Frequently Asked Questions about Grouped Projects

This information sheet answers frequently asked questions about grouped housing privatization projects. It provides an overview of the group concept, explains how properties at Installations across the country function as a single project, the roles and responsibilities of the stakeholders, and how performance is monitored and measured.

What is a grouped project?

A group is a housing privatization project consisting of more than one Air Force Installation with a common ownership, management, and financing structure. The Installations involved in a grouped project could be from one or more MAJCOMs. Grouping several Installations into one project helps make privatization financially feasible and better positions the project to weather normal market fluctuations.

Are any aspects of these projects property-specific?

Each property has its own construction scope and schedule, as defined in the Construction Management Plan, a separate Lease of Property/Use Agreement, and a separate Utility Service Agreement. However, grouped projects are one legal and financial entity with one set of transaction documents and one operating budget to support the entire group utilizing one Lockbox Agreement to govern all revenues and disbursements for the whole project.

How are operating expenses allocated to each Installation?

Grouped projects operate under a consolidated annual budget which consists of individual property budgets. The individual Installation teams (Project Owner [PO] and Housing Management Office [HMO]) review and provide feedback to AFCEC on the property-level budget. AFCEC works with the PO to ensure the budget accurately reflects the needs of each property as well as the entire group. Deputy Assistant to the Secretary of the Air Force for Installations (SAF/IEI) usually delegates, through a Delegation of Authority letter, budget approval authority to AFCEC for all privatized projects.

Isn't my installation the "cash cow" and therefore entitled to more services and amenities?

Privatization would not have been feasible for some installations without grouping. Every property within the group contributes to the overall success or failure of that group not to individual successes. Weak projects are grouped with stronger projects to make the group work and thus mitigate risks associated with any specific installation in the group. High BAH and/or high occupancy do not necessarily equate to a property contributing more than any other within the group. Income after expenses (Net Operating Income [NOI]) compared to initial project projections or Pro-forma is what performance is measured against. Finally, while some properties may receive more initial scope, these units may generate higher NOI during the remainder of the project than those at properties that did not receive as much initial scope. Ultimately, grouping provides protection to the individual installations against market fluctuations.

How is performance monitored?

AFCEC monitors each project's performance using Key Performance Indicators (KPI) and prepares a number of reports throughout the year summarizing its findings. These reports assess the financial, operational, and development performance of the group as well as incorporating property specific analysis. Charts detailing each property's performance are included as an appendix. AFCEC also completes periodic site visits of each property to assess performance.

How is performance measured?

AFCEC measures the overall performance of the group, not the individual Installations. However, AFCEC will engage when necessary to address performance issues at individual Installations.

How are Performance Incentive Fees calculated and awarded?

The Operating Agreement specifies how Performance Incentive Fees (PIF) are calculated and awarded. In many cases, the fees are based on performance at the property level. Depending on whether or not the group spans more than one MAJCOM, AFCEC or the MAJCOM take the lead in approving the fees.

What is the function of the Management Review Committee (MRC)?

The MRC, as a body, does not have decision making authority; therefore the MRC does not have voting/non-voting members. The objective of this forum is to provide updates, discuss issues and share feedback. It is often useful in promoting consistency and resolving issues across the group. MRCs are usually held quarterly during the Initial Development Period (IDP) and/or semi-annually thereafter depending on the financial status of the project. Representatives from each Installation are encouraged to participate.

Who chairs the MRC?

Groups falling under a single MAJCOM are co-chaired by the MAJCOM Commander and the PO. When a group spans multiple MAJCOMs, AFCEC and the PO are co-chairs. The Operating Agreement for each group specifies whether there are deviations from this general policy.

What authorities does AFCEC have?

SAF/IEI may delegate specific portfolio-level authorities for Privatized Housing to AFCEC. These delegations usually include the ability to consent to and execute modifications to the project documents that do not adversely affect the financial viability, development scope, or operations of the projects. Soon after the project or group closes, AFCEC further may further delegate specific authorities to the MAJCOMs or Installations.

What authorities do MAJCOMs have?

MAJCOMS responsible for single MAJCOM grouped projects receive delegated authorities to establish and co-chair the MRC, approve minor modifications to the Operating Agreement, and approve the PIF. MAJCOMs should review the Delegation of Authority letter for their group to ascertain their specific authorities. AFCEC retains delegated authorities if the group consists of multiple MAJCOMs and their respective installations.

What authorities does each Installation have?

Installation Commanders should review the Delegation of Authority letter, from AFCEC, for their project to ascertain their specific authorities. In general, the Delegation of Authority letter grants each Installation Commander the authority to:

- Gain access to the leased land to exercise rights specified in the closing documents
- Approve environmental plans and permits
- Monitor compliance with environmental requirements
- Approve PO requests to remove cultural artifacts found during construction
- Coordinate haul and access routes for construction and maintenance of the housing
- Calculate reimbursement for utilities and fire and police services
- Permit the PO to open the tenant waterfall when occupancy is above 95%
- Remove any tenant that may pose a security concern
- Approve annual utility allowance rates

Which document governs if there are conflicts between agreements?

The Master Development and Management Agreement (MDMA) incorporates all other agreements the Air Force is party to by reference. The MDMA describes the composition of the group, sets forth reporting and insurance requirements, and describes how the housing will be renovated and managed.