

# AIR FORCE



*Housing  
Privatization*



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## LIVING IN GENERAL OFFICER PRIVATIZED HOUSING



## Introduction

Quality housing and a sense of community are critical components of force readiness and retention. This brochure has been created to help frame expectations of General Officer (GO) residents by outlining differences between government-owned Military Family Housing (MFH) and family housing in the Housing Privatization (HP) program; and by carefully describing regulatory requirements associated with their General Officer Home (GOH). Additionally, the Air Force Civil Engineer Center (AFCEC) is increasing efforts to highlight and educate Senior Leaders on the opportunities and successes that HP is affording Airmen and the enhanced quality of life Air Force families are enjoying.

## MHPI and Housing Privatization

HP began in 1996 with the Military Housing Privatization Initiative (MHPI). It was then that Congress recognized that the condition of the Department of Defense (DoD) MFH inventory warranted renovations and repairs that military funding could not cover. Instead of budgeting billions of dollars for new houses and renovations, Congress incorporated MHPI into the 1996 National Defense Authorization Act (NDAA). This initiative provided the Air Force with the means to privatize housing at all Continental United States (CONUS) Air Force installations and shift the responsibilities of renovation, construction, operations, and maintenance to private sector Project Owners (POs), thus allowing the Air Force to focus on the mission and personnel while leveraging private sector investment to eliminate inadequate MFH.

The housing privatization program includes General Officer Homes (GOH) which are now owned by the PO and subject to the conditions in the privatization agreement. Decisions concerning any additional amenities or work requested for a GOH are made at the discretion of the PO and must be consistent with the approved project budget as the PO is responsible for maintaining the property in a fiscally responsible manner.

## How Privatization is Different

Housing privatization is a unique procurement method for MFH. It differs from appropriated MILCON construction in that private capital is leveraged to improve/replace MFH inventory that is then rented back to Air Force personnel at the Basic Housing Allowance (BAH) rate corresponding to the assigned resident. Reaching a privatization agreement with a Project Owner (PO) is a difficult undertaking requiring extensive negotiation. Each 50-year privatization partnership is uniquely crafted to meet the requirements of the stakeholders using commercial tools and expertise.

Major changes related to housing privatization include:

- Project is a legally binding business deal/real estate transaction; it is not a Federal Acquisition Regulation governed contract
- Government no longer owns or controls the homes, the PO does
- Service Members pay rent based on the BAH; pay utilities (gas and electric) using a utility allowance; and sign a Tenant Lease Agreement (TLA)
- PO provides property management and maintenance services
- The Housing Management Office (HMO) provides project oversight while maintaining a close working relationship with the PO
- Air Force Instructions (AFIs) are applicable only when appropriated funds are expended; otherwise the privatization agreement governs

- **Designated Housing:** Specific units may be designated for GOs in Special Command Positions (SCP).
- **Incumbents:** Homes may remain vacant and held open for incumbents of SCP and Key and Essential (K&E) positions. Consult project Transaction Documents for specific length of time a home may be held open/remain vacant.
- **Unaccompanied/Single General Officers:** GOs (unaccompanied/single) may live in HP if filling an SCP position or considered K&E. Rent is determined by the Transaction Documents.
- **Joint bases:** Other Services' Flag Officers/GOs may reside in HP and follow the terms of the Tenant Lease Agreement, similar to community rental properties.
- **Utilities:** Until the Initial Development Period (IDP) is complete, the PO will provide utilities and the Tenants will pay their entire BAH to the PO to cover rent and utilities. After the IDP, Tenants will pay actual utility costs (gas and electric) either to the PO or a utility company. The utility allowance will equal 110% of the annual estimated average of utility consumption for the type of unit the member leases. BAH is still paid to the member, however the utility allowance is now used to determine the rent (BAH - Utility Allowance) due to the PO and the remaining amount is given to the member for the utility bills (Utility Allowance).
- **Dispute Resolution:** Disputes regarding the home should be worked out with the PMO. If the dispute cannot be resolved at that level, the HMO may facilitate consensus between the Tenant and Landlord. This allows the HMO and the Installation Commander to engage with the Landlord on behalf of the Tenant. If the dispute can't be resolved at this level, the Tenant has the option of seeking independent legal guidance to resolve the dispute.
- **Flags:** POs provide flags and/or flag poles if identified in the Transaction Documents and costs were included in the annual budget. Flags and/or flag poles are provided at the PO's discretion
- **Renter's Insurance:** POs provide renter's insurance for some Tenants, however, all Tenants are strongly encouraged to purchase additional renter's insurance. Contact the PMO for further details.



Wright-Patterson AFB, Ohio



Los Angeles AFB, California



MacDill AFB, Florida



### What to Expect

- Quality construction
- Contemporary floor plans
- Master bedroom/bathroom combination
- High-quality, energy-efficient appliances
- Modern kitchens, cabinetry, and fixtures
- Grounds maintenance in accordance with transaction documents
- Garages versus carports in most homes
- Amenities comparable to community rental properties
- Professional maintenance services
  - Scheduled appointments
  - Definitive response times
  - Estimated completion dates
  - Skilled, professional maintenance staff
  - Advance notice to access homes
  - Preventive maintenance
  - Follow-up after work completion
  - Exceptional customer service
- Multi-functional community centers (most projects)
- Well-landscaped, pedestrian-friendly sites
- Common area grounds care



Robins AFB, Georgia



Kirtland AFB, New Mexico

### Who To Contact

The POs’ Property Management Office (PMO) at the installation is the primary point of contact for the maintenance and management of HP. AFCEC is the overall Program Management Office for the Air Force; however, the government HMO at the installation maintains day-to-day responsibilities and will continue to provide services. The PMO and HMO partner to form the GOH Management Team. Listed below is a brief description of how each party assists with housing needs.

**1. The GOH Management Team**, is established by the Commander via a Partnering Agreement, and is comprised of POCs from the HMO (includes FMO), privatized housing PMO, and other installation agencies determined necessary to provide required services. The Team is the installation focal point for all GOH matters and interfaces with other installation agencies and GOH residents.

- 2. PMO** – Provides day-to-day management of privatized housing and is the first point of contact for residents regarding maintenance, pest control, lawn care, utilities, etc. Contact the PMO for all maintenance service calls.
- 3. HMO**– Provides government oversight for the housing privatization project and is the GOH liaison. They are the focal point for government furnishings, force protection and official communications equipment, special command position issues, and government cost reporting procedures.

### Reporting Requirements

**1. Appropriated Funds:** 10 USC 2831 limits all **appropriated fund expenditures** on GOHs to \$35,000 annually and requires the Services to report these expenditures by unit address annually to Congress. Government expenditures are captured quarterly and are reported on the AF Form 3826. The AF Form 3826, “Quarterly Cost Report for General Officer Homes,” includes government costs for Administration and Management, Furnishings, and other appropriated expenditures (e.g. Anti-terrorism and Force Protection (ATFP)/Communications).

*NOTE: New ATFP requirements require negotiation between the Air Force and the PO. The government provides all readily removable ATFP/communications items and funds with base Operations and Maintenance (non-military family housing) dollars.*

**2. Project Owner Funds:** PO expenditures are also reported using the AF Form 3826. 10 USC 2884 requires the Services to report annually on any privatized GOH or any privatized unit intended for use as a GOH where project owner expenditures exceed \$50,000. POs submit a quarterly GOH cost report workbook to the HMO identifying their expenditures for each GOH unit. Expenditures may include:

- Administrative and management
- Grounds maintenance
- Maintenance and repair work
- Change of occupancy work
- Property management fees
- Self help
- Capital Repair and Replacement
- GOH Extraordinary Cost and Expenditures

**3. Extraordinary Costs and Expenditures (EC&E) Report:** The MHPI program requires POs report costs for work on “any privatized unit that benefits a Tenant” and exceeds normal operations, maintenance, repair, or replacement of items within their expected service life. The PO is under no obligation to provide improvements or services beyond



McGuire AFB, New Jersey



Bolling AFB, Washington D.C.



the original project scope or the accepted scope of work and services. The report is submitted to AFCEC quarterly and includes cost for:

- Improvements not in the original scope
- Services not in the original scope
- Services not included in the annual budget

Supplemental Furnishings/Window Coverings and Treatments

Supplemental furnishings are allowances provided by the government and may be authorized in the entertainment areas of GOHs. Contact the HMO for additional information.

- Expenses limited to \$6,000/yr; cannot exceed \$20,000 over 5-year period. Thresholds for Special Command Positions (SCP) are \$10,000/yr; cannot exceed \$40,000 over 5-year period.
- Limitations apply to: drapery, curtains, area rugs, new furniture, and re-upholstery
- Recorded on AF Form 3826, Quarterly Cost Report for General Officer Homes
- Complements, not replaces, personal furnishings
- Furnishings for official use only

Window coverings (a non government provided feature) must be provided and maintained by the PO as a home feature (i.e., fixed installation items such as shutters or wood/aluminum/vinyl blinds).

Window Treatments (decorative) for public entertainment areas may be authorized and provided by the government. (Refer to AFI 32-6003)

- Applies to draperies, curtains, sheers, valances, cornices, or fabric blinds
- Considered furnishings and subject to \$6,000/yr; \$20,000 over 5-year period limits
- SCP threshold is \$10,000/yr; \$40,000 over 5-year period
- Recorded on AF Form 3826, Quarterly Cost Report for General Officer Homes

Additional Items of Interest

- **Change of Occupancy:** The period after the former resident has moved out and before the new resident moves in. If extensive work is needed during this time, the PO may perform major maintenance task such as replacing carpets, floor coverings, kitchen appliances, and doors, windows and cabinetry (bathrooms/ kitchen) if conditions warrant and if they have exceeded their useful life. These costs count against the annual Operations, Maintenance and Repair limits for the unit and will be reported to Congress.
- **Change of Occupancy Maintenance (COM):** Minor maintenance and repair work on housing units during change of occupancy include interior painting, repairing floors, walls and ceiling finishes; repairing electrical and plumbing fixtures; and cleaning over and above resident responsibilities. The PO, as specified in the project privatization agreement, will perform certain tasks as a routine part of the COM.
- **Move-In/Move-Out:** The lease agreement is between the military member (Tenant) and the PO (Landlord). By completing a “Special Power of Attorney” Tenants can designate someone (Spouse, Aide) to act on their behalf concerning all move-in/-out procedures for HP.



Fairchild AFB, Washington

Comparison of Military and Privatized Housing	
The government is no longer responsible for property management and maintenance of GOHs. See comparison chart below:	
Military Family Housing	Housing Privatization
Government provided maintenance and repair	PO provides and funds maintenance and repair
Government provided mission Communication/Force Protection equipment	No change; PO coordinates with Government to pre-wire (install conduit), Government provides, installs, and maintains equipment
Furnishings provided IAW applicable regulations	No change
Report all appropriated fund expenditures not to exceed \$35K threshold—reportable to Congress	Appropriated fund expenditures not to exceed \$35K threshold are still reportable to Congress; additionally, 10 USC 2884 requires OSD and the Services to report annually all privatized GOH operation, maintenance, and repair expenditures exceeding \$50K
Occupant calls housing maintenance to coordinate work on home	Tenant calls PMO to coordinate work on home
Military Family Housing (MFH) funds Self Help program and occupants are encouraged to use	PO is encouraged to establish a program if project financials allow but it's not required; many POs will deliver self help type items if requested
BAH is stopped upon assignment to MFH	BAH is visible on LES as it flows through an allotment to pay rent to PO
Member signs for housing	Member signs a Tenant Lease Agreement
Utilities included with MFH	Member pays gas and electric from a Utility Allowance deducted from BAH
Lawn maintenance is occupant's responsibility; some exceptions for Special Command Positions	Lawn maintenance may be provided by the PMO in accordance with the Transaction Documents
<p>NOTE: The PO understands the military member has a choice to live in HP. While most GOs live on base for mission essential reasons, the PO is responsible for maintaining homes to a high standard and for maintaining the property in a fiscally responsible manner.</p> <p>Work request such as repainting, recarpeting, changing door hardware, light fixtures, or even changing carpet to hardwood floors or vice versa are typically addressed if and only if they have exceeded their useful life.</p> <p>Your feedback on replacement/repair items is valued; however the decision to replace or repair items is made by the Project Owner or their representative.</p>	