2. Project Owner Funds: 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 $35,000. POs submit a quarterly GOH cost report workbook to the HMO to identify 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

The PO expenditures are also reported using the AF Form 3826, “Quarterly Cost Report for General Officer Homes.”

3. Extraordinary Costs and Expenditures (EC&E): The MHPIC program requires POs to 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 the original project scope or the accepted scope of work and services. The report is submitted to AFCEC quarterly and includes costs for:

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

4. Quarterly Project Summary Report: Each quarter, AFCEC produces a comprehensive report that assesses the project’s overall performance in the following categories:

- Development
- Occupancy, Operations and Maintenance
- Financial health
- Long-term outlook

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### Housing Comparison Table (Then and Now)

<table>
<thead>
<tr>
<th>Military Family Housing</th>
<th>Privatized Housing</th>
<th>Community Housing</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Rent:</strong>&lt;br&gt;• Conditions of occupancy required&lt;br&gt;• BAH paid to PO&lt;br&gt;• No rental/utility deposit</td>
<td><strong>Rent:</strong>&lt;br&gt;• Conditions of occupancy required&lt;br&gt;• BAH paid to PO&lt;br&gt;• Security deposit for Target Tenants&lt;br&gt;• Rent paid in arrears&lt;br&gt;• No late charges if rent paid by adolescent</td>
<td><strong>Rent:</strong>&lt;br&gt;• Lease required&lt;br&gt;• Market&lt;br&gt;• Security deposit/HAP local community standards&lt;br&gt;• Rent due 1st of month&lt;br&gt;• Late charges</td>
</tr>
<tr>
<td><strong>Utilities:</strong>&lt;br&gt;• Government provided&lt;br&gt;• Prior to meters being installed, PO uses BAH to cover utilities&lt;br&gt;• The tenant pays a portion of their BAH to the PO or a utility company&lt;br&gt;• If the utility bill is higher than the UA, the tenant pays the difference; if it’s lower, the difference is refunded to the tenant&lt;br&gt;• Deposits and/or late charges may be required or assessed if owning a utility company</td>
<td><strong>Utilities:</strong>&lt;br&gt;• Billed directly to tenant&lt;br&gt;• Deposits may be required or assessed if owning a utility company&lt;br&gt;• Late charges could be assessed by utility company</td>
<td><strong>Utilities:</strong>&lt;br&gt;• Billed directly to utility company&lt;br&gt;• No deposit&lt;br&gt;• Utilities may be charged to tenant</td>
</tr>
<tr>
<td><strong>Pets:</strong>&lt;br&gt;• Number of pets limited&lt;br&gt;• Type/breed of pets determined by AF and the PO&lt;br&gt;• Number of pets determined by PO (current number/type of pets)</td>
<td><strong>Pets:</strong>&lt;br&gt;• Apartments generally prohibited&lt;br&gt;• Limited to one pet&lt;br&gt;• No pets allowed&lt;br&gt;• Breeds may be prohibited</td>
<td><strong>Pets:</strong>&lt;br&gt;• Apartments generally prohibited&lt;br&gt;• Pets may be limited&lt;br&gt;• Types of pets prohibited&lt;br&gt;• Pets may be required&lt;br&gt;• Deposits and fees may be charged to tenant</td>
</tr>
<tr>
<td><strong>Misc:</strong>&lt;br&gt;• Secured community&lt;br&gt;• Community Center(s) at some locations&lt;br&gt;• Playgrounds&lt;br&gt;• Traditionally African-based culture &amp; support system&lt;br&gt;• Renter's insurance recommended&lt;br&gt;• Background checks required</td>
<td><strong>Misc:</strong>&lt;br&gt;• Secured community (usually)&lt;br&gt;• Community Center(s) at some locations&lt;br&gt;• Playgrounds&lt;br&gt;• Adequate housing as determined by project requirements&lt;br&gt;• Balanced on-base culture &amp; support system&lt;br&gt;• Renters’ insurance recommended&lt;br&gt;• Background checks required</td>
<td><strong>Misc:</strong>&lt;br&gt;• Community Center(s)&lt;br&gt;• Playgrounds&lt;br&gt;• Standards vary&lt;br&gt;• Community living&lt;br&gt;• Renter's insurance recommended</td>
</tr>
</tbody>
</table>
Why Privatize?

HP began in 1996 with the Military Housing Privatization Initiative (MHP). It was then that Congress recognized that nearly half of the Air Force housing inventory was in dire need of renovations and repairs and military funding could not cover the cost. Instead of budgeting billions of dollars for new houses and renovations, Congress incorporated MHP into the 1996 National Defense Authorization Act (NDAA). This initiative provided the Air Force the means to privatize housing at all CONUS Air Force installations, transferring the responsibilities of renovation, construction, operations, and maintenance to private sector Project Owners (PO), thus allowing the Air Force to focus on the mission and personnel.

Privatized housing differs from government-owned housing in the following ways:

• Projects are legally binding real estate transactions and are considered non-FAR contracts
• The government no longer owns the homes; the PO does
• Service Members pay rent based on their BAH, and utilities (gas and electric) using a utility allowance; and sign a Tenant Lease Agreement (TLA)
• POs provide property management and maintenance service
• Housing Management Office (HMO) provides project oversight while maintaining a close working relationship with the PO

INTRODUCTION

As key advocates of Housing Privatization (HP), Commanders are at the forefront of installation processes that affect the success of an HP project. It is imperative Commanders understand their roles and responsibilities as it relates to successful project performance. The Air Force places high expectations on its Senior Leaders and "The Commander and Privatized Housing" describes the partnership that has a long-lasting impact on the quality of life of the Airman and the Air Force family.

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GETTING SMART ON PRIVATIZATION

Key Players

There are many individuals and offices that contribute to the success of HP:

• Housing Management Office (HMO): The installation representative who directly interfaces with the PMO and the Air Force Civil Engineer Center (AFCEC). Responsibilities include; General Officer (GO) liaison, referral services, eligibility verification, tenant/landlord dispute facilitation, project compliance and Management Review Committee (MRC) coordination.

• Property Management Office (PMO): The office/staff maintains the day-to-day operations of the property and homes for the PO. Acts as the landlord and is the first point of contact for resident questions or concerns.

• Project Owner (PO): The private sector business entity that owns, develops, maintains, and operates HP for the 50-year lease term.

• Air Force Civil Engineer Center (AFCEC): Has delegated authority and responsibility for the life cycle management of the Air Force Housing Privatization Program. Develops and solicits all HP projects from concept development through transaction closing. During post-closing, executes project and construction management, asset re-capitalization, operations support, training and project oversight. Provides long term financial analysis to ensure viability of the HP Portfolio.

• Major Command (MAJCOM): Supervises program execution and identifies and submits budgetary requirements for their installations and supports the installation throughout the privatization process. Participates in MRC meetings, reviews/oversees installation submittals (including General Officer Housing (GOH) cost reports) for compliance.

• Secretary of the Air Force Office of General Counsel (SAF/GOH): Coordinates transaction specific legal advice and the only entity authorized to make legal policy determinations on HP. SAF/GOH maintains a dedicated team of legal advisors and is located with AFCEC at Lackland AFB, TX.

• Safeguard and dispose of government property.

• Support the acquisition, operations, and long-term maintenance of HP.

• Participate in the project with the spirit of partnership.

• Participate in Management Review Committee (MRC) and partnering meetings as delegated and defined by the Transaction Documents and other established guidance.

• Establish the installation GOH management team.

• Review the PO’s annual Operation and Maintenance (O&M), and Capital Repair and Replacement (CR&R) budget.

• With the concurrence of AFCEC and PO, approve non-substantive modifications, administrative corrections or clarifying amendments to the Operating Agreement.

• Assist AFCEC in resolution of disputes with the PO per legal and delegation documents

• Take action per “authorities” identified in the legal documents.

Management Review Committee (MRC)

The MRC is a quarterly meeting of project stakeholders that must be conducted per the Operating Agreement. The purpose of the MRC is to openly discuss project issues and develop solutions that should include:

• Development progress
• Occupancy
• Financial health
• Resident satisfaction

For individual installation projects, the WG/CC and PO co-chair the MRC.

For grouped project with all installations under one MAJCOM, the MAJCOM/CC and PO co-chair the MRC.

For grouped project with installations under multiple MAJCOMs, AFCEC and PO co-chair the MRC.

Installations within the group may conduct partnering meetings and provide input to the MRC.

Chairmanship may be delegated, but decision-making authorities may not be delegated.

MRC presentation material should be coordinated and approved by all chairpersons or their representatives.

Financial Performance

A project’s financial performance depends on the following:

• Development progress versus schedule
• Occupancy versus target
• Resident satisfaction (measured annually by survey)
• Operating expenses versus budget/pro forma
• Maintenance timelines
• Net Operating Income versus target
• Initial Development Period (IDP) Sources & Uses surplus/gap

Key Project Documents

The Installation HMO should be familiar with the transaction documents, with special attention paid to the following:

• Lease of Property – Specifies the PO’s responsibilities and limitations and explains the Installation or WG/CC rights and authorities which are unimpaired
• Lockbox Agreement – Governs project funds, deposits, and disbursements
• Operating Agreement – The Operating Agreement, and attached Management Plans, outline the PO’s business practices for developing, operating, and maintaining the property

Partnering/Communication

Success is directly proportionate to the degree of open communication, partnering, and positive working relationships among all parties. A successful project results in adequate homes and planned communities where Service Members will choose to live.

SPECIFIC ROLES/RESPONSIBILITIES OF THE INSTALLATION OR WG/CC

WG/CC authorities for maintaining health, safety, and security remain unimpaired under privatization.

Inherent WG/CC Authorities:

• Maintain good order and discipline, health, safety, security, and force protection
• Affect permanent removal and barment of anyone that represents a threat to the security, health, safety, and mission

• Authorize periodic inspections by installation security personnel in conjunction with their official duties in accordance with transaction documents
• Manage access to the installation

WG/CC Delegated Authorities:

• Approve environmental plans and permits
• Inspect leased premises for compliance with environmental laws, rules, regulations, standards, and requirements
• Conduct environmental investigations, surveys, tests, related to hazardous waste removal and provide responsive remedial actions
• Grant clearance to PO to proceed with removal or remedial actions of any historical, architectural, or other cultural artifacts, relics, remains, or objects of antiquity
• Approve construction of temporary structures or advertising signs and any non-material structural modifications, alterations or additions to the leased premises/improvements
• Coordinate, calculate, and collect from the PO the reimbursent amount that is due monthly for fire/police emergency services and government provided utilities (if applicable) rendered to HP community
• Approve repair for damage of government property
• Coordinate ingress and egress to the site
• Approve estimated utility allowance
• Approve performance incentive fees

WG/CC Privatized Housing Responsibilities:

• Support the acquisition, operations, and long-term maintenance of HP.
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• Establish the installation GOH management team.
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