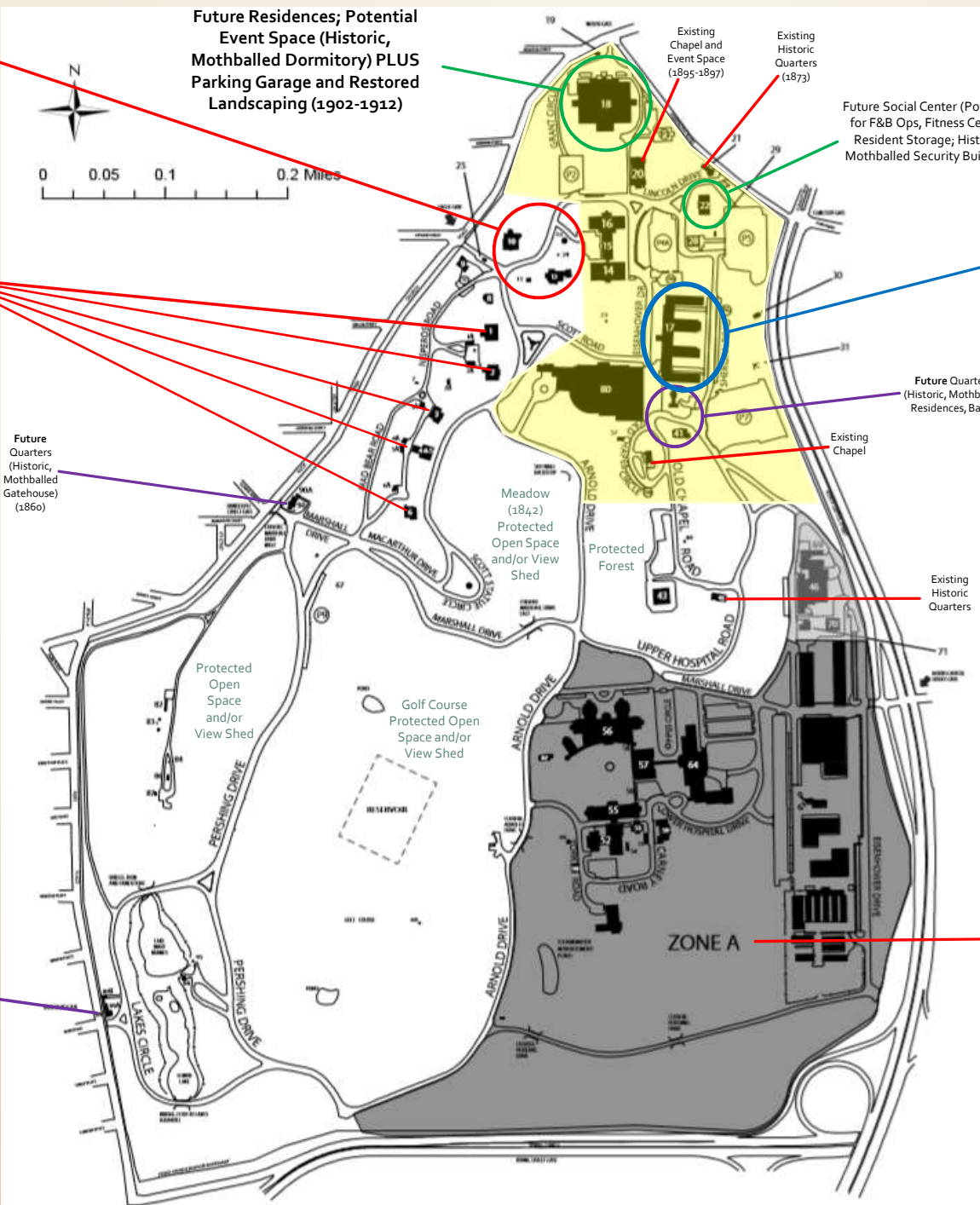
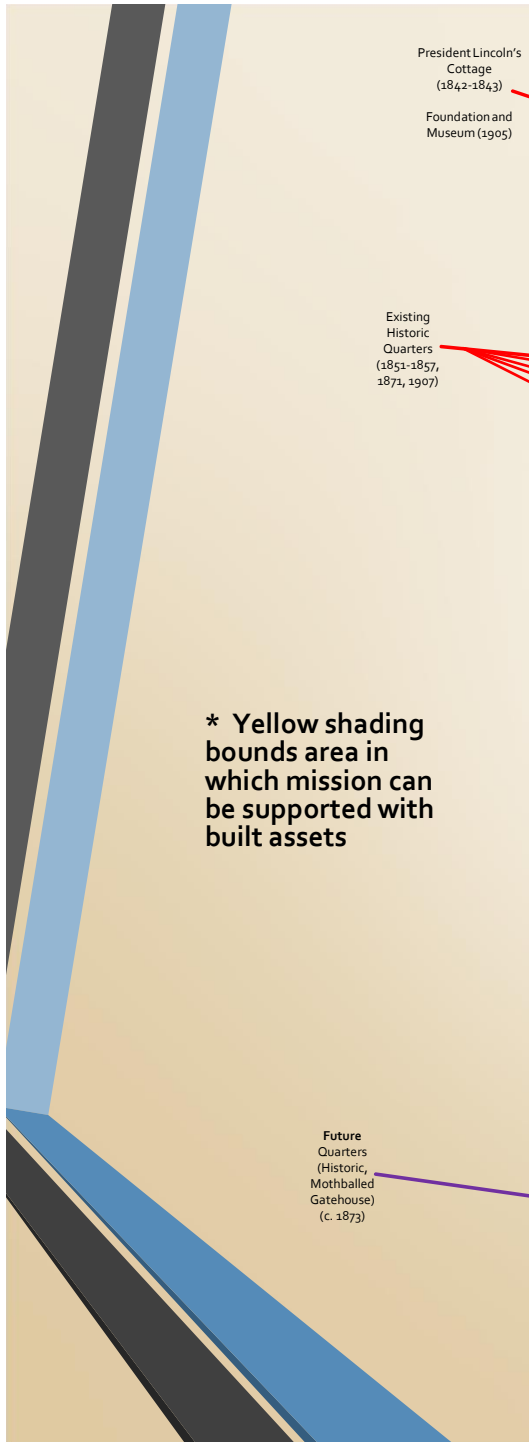
Armed Forces Retirement Home – Washington (AFRH-W)

8 August 2019

Armed Forces Retirement Home - Washington

- 272-acre “oasis” in NW DC
 - Always 4°-7° cooler
 - > 120 acres of protected open space
 - Second highest elevation
 - View sheds: Washington Monument, U.S. Capitol
- 1851 founding as U.S. Soldiers’ Home
- Historic and archeologically significant
 - National Historic Landmark in its entirety
 - Four buildings on National Register of Historic Places







“

We need a vision – a plan – for the AFRH
Zone to guide and constrain our
decisions.

”

AFRH leadership... just before it reached for the “bright, shiny
penny” of a one-time \$18M revenue infusion for 65-year
ground lease of Grant Building (and 10+ acre loss for mission)

Challenges

- Trust Fund Insolvency
- Revenue Generation
- Congressional Limits on Spend
- Deferred Maintenance
 - Aging, historic infrastructure
 - Congressional caps on CAPEX
- Independent Living Residences (Sheridan Building (1960))
 - Clinical, outdated, institutional
 - Designed at height of nuclear attack fears
 - 486 ~200-300 sq ft studios
 - No balconies, kitchens, storage, walk-in closets
 - No personalization
 - No place to stretch/spread out
- Industry / Generational Trends



Vision 2035

- Maintain distinction as “continuing care retirement community” or “life plan community”
- By 2035, mission-based portion of campus in DC should:
 - Have a “small town” look and feel
 - Feel like a community
 - Encourage residents to “know their neighbors”
 - Be intimate
 - Be a refuge in the city
- Make asset decisions based on mission requirements, not just on capacity to generate new revenue
 - Use all assets – built or natural – during transition to minimize operational disruption
 - Replace existing capacity as minimum
 - Enlarge and update designs and customization of residences

How Should AFRH Proceed?

- Adopt ISO 55000 Asset Management standard as part of agency strategic plan
 - Provides most logical and mission-aligned approach, using defined principles in six systems
 - Strategy and Planning
 - Decision Making
 - Lifecycle Delivery
 - Organization and People
 - Asset Information
 - Risk Management
 - Enables decomposition of large problems related to built and natural assets into manageable and actionable plans and processes, supported by open standards and accessible data

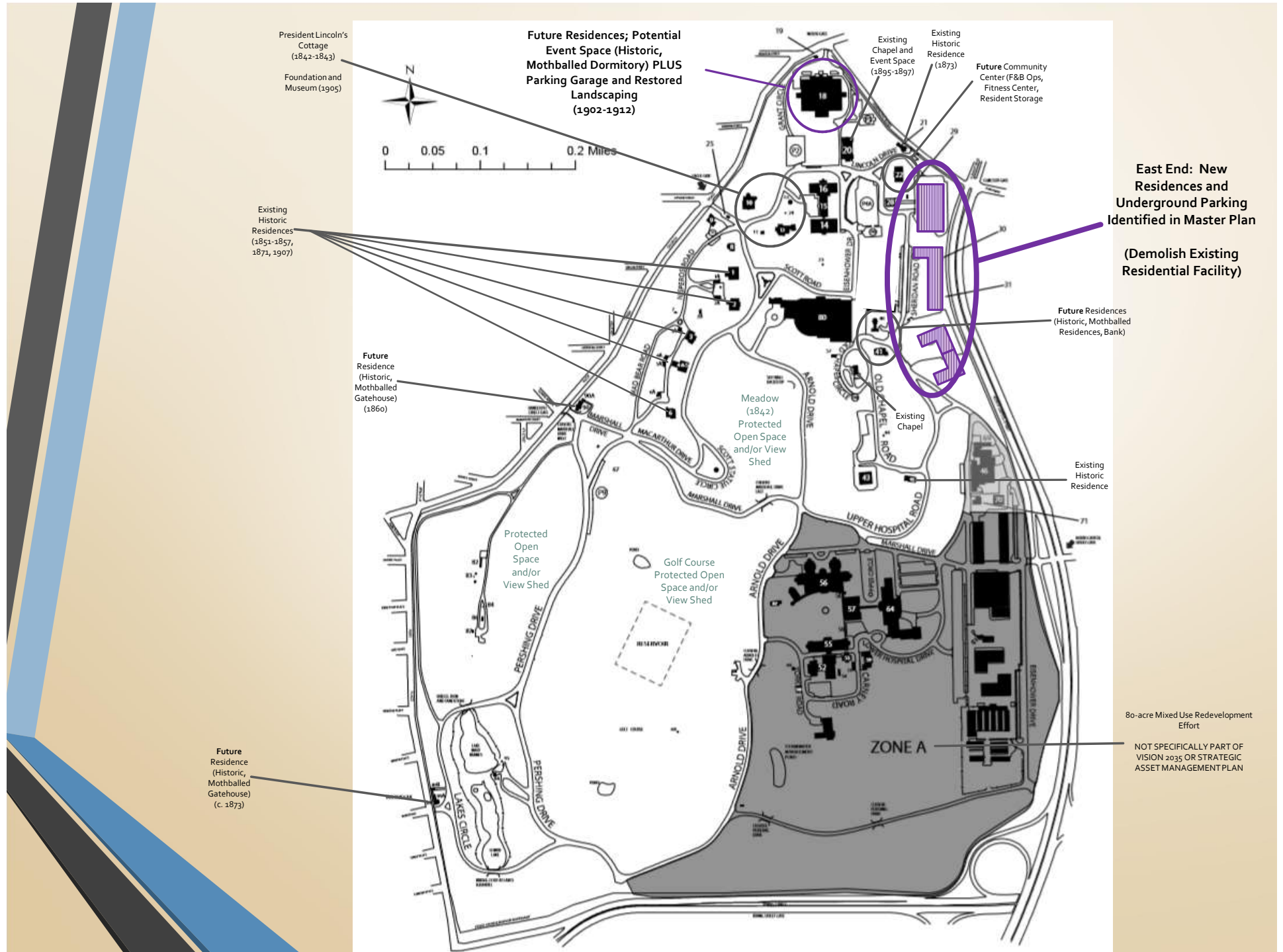
Strategic Asset Management Plan

ISO 55001 4.1: Organizational Context

| ISO 55001 Clause | Required Evidence | Armed Forces Retirement Home (AFRH) | How to Address Gap |
|--|--|---|---|
| The organization shall determine... | To 'determine' is to establish by research. | | |
| | a) Statement of Organization's Purpose | Provide, through the Armed Forces Retirement Home-Washington (AFRH-W) and the Armed Forces Retirement Home-Gulfport (AFRH-G), residences and related services for certain retired and former members of the Armed Forces. | |
| | b) List external and internal issues, trends, drivers relevant to the Purpose | <ul style="list-style-type: none"> - Guided and constrained by Title 24, United States Code, Chapter 10, which limits prospective customer base (i.e., those who are eligible to apply) - Limited by Congressional caps (via Defense Appropriations bills) on annual expenditures, rather than by needs of residents and/or capital infrastructure - Limited by legislation on resident fees that may be imposed - Impacted by historic reduction (not of its own doing) in revenues, without many alternatives to overcome - Comprised of independent federal agency as well as two distant and distinct campuses (Washington, DC, and Gulfport, MS) - Affected by historical (1851) provision of safe haven to indigent enlisted retirees, and by new (1991) legislated requirement to be a "continuing care retirement community" - Burdened and blessed by AFRH-W campus: full of historical significance, rolling acreage, exceptional views of DC monuments, but aging and failing infrastructure - Impacted by independent living accommodations designed for older generations that not only tolerated but accepted long-term communal living and/or limited square footage - Impacted by lack of spending authority (and, in some cases, trust fund balances) to address DC campus maintenance backlog approaching \$200M - Impacted by lack of marketing to active duty and retired enlisted forces for almost a decade | <ul style="list-style-type: none"> - Work with Congressional advocates and DoD to affect legislation - Work with Congress and OMB to recognize need to increase annual caps (on O&M and capital spending) in order to meet operational requirements - Advocate for data-driven updates to resident fee structure, subsidy reductions, and eligibility requirements - Develop new revenue sources (to include charitable fundraising) within legislated constraints - On AFRH-W campus: <ul style="list-style-type: none"> -- Lease 80 of its 272 acres to master developer for mixed-use redevelopment, generating revenue from master and parcel leases (et al.) -- Adapt existing structures to respond to industry and generational needs for more spacious accommodations, sense of community, and amenities -- Build new structures designed to meet emerging trends and needs (in accordance with master plan) -- Demolish existing structures that have reached obsolescence in terms of industry and generational needs as well as placemaking -- Advocate for additional funding from Congress to address serious infrastructure issues - Build new facilities, in accordance with master plan, designed to meet updated and emerging requirements - Hire marketing consultant(s) to rebrand campuses and develop new materials to attract new generations of prospective residents |
| | c) List the asset management system's intended outcomes | <ul style="list-style-type: none"> - Increase ability to attract future generations of enlisted retirees and their spouses (regardless of level(s) of income) - Increase ability to attract those who have resources to afford higher fees and more luxurious accommodations - Increase ability to attract donors, donations, and Congressional support - Refresh the look and feel of the AFRH-W campus and instill sense of community (i.e., overcome view of campus as institutional and aging) | |
| | d) List external and internal issues with the ability to prevent the asset management system meeting its intended outcomes | <ul style="list-style-type: none"> - Congressional support for legislative and funding changes - DC Government (i.e., NCPC, DCOP, SHPO, et al.) support for changes - Community (i.e., Petworth and ANCs) support for changes | |
| Asset management objectives, included... | Show how the planned asset management objectives to be achieved align, and are compatible with Organization's objectives, so that by meeting the asset management objectives they help achieve the Organization's objectives | The planned asset management objectives, particularly for the AFRH-W campus, to adaptively reuse historic facilities, build new facilities, and demolish non-contributing facilities will enable the AFRH to be relevant long into the future, offering accommodations desired by and affordable to all income levels of enlisted retirees and their spouses. | |

AFRH-W Residential Replacement Asset Management Plan

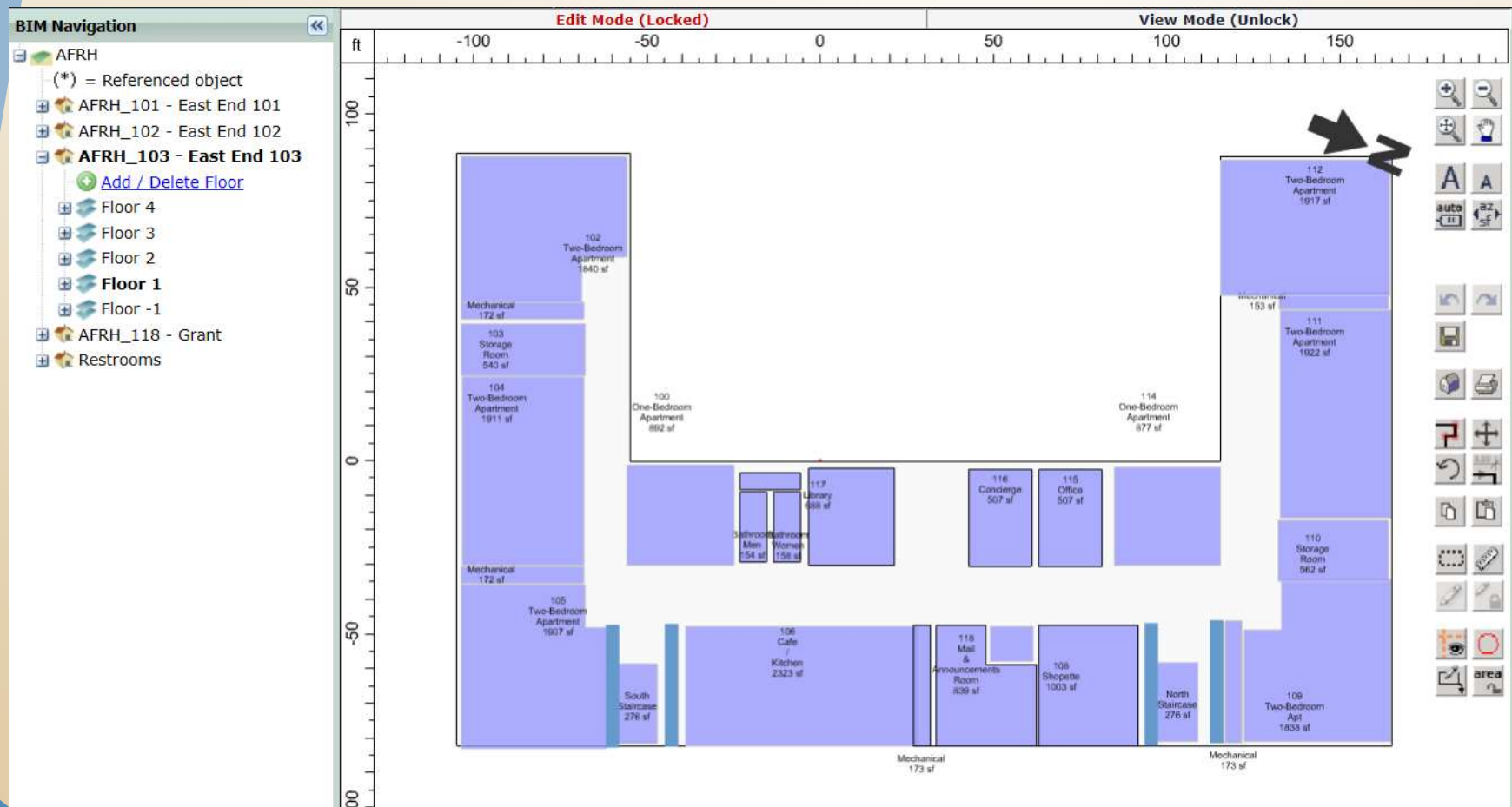
- AFRH's product and service delivery must keep pace with industry and generational trends by providing independent living accommodations that are modern, spacious, amenity-filled, customizable, and community-based, and that maximize AFRH's limited resources (ISO 55001 4.1)
 - AFRH must be able to share open standards-based data securely throughout all phases of asset lifecycle (ISO 55001 7.5)
- Alternatives must be considered, cost-estimated, and based on secure and open standards data (ISO 55001 7.5, 9.1)
 - Retain AFRH-W as residential campus
 - Abandon AFRH-W as residential campus due to cost or lack of space
 - Move residential operations to AFRH-G
 - Move residential operations to new location (requires new land, building(s))
- Funding – through trust fund or Congressional appropriation – must be reasonable and feasible




New Residential Buildings



Adding Floors and Spaces



Building Construction Costs

| BACK | | | | |
|---|---|-----------------------------------|-------|--------------|
| Building Cost Estimate  | | | | |
| Project Name: | 201907_AFRH_0001 - AFRH_Zone_EastEnd | | | |
| Scheme Name: | AFRH | | | |
| Building Name: | AFRH_103 - East End 103 | | | |
| Item No. | | | | |
| CONSTRUCTION COSTS | | | | |
| 2.0 | BUILDING CONSTRUCTION: | 161,992GSF | | \$34,040,000 |
| | (119,994SF Space Area x 1.35 Custom Factor) | | | |
| | Cost for New Construction | 161,992 GSF | | \$34,040,000 |
| | | (Average: 97,412 GSF x \$250) | | \$24,353,000 |
| | | (Low: 64,580 GSF x \$150) | | \$9,687,000 |
| | | | | |
| | SUB-TOTAL - CONSTRUCTION COSTS (excluding factors and fees) | | | \$34,040,000 |
| | | | | |
| | Cost Region Factor: | 1.00 | | \$34,040,000 |
| | | Sub-total | | \$34,040,000 |
| | Construction Contingency | 15.00% | | \$5,106,000 |
| | | Sub-total | | \$39,146,000 |
| | Design Contingency - Building | 10.00% | | \$3,914,600 |
| | | Sub-total | | \$43,060,600 |
| | Escalation to Mid-Point of Construction (excluding fees) | (Site escalation version not set) | 9.99% | \$4,303,366 |
| | | Sub-total | | \$47,363,966 |
| | | | | |
| | TOTAL CONSTRUCTION COST (excluding fees) | | | \$47,363,966 |
| | | | | |
| | TOTAL NON-CONSTRUCTION COSTS (excluding fees) | | | \$0 |
| | TOTAL CONSTRUCTION COST (excluding fees) | | | \$47,363,966 |
| | TOTAL BUILDING COST (excluding fees) | | | \$47,363,966 |
| | | | | |
| | PROFESSIONAL FEES (% of construction cost) | | | |
| | Const. Supervision, Inspection, & Overhead | 5.50% | | \$2,605,018 |
| | Planning & Design | 12.00% | | \$5,683,676 |
| | Govt. Inspection | 6.00% | | \$2,841,838 |
| | | | | |
| TOTAL BUILDING COST | | | | \$58,494,498 |



Backup Information

Placemaking

- *"Combining elements of the built environment in a compelling way that attracts people — the essence of real estate development."*
- AFRH has an institutional look and feel
 - Sheridan Building: outside is dated and looks like a hospital; inside feels sterile, confining
 - Scott Building: exterior is more modern but looks like it was designed by architect that specializes in medical offices
- Other CCRCs look to stay current with residential trends, reflect active lifestyles, develop sense of place through buildings and settings: **HOME**



