

AIR FORCE



Housing Privatization



A PRIMER FOR SENIOR LEADERS

Foreword

Welcome to the Air Force (AF) Housing Privatization (HP) Program, where our primary objective is to enhance the quality of life for our Service Members and their families. As we continue to provide quality housing for Airmen, we are also enhancing the Air Force's ability to recruit and retain Service Members. To achieve these objectives rapidly, there had to be a significant improvement to the housing inventory in a short period of time. Because this could not be achieved through traditional housing programs, the Military Housing Privatization Initiative (MHPI) was started.

Leveraging private sector financing and practices has enabled the AF to introduce state-of-the-art master planning, design, renovation and construction techniques to our housing processes which ensures a holistic approach to community development. This approach not only builds quality housing, but provides thriving communities for our Service Members and their families. We believe that airmen are more motivated to stay in the AF and perform their duties when their families reside in quality housing and receive the support they need during deployments from our privatized partners.

HP is now an integral part of AF military communities within the Continental United States (CONUS), Alaska and Hawaii. As a senior leader, it is crucial that you are aware of how HP works, how it benefits our Service Members and the important role you play in its success. You should also know your legal rights and delegated authorities related to HP, as well as a journeyman's level of knowledge pertaining to the governing policies and laws.

This Primer has been developed especially for you and we hope you find it useful throughout your AF career.

-- Gen. Larry O. Spencer, U.S. Air Force Vice Chief of Staff



General Spencer

Table of Contents

(Note: Each item below is hyperlinked for quick reference. Click on any item of interest to go directly to that topic.)

Introduction	5
Why Privatize	
MHPI Goal and Objectives	
The Housing Privatization Project Life Cycle	
Where Are We Today	
Key Players	
Financial Structure	
Legal Structure	
Executive Summary - Part One – Program Planning and Execution	10
Part One – Program Planning and Execution	11
Phases I: Project Identification	
Phase II: Project Definition	
Phase III: Selection and Acquisition	
Phase IV: Negotiation and Transaction Closing	
Executive Summary - Part Two – Post Closing Management	17
Part Two – Post Closing Management	18
Initial Development Period (IDP) and Post IDP	
Design and Construction Oversight	
Communication	
Scope Changes	
Occupancy, Operations and Maintenance Oversight	
Financial Oversight	
Project Scorecard and Ratings	
Long Term Outlook - Post IDP: Sustainment and Reinvestment	
Executive Summary - Part Three – Privatized Housing Common Operational Issues	31
Part Three - Special Interest Items for Commanders	32
Partnering	
Training and Strategic Communication	
Commander Authorities	
Delegated Authorities	
Appropriated Funds and the Anti-Deficiency Act	
Reimbursable Services	
Utility Allowance	
Customer Satisfaction	
Co-location of the HMO and PMO	
Eligibility Verification	

[Marketing, Occupancy and Other Eligible Tenants](#)
[Maintenance Standards](#)
[Move-In / Move-Out Cleaning Standards](#)
[Community Integrity \(Rank Segregation\)](#)
[Anti-Terrorism / Force Protection](#)
[Flags](#)
[Privacy Act / Release of Information to Project Owner](#)
[Americans with Disabilities Act and Fair Housing Act](#)
[Sex Offender Policy](#)
[Tenant Responsibilities](#)
[Tenant Dispute Resolution](#)
[Housing Requirements and Market Analysis \(HRMAs\) Post-Closing](#)
[General Public Tenants](#)
[Extraordinary Cost and Expenditure Reports](#)

[Executive Summary - Part Four – What to Expect as a Tenant in Privatized GOH](#) 46

Part Four – What to Expect as a Tenant in Privatized General Officer Homes 47

[General Officer Homes](#)
[General Officer Management Team](#)
[General Officer Homes Furnishings](#)
[General Officer Homes Cost Reporting](#)
[Change of Occupancy and Change of Occupancy Maintenance](#)
[Power of Attorney](#)
[Historical Homes](#)
[Key and Essential \(K&E\) Command and Special Command Positions \(SCPs\)](#)
[Privatized Housing, General Officer Homes Guide](#)

[Abbreviations and Acronyms](#) 51

Appendices 54

[Appendix A – MHPI Authorities](#)
[Appendix B – Roles and Responsibilities Matrix](#)
[Appendix C – Scope Change Process Flowchart](#)
[Appendix D – Project Ratings Definitions](#)
[Appendix E – Key Performance Indicators](#)
[Appendix F – Training Opportunities](#)
[Appendix G – Installation Commander – Unimpaired and Delegated Authorities](#)
[Appendix H – Housing Privatization References](#)
[Appendix I – Tenant Dispute Resolution Flowchart](#)

INTRODUCTION

This Primer provides senior leaders a broad view of the challenges and complexities of the AF Housing Privatization (HP) program, highlighting the senior leadership role in planning, execution, management and support.

Part One: Program Planning and Execution explains how the AF privatizes housing, from concept development to closing, the point at which ownership of the housing assets and property is transferred to the Highest Ranked Offeror (HRO). It stresses Commander involvement in these phases laying out the groundwork for project success.

Part Two: Post Closing Management (PCM) details project oversight after the projects are closed. It focuses on monitoring performance in four areas – development, occupancy, operations and maintenance, finances, and the long-term outlook - to comprehensively assess project and portfolio performance - and includes a discussion of the Project Scorecard and Key Performance Indicators (KPI) used to rate project performance each quarter.

Part Three: Special Interest Items for Commanders covers topics and lessons learned that every Commander should know including a discussion of the training and education opportunities available to Commanders and their staff. It also includes an overview of frequently encountered operational issues and topics.

Part Four: What to Expect as a Tenant in Privatized Housing centers on tenant information and includes specific information tailored for General Officer Homes (GOH).

Why Privatize?

In the mid-nineties, Congress recognized that about half of the AF housing inventory was in unacceptable conditions and housing our AF Members and their families in these homes was no longer adequate. It recognized that families are often separated for extended periods of time due to multiple deployments and Service Members need to be assured their families are safe and comfortable at home. Airmen deserve a comfortable place to raise their families in housing communities where they choose to live.

In 1996, Congress required the elimination of inadequate housing. HP was an avenue established to assist the Services in accomplishing this task as military funding could not cover the cost of such a large-scaled overhaul of housing. The National Defense Authorization Act (NDAA) of FY 1996¹ enabled the Secretary of the Air Force (SAF) to exercise certain authorities for the acquisition or construction of family housing units on or near military installations within the United States and its territories and possessions. These authorities are listed in [Appendix A](#).

HP allows the AF to focus on its core mission while leveraging private sector expertise to improve the lives of Airmen and their families. Once the legislation was passed, the AF began shifting ownership of housing to private companies. These companies, referred to as Project Owners (PO), enter into leases with the AF for land and facilities, and construct, renovate, operate and maintain the housing over the term of their lease (usually 50 years).



"F-35 Lightning II Joint Strike Fighter arrives at Edwards"
Picture courtesy of <http://www.edwards.af.mil/photos/mediagallery.asp?galleryID=2551>

¹ National Defense Authorization Act of Fiscal Year 1996 (Public Law 104-106 110 Stat 186 Section 2801)

Military Housing Privatization Initiatives (MHPI) Goal and Objectives

The goal of the Military Housing Privatization Initiative (MHPI) program was to accelerate the Services ability to provide adequate housing where members will choose to live. Success is attained when the following objectives are met:

- Successful completion of the Initial Development Period (IDP) / replace/renovate inadequate housing and enhance as-is units to marketable standards
- Sound financial management (recover AF investment and provide stewardship of resources)
- Long term viability (quality constructed, renovated and maintained housing for 50 years)
- Compliance with transaction document requirements
- Outstanding responsiveness and customer service



The HP program is organized around meeting this goal and these objectives in conjunction with the PO and Installation. In efforts to facilitate continuous program improvement, the AF modifies the HP program from time to time to incorporate best practices and lessons learned. All Installation Commanders (IC) and senior leaders play an integral part in the success of the project and can ensure privatization improves their community and the lives of airmen and their families.

The Housing Privatization Project Life Cycle

Most ICs and senior leaders are familiar with the term, “project.” This typically pertains to a single undertaking for a short duration of time, i.e., a Military Construction (MILCON) project, whose cradle to grave process may last 3 to 7 years. However, in HP, a “Project” is the result of a carefully thought-out 50-year business agreement. A private sector PO and the AF agree to provide for planning, development, demolition, construction, and operational management of housing for a single or multiple AF installations. Initially, the business model awarded single installation projects to the Highest Ranked Offeror (HRO), but over time, it evolved into multiple installations grouped into one project to make the project financially feasible.

Housing Privatization is a business transaction /partnership; not a contract/contractor relationship.

There are six phases in an HP project life cycle as highlighted below. The first four phases make up the Program Execution stage. The remaining two phases make up the Post Closing Management (PCM) stage and occur after the housing assets are transferred to the HRO. PCM includes the Initial Development Period (IDP) which is when the building, renovation or demolition of transferred assets occurs. Post-IDP focuses on the daily management and recapitalization of the project. This Primer highlights key areas where ICs can support the outcomes in each phase.



Where Are We Today

The HP program has made significant strides since the first HP project (Lackland AFB) closed in 1998. Today, HP provides military families thousands of new and renovated homes with modern floor plans, community centers and club houses with pools and community events sponsored by the Property Management Office (PMO) staffs. These changes to housing meet or exceed expectations and ensure families continue to choose privatized housing as their residence of choice.

As of 1 April 2013, three projects at 14 installations remain to be privatized (in the Program Execution phase). There were 29 projects at 51 installations in various stages of the PCM phase. Once the IDP phase is complete for all these projects, the end state will be over 50,000 units (does not include McChord and Pope Air Force bases where the Army leads management of the privatized housing). Accomplishments to date include:

- Over 80% of CONUS family housing privatized
- Receipt of \$7.3B in equivalent MILCON costs; equates to \$15 MILCON dollars for every AF \$1 scored
- Delivery of over 28,000 new and renovated homes
- Annual customer satisfaction survey scores exceed government-owned housing scores for the first time in 2009. In 2012, MHPI tenants rated their overall satisfaction as "very good."



In addition to these benefits, AF leaders want to preserve the AF sense of community in HP communities. They want to be certain that 1) the PO places the highest priority on tenants and customer service; 2) privatized maintenance standards meet or exceed government standards; and 3) by allowing other than target military tenants and their families to live on base, this does not deteriorate the AF military culture. Experience and data have proven HP provides a higher level of service, creates a strong sense of community and produces a genuine interest in serving those who serve the country. This is continually proven by improving customer satisfaction survey results.

Key Players

Leadership at all levels participates as stakeholders in the governance of the HP program. On Joint bases where the Air Force is not the lead service, the Installation duties and responsibilities may be different.

- *SAF/IEI*. Source selection authority responsible for signing legal documents on behalf of the AF. Delegates day-to-day portfolio oversight responsibilities to the AF Civil Engineer Center (AFCEC). Makes major decisions regarding the program, such as default, restructurings and refinancing.
- *SAF/GCN* provides all project/transaction-specific legal advice and the only entity authorized to make privatized housing legal determinations. Maintains a dedicated team of legal advisors at Lackland AFB, TX.

- *AF/A7C* provides overall housing program management and policy. Provides funding to Major Commands (MAJCOMs) and AFCEC and reviews and approves all documents prior to SAF/IEI approval.
- *AFCEC* has delegated authority and responsibility for the life cycle management of the AF HP 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 and offer a multitude of services to assist Installations and MAJCOMs in project management and execution.
- *Project Owner (PO)* is the private sector business that develops, owns, maintains and operates privatized housing for the 50-year lease term. Enters into agreements with a General Contractor to execute construction and a property management company to maintain and operate homes through lease agreements with tenants.
- *Major Command (MAJCOM)* coordinates with AFCEC, A7C, and the Installation throughout the privatized process. Identifies and submits budgetary requirements during AF/A7C data calls and supervises program execution. Supports the Installation throughout the process, including manning, project compliance, conducting site visits, developing and submitting project information and plans, and resolving conflicts. Participates in and supports the Management Review Committee (MRC) in accordance with (IAW) published guidance. Reviews and oversees installation submittals for compliance and GOH reports.
- *Installation Commander (IC)* participates in all phases of the project. Exercises authorities consistent with laws and HP delegated authorities, and engages relevant stakeholders including Staff Judge Advocate, Public Affairs, Finance, Services, Resources, Legal, Manpower, Contracting, Mission Support, Base Civil Engineer, Security Forces, Fire and Emergency Services, and the government or contracted Housing Management Offices (HMO) to execute Installation roles and responsibilities such as project compliance. Establishes an installation GOH Management Team comprised of points of contacts (POCs) from the HMO and PMO.
- *Property Management Office (PMO)* manages and maintains the project on the POs behalf, serves as the landlord, communicates and interacts with residents, and is the first point of contact for tenant questions and concerns.
- *Housing Management Office (HMO) / Housing Manager* interfaces with the privatized housing PMO, AFCEC and MAJCOM and are the installation housing Subject Matter Expert (SME). Coordinates day-to-day operations and government oversight of HP. Responsibilities include General Officer (GO) liaison, housing support services, eligibility verification, tenant/landlord dispute facilitation, project compliance, furnishings support and Management Review Committee (MRC) coordination. Leads and manages the activities of the GOH Management Team. Also, the installation focal point for supplemental government furnishings, force protection and official communications equipment, Special Command and Key and Essential positions and government cost reporting procedures. Directly interfaces with the PMO and the AFCEC and should be included in any HP meetings with the PO or PMO to ensure clear communication and coordination.

"The home is the building block of a community and should be the center of single and married Airmen's lives...."

*~ Major General Byers,
Air Force Civil Engineer
AF/A7C*



Financial Structure

All MHPI projects are designed to be financially self-sustaining, with Basic Allowance for Housing (BAH) being the “lifeblood” of the program. This makes achieving the financial projections established at closing (pro forma targets) critical to project success. Revenues, which are driven by BAH and occupancy, contribute toward the IDP scope, on-going sustainment, maintenance and repair and mid-term renovations.

Every spending decision must balance the current and future needs of the project.

BAH rates fluctuate annually with local economic changes and as BAH increases, rent also increases since BAH is the basis for the rent calculation. If BAH decreases, BAH Rate Protection ensures current tenants continue to receive the higher BAH rate, assuming no other change in status e.g., PCS, reduction in pay grade, or dependents.

All project revenues are deposited into a financial account i.e. “lockbox” and managed according to procedures established in a Lockbox Agreement (LA), a legal document between the PO, a third party Lockbox Agent, the Senior Lender, and the AF. The rules for disbursing funds are different for projects in the IDP versus out of the IDP. Financing of a closed project is based in part on the number of units in the project, and changing that number may potentially put the project financing at risk and requires approval of the Senior Lender, PO and SAF/IEI.

Legal Structure

The AF establishes requirements (units, quality, size, services) for each project and then enters into a series of legally binding agreements with the HRO that outline each party’s obligations in the deal. The key agreements between the AF and PO are as follows:

- Lease of Property (LOP) – establishes the terms and conditions of the 50-year ground lease, including construction, insurance and environmental requirements
- Operating Agreement (OA) – establishes how the PO will maintain and operate the project
- Lockbox Agreement (LA) – manages cash inflows and outflows of the project. The LA specifies how funds will be used, the priority order of each account, and the approvals required for disbursements from the account



These documents may be amended from time to time, but must be amended by mutual agreement and signed by authorized representatives. SAF/IEI is the Selection Authority for the AF and is the only party authorized to enter into legally binding housing privatization agreements. Any proposed changes to the transaction documents will be coordinated with the MAJCOM prior to forwarding to AFCEC and SAF/GCN.

Legal documents may be amended by mutual agreement but must be coordinated through AFCEC and SAF/GCN to be legally binding.

The PO enters into a series of legal agreements with other parties to meet its obligations to the AF. The parties include a Design/Build Contractor to complete the development scope of work, a Property Manager to manage the project and the Tenants who are eligible for and choose to live in privatized housing.

EXECUTIVE SUMMARY

PART ONE – PROGRAM PLANNING AND EXECUTION

- The Program Planning and Execution stage is critical to Installation housing as the Project Identification, Definition, Acquisition, Negotiation and Closing phases are designed to identify the housing needs, develop a feasible concept to meet these needs, select a private sector partner and close the deal or transaction. Senior leaders become involved during the Program Execution stage of the HP process which is well before a project is awarded or closes. Decisions made during this phase will affect the project for the next 50 years.
- Changing the scope of a project after the financing is in place is often difficult, expensive, or impossible.
- The AF assesses the short- and long-term feasibility of HP during the Project Identification phase. A Housing Community Profile (HCP) is conducted to determine the condition of the homes to be privatized and a Housing Requirements and Market Analysis (HRMA) is conducted to establish demand for PH.
- Current MILCON housing may preclude existing units from being demolished or renovated. These decisions are made during the Execution phase making Installation and MAJCOM involvement in the process critical.
- Some housing will be turned over to the PO team to demolish or “as is” with no near term renovations or new construction planned for these units.
- Mission changes, demographic shifts and BAH rates may skew projected project revenues up or down and may impact the scope of work that can be achieved. Overstating demand may adversely affect the POs’ ability to meet its rental targets.
- Once the needs of the project have been identified, Air Staff evaluates and determines the “smart scope” end state of the project. To avoid overbuilding, “smart scope” sets the end state scope at 80% of the most recent HRMA requirement; that is where it makes sense and is financially feasible. BAH, demographic mix, number of units, occupancy rates, operating expenses, and construction costs all factor into the analysis.
- Any and all requests for changes to the HRO’s scope must be formally submitted to AFCEC for financial assessment of the requested change. The assessment is forwarded to SAF/IEI for final determination.
- It is critical for the Installation to participate in the review of site, floor, and community plans. It is also important for the Installation to participate in the review of the closing documents, particularly fire and police reimbursement rates, the Utility Service Agreement that outlines points of demarcation, and the Operating Agreement that specifies how the HRO will manage the project on a day-to-day basis.
- Use the AFCEC Communications Toolbox to communicate key messages and manage expectations of current and prospective housing residents. The IC has tremendous influence on the tone of privatization and has the ability of starting privatization on the right foot.
- Market conditions may impact the ability, or inability, of the HRO to provide scope, amenities and/or desired features that were identified in the concept development phase such as community centers, co-located housing offices, community pools, dog parks, etc. The Air Force and HRO may need to use these items to negotiate concessions to close the project.

PART ONE: PROGRAM PLANNING AND EXECUTION

The Commander and senior leaders at the installation are involved in the Program Planning and Execution stage well before a project is awarded or closes. This 16-27 month “start-to-closing” stage is critical to the future of housing as its four phases are designed to identify the installation housing needs, develop a feasible concept to meet those needs, select a private sector partner and close the transaction. The purpose, goals and timelines of the phases are:

	Phase I	Phase II	Phase III	Phase IV
	Project Identification	Concept Development (Project Definition)	Selection & Acquisition	Negotiation & Closing
Purpose	To assess the feasibility of different concepts	To develop a concept and the Request for Proposal (RFP) or Request for Qualifications (RFQ)	To solicit and evaluate responses to the RFP/RFQ	To negotiate the final terms of a transaction
Goal	Determine if the initial concept is financially feasible	Begin marketing the concept to developers	Select a Highest Ranked Offeror to proceed to negotiations with the AF	Close the transaction
Timelines (consecutive)	1 to 3 months	3 to 6 months	6 to 8 months	6-10 months

Phase I: Project Identification

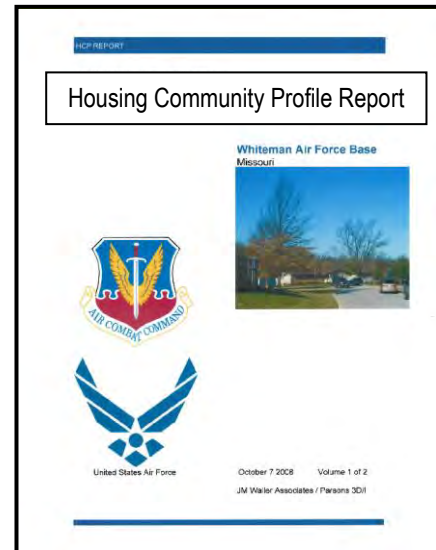
Changing the housing scope of a project after the financing is in place is often difficult, expensive, or impossible. Therefore, the AF assesses the short- and long-term feasibility of each project during the Project Identification phase. For this assessment, the Project Development team uses the most current Installation Housing Community Profile (HCP) and Housing Requirements and Market Analysis (HRMA). Both of these documents have been approved by the IC and have a direct impact to the privatized project.

- The HCP assesses the condition of the homes to be privatized i.e., determine which houses need to be renovated, demolished and rebuilt or accepted as-is.

- Existing MILCON housing may preclude existing units from being demolished or renovated. This decision is made during this phase and is just one of the reasons Installation and MAJCOM involvement at this stage of the process is critical.
- Based on the HCP scoring, some existing housing will be turned over to the PO to demolish or “as is” i.e. no near term minor or major renovations, upgrades or new construction may be planned for these units.



- ICs approve and sign off on the HCP. By signing the HCP, they verify understanding of the existing condition of the units and that their conditions are being accurately reported in the HCP.
- Mission changes, demographic shifts and BAH rates may skew projected project revenues up or down and may impact the scope of work that can be achieved. The HCP directly affects development costs for privatization projects; if it is overstated the concept might not be feasible. If it underestimates the needs, the concept might be feasible but the Installation may not receive the homes needed to meet the mission and demand.
- The community surrounding the Installation plays a vital role in HP and may affect the housing population and calculations. The HRMA determines the Installation housing needs per the marketing area and the number of available housing. It is conducted to determine the required end-state and rank / grade allocation of housing units for the Installation.
- Government family housing requirements represents a percentage of the base population the Installation has responsibility to house; the number of AF families and unaccompanied personnel. Estimates for civilian demand are based on population and economic projections for the region, census information, residential construction permit data and other factors. However, for the military, changes in government family housing requirements are based on current and projected manpower authorizations for the final year of the analysis.
- Only housing within the Housing Market Area (HMA) is considered in the analysis. The HMA is based on the greater of a 60-minute commute or 20 miles from the Installation headquarters building or major work centers. The number of housing units and the distribution of housing by number of bedrooms and rent categories are based on U.S. Census reports.
- Suitability is based on input from Installation HMO personnel, surveys of the local community and other published data. All homeowner-occupied housing, with the exception of mobile homes, is considered suitable housing for military personnel.
- By approving and signing the HRMA, the IC is concurring that the market analysis accurately reflects the requirements of the installation. If the requirements are too high, the project may suffer from lower than projected occupancy and insufficient cash flow to complete the Initial Development Plan (IDP) scope of work, pay for all maintenance and operations, and fund out-year development. To compensate, the PO may attempt to fill houses via incentives or through the occupancy priority policy, which has demographic and financial implications on the project.



Once the needs of the project have been identified, Air Staff evaluates and determines the “smart scope” end state of the project. To avoid overbuilding, “smart scope” sets the end state scope at 80% of the most recent HRMA requirement; that is where it makes sense and is financially feasible. BAH, demographic mix, number of units, occupancy rates, operating expenses, and construction costs all factor into the analysis. If the concept is determined to be feasible, Air Staff issues a Design Instruction (DI), which confirms the AF’s intent to proceed, and will notify AFCEC to initiate the next phase.

Phase II: Project Definition

The Project Definition phase is led by the HP execution support branch at AFCEC, along with the Real Estate Support Services (RESS) contractor. This phase consists of three milestones 1) Concept Development, 2) Concept Approval and 3) Industry Forum. During this phase, each installation is visited and a team meets with the IC and other installation and MAJCOM representatives to better define the privatization concept.

After the Air Staff has determined that a particular project concept is financially feasible, AFCEC obtains assistance from a RESS contractor to fully develop and execute the project concept. To begin this phase, the AF assembles several documents to define the project i.e. prepare the concept. These documents are described below:

- Request for Proposals (RFP) and Request for Qualifications (RFQ) are invitations for developers to submit proposals on a privatization concept. RFPs have more defined concepts than RFQs, which allow offerors more leeway to propose a concept. They describe current housing conditions at each base, specify the minimum development scope requirements, outline required proposal content and evaluation criteria and summarize the negotiation and closing process.
- Desired Features. One component of the RFP/RFQ is the desired features list. As opposed to the project *minimum requirements* (which all offerors must address in proposals), desired features is an installation-provided prioritized list of additional items that developers may include to improve their proposal.
 - The RFP/RFQ solicitation process allows each base to incorporate three base-specific desired features in addition to the standard desired features already included in the Generic RFP/RFQ. The desired features will be finalized during the second meeting of the Project Development Team (PDT) #2.
 - Desired features may include increased square footage beyond minimum AF requirements, two-car vs. one-car garages, lawn service for all residents and community centers, but can cover any area within New Construction, Renovation, Property Management, and/or Facilities Maintenance for the project.
 - The IC approves the prioritized list of desired features for base representatives to present during the PDT #2 meeting. Base representatives should be prepared to present additional desired features in the event any of the installation's top three desired features are deemed to be redundant relative to standard desired features already incorporated into the generic RFP/RFQ.
- Real Estate Transfer Documents. During the time solicitation documents are being developed, AFCEC also initiates contracts to complete other documents required for the transaction. Because the transfer of housing units to a private entity is a major federal action, National Environmental Policy Act (NEPA) requirements apply. AFCEC addresses this with an Environmental Assessment (EA) (although a more detailed Environmental Impact Statement (EIS) has been required in some cases).
 - Environmental Baseline Survey (EBS). An EBS is required to document the existing environmental condition of property at the time of transfer (for future liability determination).
 - Metes and Bounds Survey. The metes and bounds survey establishes the housing area to be leased.



- The IC should ensure that representatives from the base provide necessary information to AFCEC and the RESS contractors during development of the Real Estate Transfer Documents.

Concept development is achieved through on-site meetings which are summarized below:

	Site Orientation Visit (SOV)	Project Development Team Meeting (PDT #1)	Project Development Team Meeting (PDT #2)
Who	AFCEC MAJCOM Installation Commander Base Civil Engineer (BCE) HMO	AFCEC MAJCOM Installation Commander Base Civil Engineer HMO Utility and infrastructure engineers Security Forces Fire Department Real Property Base Legal	AFCEC MAJCOM Installation Commander Base Civil Engineer HMO Utility and infrastructure engineers Security Forces Fire Department Real Property Base Legal
What	Develop a housing concept	AFCEC presents preliminary concept and solicits feedback from Installation Commander and other installation staff	Finalize concept, develop RFP/RFQ, identify Desired Features, initiate EBS and Metes and Bounds
Where	Installation	Installation	Installation
When	Occurs after the Design Instruction (DI) is received from Air Staff. A RESS contractor is then hired.	After the Site Orientation Visit (SOV) 30-60 days	After Project Development Team (PDT) #1 30-60 days
How	Review the HCP and HRMA	Present preliminary concept, solicit feedback	Determine the development, legal and operational requirements that will be included in the solicitation documents
IC Role	Make sure the BCE is involved to ensure all the right players are at the table	Make sure the BCE is involved to ensure the appropriate level of participation/consideration of the Installation's needs and concerns	Approve a prioritized list of desired features for base representatives to present. Provide requested information so AFCEC can complete the Environmental Baseline Study (EBS) and Metes and Bounds

Concept Approval - When the Project Concept has been completed, including all associated financial documentation, AFCEC briefs SAF/IEI and requests approval to solicit the project. Once approved, A7C notifies the Office of the Secretary of Defense (OSD) of the intent to solicit the project and initiates a 30-day Congressional Notification process. If no objections are raised after 30 days, AFCEC proceeds with soliciting developers for the project. During this 30-day period, the RFP/RFQ document is completed and reviewed by Air Staff.

Industry Forum (IF) - During the 30-day Congressional Notification Period, the AF hosts a gathering for potential Offerors to explain the concept and solicit the interest of as many Offerors as possible. The forum includes briefings on the concept, the installation history and mission, the proposal, the evaluation process, and a question/answer session in which attendees may ask the AF questions about the concept.

- The IC or Mission Support Group (MSG) Commander is expected to attend the IF and often delivers the base mission briefing, emphasizing the AF's long-term mission and essentiality.
- Mission essentiality is important because these projects are 50-year investments by private sector owners and it is critical that the private sector understands the long-term prospects for each installation.
- Soon after the IF, following the end of the 30-day Congressional Notification period, the formal RFP/RFQ is issued and the Selection and Acquisition phase of the project begins.

Phase III: Selection and Acquisition

Developers usually have 45 to 75 days, depending on project complexity and size, after issuance of the solicitation to develop and submit a proposal. Following receipt of proposals (approximately 30 days), AFCEC distributes the proposals to the Installations and MAJCOMs for review; schedules project offeror oral presentations, and arranges a final meeting of Acquisition Support Team (AST) members to rate and rank the proposals.

- ASTs for a single base project are usually composed of two or three base representatives (one voting member, one technical representative and one alternate member) and one representative from the affected MAJCOM. AFCEC usually provides four SMEs; two managers (project and financial) and two advisors (Contracting and SAF/GCN).
- Group projects are usually made up similarly but limit the base participation to one voting member. All members and advisors must sign a Non-Disclosure Agreement (NDA).

AFCEC drafts a Source Selection Decision Document (SSDD) documenting the evaluation of each proposal and the justification of the AST for the selection of the Highest Ranked Offeror (HRO). The SSDD and a summary briefing are provided to SAF/IEI for selection approval. A7C then notifies OSD of the selection and an additional 30-day period for Congressional Notification commences prior to notifying the HRO of their selection. At the conclusion of the 30-day Congressional Notification period, the HRO is contacted and exclusive negotiations commence. The five evaluation criteria are as follows:

Evaluation Factors	Offeror Criteria
Financial	Project pro forma (based on the proposed project vs. the concept) and plan for financing Development Scope
Development	Redevelopment concept including initial housing unit floor plans and community designs
Property Management	Approach to facility maintenance and tenant service
Qualifications	Overall experience in developing large-scale housing design and construction projects and property management
Past Performance	History of performance on endeavors of similar scope and size (includes survey ratings from past customers)

The IC may participate in the AST but it is recommended they delegate this responsibility to a representative from Civil Engineering or the HMO to act on his/her behalf. Either representative will have to sign an NDA. If the IC is not an active member of the AST, they may be frequently briefed on source selection information at various points of the solicitation without compromising the selection process. To receive these updates, the IC is required to sign an NDA.

Phase IV: Negotiation and Transaction Closing

Transaction closing is a major undertaking that involves several project, legal, and financial representatives from the AF, HRO, and private lending institutions. During the negotiation periods, the HRO and AF finalize the terms of the transaction and in some instances changes to the proposal may be required for the parties to agree to the closure terms. Changes to the project terms may be necessary based on financials, lending agents and other negotiable points during the transaction closing, however, these are strictly limited. All requests for changes to the HRO scope must be formally submitted to AFCEC for financial assessment of the requested change. The assessment is forwarded to SAF/IEI for final determination on the requested scope change. AFCEC asks the Installation and the MAJCOM to review and provide data and/or feedback on the following items:

- Reimbursement for Utilities – The Utility Service Agreement (USA) specifies the points of demarcation for any conveyed utility infrastructure and establishes a utility rate and billing methodology before and after the HRO installs master or individual meters on the homes.
- Reimbursement for Fire & Police – The Lease of Property (LOP) specifies reimbursement rates for fire and police services provided by the Installation to the project. The Installation provides data to establish the reimbursement rate for the first year of the project and annually thereafter, as required.
- Operating Agreement – Specifies how the HRO operates and maintains the housing project. The Installation is responsible for monitoring compliance with these plans post closing and should make sure the plans are clear, specific, and objective.
- Site Design and Housing Design Plans – The HRO provides preliminary site plans to show how the neighborhoods are to be laid out, new roads, placement of utilities and amenities, etc. Installations should review these plans to ensure they address local conditions such as parking, turning radius for fire trucks, sound attenuation considerations, etc.

As closing nears, keep the following in mind:

- Positive press for HP can make or break a project. Commanders have the ability to influence perceptions about HP and should take the opportunity to host and participate in town hall meetings, publicize lease signing, and market HP, giving tenants an opportunity to hear and see senior leaders support HP and meet the HRO team. A7C and AFCEC have developed communication tools to assist with this effort which are located at <http://www.afcec.af.mil/> and <http://www.housing.af.mil>.
- If a change in project conditions (occupancy, market conditions, etc.) occurs before closing that impacts the ability of the HRO to complete scope as originally proposed, AFCEC and the HRO will assess the magnitude of the impact and will negotiate new project terms in coordination with the Installation. Both parties typically make concessions to make the project financially feasible. These new terms must be documented and Commanders should be informed of these changes. SAF/IEI is also briefed on the final negotiated points to document acceptance of any changes.
- AFCEC provides Privatized Housing Orientation (PHO) training before and after closing to facilitate a smooth transition to HP. AFCEC initiates training 90-120 days in advance of closing (or as the schedule allows) and provides a detailed checklist of specific actions the HMO and Installation should take to prepare for closing.



Once the AF and HRO reach agreements on all major terms and language in the legal closing documents, a closing date is established. All construction, legal, financial, and property management terms are memorialized in the documents signed on behalf of the AF by SAF/IEI. Transaction Closing marks the point in time where ownership of the real estate assets are transferred to the HRO and they assume responsibility for operations and maintenance for the 50-year term of the ground lease. Closing also marks the end of the Program Execution phases and the beginning of the Post Closing Management phases.

EXECUTIVE SUMMARY

PART TWO - POST CLOSING MANAGEMENT

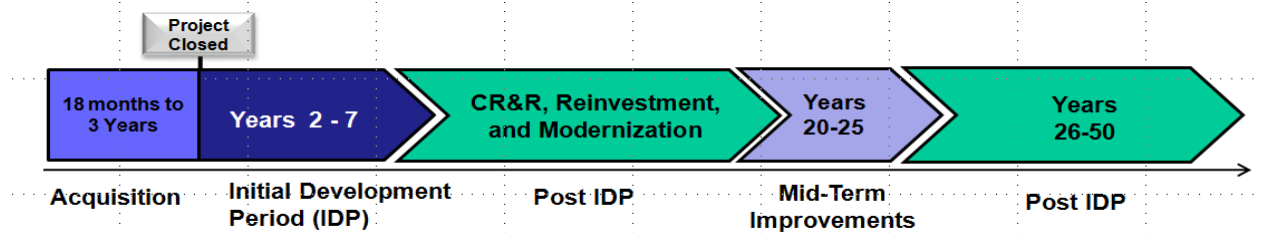
- Post Closing Management (PCM) provides comprehensive oversight by focusing on four key areas: design and construction; occupancy, operations and maintenance; finances and long term outlook.
- Design and Construction oversight ensures the following program objectives are met: 1) successful completion of the IDP (on time and on budget) and 2) compliance with requirements in the transaction documents.
- Regular and frequent communication between all partners is central to the successful completion of the IDP.
- Commanders may not authorize changes in scope as these authorities reside with AFCEC and SAF/IEI. Changes that result in a negative cost impact are forwarded to SAF/IEI for decision. Installations and MAJCOMs should not ask POs for cost estimates and proposals to accomplish scope changes. Changes that have a positive impact and do not affect the end state of the project should be coordinated with AFCEC.
- Occupancy, operations and maintenance oversight ensures the following program objectives are met: 1) outstanding responsiveness and customer service, 2) long term viability (quality constructed and renovated housing for 50 years) and 3) compliance with requirements in the transaction documents.
- Project stakeholders hold a quarterly Management Review Committee (MRC) meeting during the IDP to discuss post closing management issues and administrative matters. They can be held semi-annually for some projects if the project 1) is out of IDP, 2) has no major renovation / construction and 3) is rated acceptable or better.
- Financial oversight ensures the following key program objectives are met: 1) sound financial management (recoup AF investment and stewardship of resources), 2) long term viability (quality constructed and renovated housing for 50 years) and 3) compliance with requirements in the transaction documents.
- AFCEC evaluates and approves the POs proposed Operating and Capital Repair and Replacement (CR&R) budget annually. The HMO / MAJCOM participate in the review by providing feedback, articulating concerns and expectations and keeping leadership informed.
- AFCEC develops a scorecard for each project in the privatized portfolio. The scorecard represents a quarterly assessment as to whether the project is meeting the expectations established in the closing pro forma and identifies problem areas or trends that require attention. Projects that fail to meet those expectations may require modifications to the scope of work or level of service provided to tenants.
- Project ratings are driven by a variety of factors. The rating should not be used as an indicator of AF or PO performance because the rating may be the result of controllable or uncontrollable factors. The PO and AF may be partnering to the fullest extent possible, but the project could still be rated Marginal or Unacceptable due to market conditions or other factors that are beyond their control. All risks – controllable and uncontrollable - must be understood and communicated to senior leaders in order to determine an appropriate course of action.
- Once the IDP is complete, the focus turns from completion of the initial scope of work to sustainment of the asset i.e., utilizing dollars set aside for Out-Year Development period (ODP) for the Reinvestment Plan. Each year, the AF develops long term projections to evaluate whether the Reinvestment Plan is financially feasible and highlights areas of potential risk in the Annual Reforecast Report.

PART TWO: POST-CLOSING MANAGEMENT (PCM)

Housing privatization is a paradigm shift for the AF. While the AF continues to own the land, it no longer owns the homes, and it may not unilaterally direct changes in project scope, services, or other terms of the agreement. The PO has the legal right to build, operate, and manage the project within the framework established in the closing documents, and the AF has the legal right to hold the PO accountable for fulfilling its agreements. The Installation, MAJCOM and AFCEC also have a responsibility to fulfill the terms of the agreements provided in the transaction documents with the PO. To that end, PCM focuses on the AF's comprehensive methods for oversight of HP, a process which was recognized as "robust" by the Government Accountability Office (GAO).²

Initial Development Period (IDP) and Post IDP

Post Closing Management (PCM) begins with Phase V and this process starts at "project closing" – the day the Air Force legally transfers the housing assets to the PO. The IDP phase can last from 2 to 7 years and includes new construction, demolition, renovations, and development or improvements of community amenities. The Post-IDP phase begins when construction is complete and lasts for the remainder of the 50-year lease term. While the focus during the IDP is on new construction, renovation and demolition, the focus during the



Post-IDP phase is on maintenance, capital repair and replacement (CR&R), and ODP (a secondary round of renovations, replacements and/or demolitions midway through the lease term).

PCM provides comprehensive oversight by focusing on four key areas: design and construction; occupancy, operations and maintenance; finances and long term outlook. They are specifically designed to achieve the program objectives and to ensure:

- Preservation of housing assets
- Mitigation of financial risks
- Repayment of any Government Direct Loan (GDL)
- Resident satisfaction and
- Successful completion of mid-term redevelopment.

² <http://www.gao.gov/new.items/d06438.pdf>

AFCEC is broadly responsible for all PCM oversight activities, in particular construction, operations, and financial oversight. The Installation HMOs and MAJCOMs housing representatives are responsible for eligibility verification, referrals, monitoring project operational and environmental compliance, providing base access, providing services on a reimbursable basis, participating in construction oversight, facilitating government paid moves during IDP, and supporting the oversight activities of other AF stakeholders. For a summary of the roles and responsibilities, see [Appendix B](#).

Design and Construction Oversight

AFCEC developed the Centralized Design and Construction Oversight Program (CDCOP) to ensure consistency in project execution and oversight and streamline decision-making and management during the IDP Phase. The oversight procedures outlined in the CDCOP Handbook, located on the Air Force Portfolio and Asset Control and Evaluation System (AFPACES), ensures PO compliance with the agreed specifications, schedule, and procedures.

Design and Construction oversight ensures the following key program objectives are met:

- Successful IDP completion (on time and on budget)
- Ensuring compliance with requirements in the transaction documents.



The construction oversight team is comprised of AFCEC Project Managers (PM), an AFCEC Resident Construction Manager (RCM), and the Installation's Base Civil Engineer (BCE).

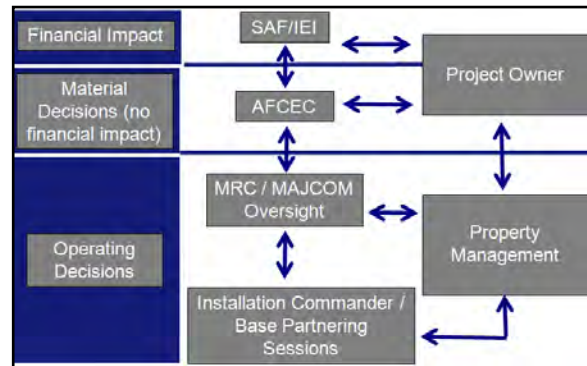
- The PM coordinates Design Reviews and approves construction related documents on behalf of the AF, including Final Plans, Notice to Proceed, Acceptance Notice and Certificate of Completion. The PM also conducts periodic site visits to assess compliance and ensure stakeholders are appropriately engaged in all stages of the process.
- The RCM provides daily on-site oversight of all construction activities and documents status in weekly, monthly and quarterly reports. The RCM works for AFCEC but works with the Installation to provide information, answer questions, resolve issues, and ensure the PO is abiding by their agreement.
- Civil Engineering should participate in design reviews to ensure local concerns are addressed in the final plans. The Installation endorses RCM recommendations to AFCEC regarding acceptance of completed units. The HMO coordinates government paid moves for construction-related activities. The Installation (via CE) works with the PO to establish haul routes during construction.



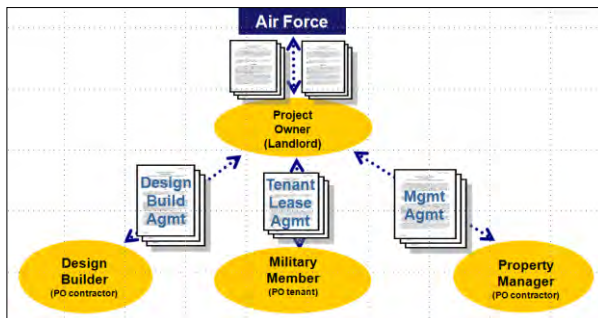
Communication

Regular and frequent communication between the PO, AFCEC, MAJCOM and the Installation is central to the successful completion of the IDP. The RCM should participate in the PMO weekly construction meetings to stay informed about any issues impacting progress on the project. The PMO and Installation officials should communicate regularly through their installation partnering sessions and with residents to keep everyone informed about the status of construction activities and how the Installation may be impacted.

Creating a direct line of communication between the PMO and Installation leadership helps to ensure information is provided to those affected parties in a timely manner and all concerns are proactively addressed. Many Installations include PMOs in weekly Wing stand-up meetings and town halls to foster additional communication. The MAJCOM should always be in the communication and coordination loop for project status updates as well as other impacted installation organizations and residents. The diagram to the right highlights those lines of communication as it relates to day-to-day operating decisions made by the IC and the PMO.



As indicated in the diagram below, the PO manages many lines of communications during the HP process. During the IDP, POs create agreements with a design builder who in turn execute additional contracts with subcontractors responsible for the construction, renovation or demolition of the IDP scope. At times, Installations may encounter issues with these subcontractors within the housing areas, such as base access or safety, requiring resolution through the design builder or PO. Since the PO or design builder may not physically be on the Installation, this additional coordination may require additional time and effort to get situations resolved and adds another layer of complexity to communicating and resolving housing issues.



Although the AF is the primary client, the PO is also responsible for managing the lines of communication between its PMO and the military member. The successful intermingling of communication efforts in these areas is needed to ensure occupancy targets and construction timelines are met. The PO has to ensure all of these relationships are maintained and that processes are in place to resolve issues that may affect the performance of the project.

Scope Changes

Occasionally, a change in the IDP scope may be appropriate and necessary as there may circumstances that drive a change or opportunities to improve scope once the IDP begins. As the fiduciary agent for the AF, AFCEC must review all scope change requests. If the change will result in a material modification to scope or a negative cost impact, AFCEC forwards the proposal to SAF/IEI for a decision. Only SAF/IEI has the authority to approve substantive changes that will result in negative financial impacts or to the scope of the project. Changes that will result in a negative impact are not likely to get

The Installation must forward any scope change requests to the MAJCOM for review and further action.

approved, unless the changes are driven by codes, law or safety. Changes that have a positive impact and do not affect the end state of the project should be coordinated with AFCEC. Approval of all other substantive changes is delegated to AFCEC. Non-substantive and administrative changes and clarifying amendments to Operating Plan agreements are delegated to ICs but should be coordinated with AFCEC.

Installations and MAJCOMs should not ask POs for cost estimates and proposals to accomplish scope changes. When appropriate, AFCEC will request cost estimates for valid scope change requirements. Installations proposing a change should first discuss the change with the PO to get their initial concurrence. If the PO is willing to consider the change, the Installation sends the request to their MAJCOM to validate the requirement. If the MAJCOM believes the change is warranted, the MAJCOM forwards the request to AFCEC for review. AFCEC will then ask the PO to provide a proposal describing the change and detailing any cost or schedule impacts associated with the change.

AFCEC will perform an analysis to assess the financial impact to the IDP, sustainment, and reinvestment. If the change will result in a negative financial impact, AFCEC will develop a recommendation for further review and decision by SAF/IEI. The typical scope change process flow chart is provided at [Appendix C](#).



AFCEC uses three criteria to evaluate requests:

- Would the proposal materially benefit Airmen?
- Does the proposal address a life safety or code compliance issue?
- How will the proposal impact the ability of the project to remain viable over the long term?

Requests that exceed AF housing design and construction standards or the most current, validated and approved HRMA/HCP results may not be considered for scope changes during the IDP. Generally, scope change requests are discouraged unless there is a clear need or an appropriate offsetting cost reduction. In some cases, Installations can help create additional resources to fund additional scope. Best practices include:



- Maximizing occupancy by supporting the use of the Other Eligible Tenant Priority List even if occupancy exceeds 95%.
- Allowing the PO to delay demolition of units scheduled through the end of the IDP (only if there is a demand for the units). Because this impacts schedule, this type of initiative should be coordinated through AFCEC.
- An extension to the term of short-term lease parcels to create additional revenues for the project. This must be coordinated through AFCEC.

The PMO (Community Director) is the representative of the PO at the installation and can support a proposed scope change or action; however they do not have the corporate authority to act or make decisions affecting the financials of the project. The corporate vetting and approval process is internal to the PO leadership and other affected stakeholders.

Occupancy, Operations and Maintenance Oversight

The HMO leads the Air Force efforts to monitor compliance with the occupancy and operational and maintenance requirements of the project. It is important that other Subject Matter Experts (SME) such as Environmental, Resources, Finance, etc., at the Installation support these HMO oversight responsibilities.

Occupancy and Operations and Maintenance oversight ensures the following key program objectives are met:

- Outstanding responsiveness and customer service
- Long term viability (quality constructed and renovated housing for 50 years)
- Ensuring compliance with requirements in the transaction documents



A number of stakeholders are involved in providing oversight of the activities within a project. The lead for many of these activities is the Installation; however, AFCEC leads some activities as well. Key oversight activities include:

- Occupancy – the HMO monitors occupancy weekly, particularly if occupancy is below target. The Installation could assist in improving project performance by assisting the PO in increasing occupancy. The Installation can help the PO reach Target Tenants (TT) by running positive articles in the base paper from the IC, inviting PO participation in AF events and providing inbound lists of incoming personnel to support advance marketing. If increasing occupancy is not enough to improve performance, the PO might have to scale back services to meet key obligations and needed services.
- Partnering Meetings – the HMO and PO should meet weekly to review high priority issues or concerns and develop written action plans to track issue resolution. During the IDP, the focus should be on resolving potential impediments to improving occupancy or keeping construction on track – such as renting to Other Eligible Tenants (OETs), government paid moves or base access for PO subcontractors. Additional focus areas may include curb appeal, base appearance, service calls, preventative maintenance and quality assurance / quality control (QA/QC).
 - Partnership Review Committee (PRC) - PRCs are established at the Installation and meet continually to review the project's progress with the property manager and resolve any operational and management issues. The appropriate level of AF leadership is a part of the committee which attempts to resolve issues at the lowest level.
- Management Review Committee (MRC) Meeting – Four times a year (typically) project stakeholders hold a formal MRC meeting to discuss PCM and administrative matters such as project performance, finances, development, operations, tenant relations, quality of service, safety, capital reinvestment expenditures, and possible changes to the transaction, if needed. They can be held semi-annually for some projects if the project 1) is out of IDP, 2) has no major renovation / construction and 3) is rated acceptable or better.



- The MRC meeting is not a decision-making forum but rather an opportunity for the AF and PO to review project performance, construction status, recommendations for changes to the transaction documents, annual customer satisfaction survey results, potential risks to completion of the IDP and other issues affecting the success of the project. The MRC is also used to develop a common understanding on any issues and concerns and to develop action plans for issue resolution.
- The AF and PO co-chair the MRC meetings. The standard co-chair delegation is detailed below:

Co-Chair	WG/CC or IC	MAJCOM	AFCEC/CFH
Single Base Project	X		
Grouped Project, One MAJCOM		X	
Grouped Project, Multiple MAJCOMs			X

- Mandatory participants are outlined in the project transaction documents. The MRC chairpersons determine the agenda. The project transaction documents determine who is responsible for administrative tasks, such as invitations and call for proposed agenda items, scheduling a meeting date and time, reserving meeting room, and preparing formal minutes.
- Annual Customer Satisfaction Survey – The legal closing documents require the PO to conduct an annual customer satisfaction survey. The Installation should assist the PO in encouraging residents to fill out the survey in order to obtain a representative sample of customer satisfaction. The HMOs review the results and should ensure the IC is advised of the overall results. In addition, the HMO should work with the PMO to address any areas needing improvement and ensure an action plan with concrete goals is established and to ensure milestones are put in place.
- Compliance Checklist – AFCEC develops a checklist to monitor and verify compliance with all financial, construction, and operations requirements of the project. The HMO is primarily responsible for tracking operational compliance.
- HMO Compliance Testing – The HMO uses the Compliance Checklist to monitor compliance with specific provisions from the LOP, Facilities Maintenance Plan (FMP), Fee Management Plan, Rental Rate Management Plan (RRMP), Unit Occupancy Plan (UOP), Utility Service Agreement (USA) / Plan, etc. Coordination with Civil Engineering and other SMEs is required. The HMO submits their checklist to AFCEC and their MAJCOM for quarterly review and is responsible for tracking and resolving problems or issues that can be resolved at the local level.
- AFCEC Compliance Testing Reports – Using inputs from the HMO, AFCEC develops a comprehensive compliance report on a semi-annual basis for each project. AFCEC categorizes each non-compliant item as high, medium or low risk. High risk items pose threats to completion of the IDP, health and safety, or may limit the AF position during any potential litigation. AFCEC works directly with the PO and HMO to resolve any non-compliant items that are financial or construction related. AFCEC works with the HMO on any operational issues they have been unable to resolve locally. The

The HMO must work closely with Subject Matter Experts at the Installation to monitor compliance with operational requirements.



Installation leadership and MAJCOM should be informed of any non-compliant issues for the project.

- Annual Site Visit (ASV) – During an ASV, AFCEC conducts an annual assessment of property management, development, and the operations of the project. During the visit, AFCEC offers an in- and out-brief to the IC of which PMO attendance is at the discretion of the IC. MAJCOM representatives may also attend the ASV. The HMO coordinates the dates, times and attendees for the visit as well as any briefs and provides feedback and identifies issues for the ASV team. A score and report are generated from the ASV within 30-45 days of the visit.



- Development Review Visit (DRV) – AFCEC may conduct a visit during the IDP to review construction procedures, schedule, and cost focusing on development as well as to provide additional training regarding startup and IDP issues. These visits facilitate partnering and relationship building between the project stakeholders.
- Staff Assistance Visit (SAV) – To provide additional support to the Installation, the MAJCOM may request AFCEC to provide training and partnering assistance or to conduct a review of processes used in privatized housing management and operations and other areas as required or requested.
- Capital Repair and Replacement (CR&R) Visit - CR&R is an analysis of the ongoing maintenance and repair over the life span of the project. It shows when the PO anticipates the need to repair or replace roofs, appliances, plumbing systems and infrastructure, among other items. AFCEC periodically conducts CR&R visits to assess whether the CR&R Plan is complete, adequate and reasonable in regards to replacement of items on a life cycle basis and the costs assumed for the work. AFCEC works with the HMO and PO to modify the CR&R Plan as needed.

- AFCEC provides an overview of the initial assessment to the IC during the visit and develops an official report within 30-45 days. Once a new CR&R plan is approved, it becomes part of the Annual Budget
- CR&R visits are normally scheduled during an ASV



- Partnering and Operational Review (POR) – This AFCEC operations and management visit focuses attention on the communication and teaming of the privatized partners at the installation. The center of the discussion is on clearly understanding roles and responsibilities, clarifying housing processes, and ensuring both parties are working effectively to achieve the project goals. It is performed on an as-needed basis, can be requested by the MAJCOM and is typically a stand-alone visit which can be held in conjunction with other visits.
- Integrated Project Team (IPT) Visit - When project issues persist, an IPT may be initiated to resolve these problems, prevent financial crisis or to focus on customer service.

Financial Oversight

Financial strength supports the ability of the Portfolio to maintain quality units and high quality of life benefits for the residents. SAF/FM delegated fiduciary duty for the MHPI program to AFCEC in 2001. As such, AFCEC monitors project revenues, oversees monthly funding of all project accounts, watches disbursements and payments on the GDL while comparing actual financial performance to expectations, and develops long-term forecasts to evaluate project sustainability.

Financial oversight ensures the following key program objectives are met:

- Sound financial management (recoup AF investment and stewardship of resources)
- Long term viability (quality constructed and renovated housing for 50 years)
- Compliance with transaction documents



Each year, the PO submits an Annual Budget to AFCEC for review with the goal being to determine the appropriate balance of spending for the upcoming year and reserving funds to address future anticipated needs. AFCEC performs a variance analysis comparing the proposed budget to historical expenses and pro forma projections, and requests the PO to substantiate variances of 5% or more. AFCEC provides the budget to the Installation and MAJCOM for comment and review as the Installation has better insight into local conditions that may require attention and/or any desired project concerns that need to be addressed. Using this feedback, and based on the PO's responses to prior comments, AFCEC determines whether the budget is acceptable or unacceptable and approves or rejects the budget.



Typically, the PO is required to submit the budget to the AF 90 days before the start of fiscal year and the Government has 30-60 days to review and approve/disapprove. In some cases, POs are required to submit an annual operating budget not less than 90 days prior to the commencement of the each project's calendar year (CY). Although most budgets are submitted on 30 September of each year, the Lockbox Agreement (LA) specifies the timeframe for budget submission and AF approval. Most budgets must be approved or rejected by the AF within a 60-day timeframe, although some of the earlier projects have a 30-day approval process. Failure to respond within the

required timeframe results in a default acceptance of the proposed budget. Additional details about the budget review process and timeframes are in the project's LA.

If the AF does not approve the budget, the PO is required to use the prior year's budget as the baseline for the current operating year. In this case, any deviations or changes above the prior year budget amounts have to be coordinated with AFCEC.

Various budgets are a part of the IDP and Post-IDP lifecycle of a project. They include:

The PO can redirect spending if needs or priorities change. However, the total amount of the budget cannot change without AFCEC approval.

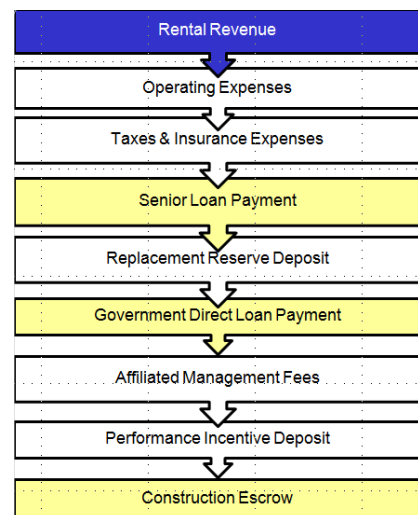
- **Development Budget:** This budget includes the cost of the scope the PO agreed to deliver for the project and includes the general contractor's or design-builder's budget for managing construction expenses associated with the new construction, renovation, abatement and demolition. The AF does not review or approve this annual budget as it is a fixed-price design-build contract included in the transaction closing documents. However, if there are any unforeseen or additional costs that were not included in the original budget, the PO must provide updates to this budget which the AF will review.
- **Operating Budget:** Property Manager's one-year estimate of revenue and expenses for executing the day-to-day management of the project. Includes administrative costs, operations and maintenance, utilities, insurance and taxes. The PO develops the estimate based on historical data, experience, spending priorities and information on the cost of supplies, labor, utilities, etc.
- **Capital Repair and Replacement Reserve (CR&R) Budget:** Spending plan (upcoming year sustainment) which may include cost for roofing, siding, appliances, large scale painting, roads and sidewalk repairs and other projects that do not occur every year



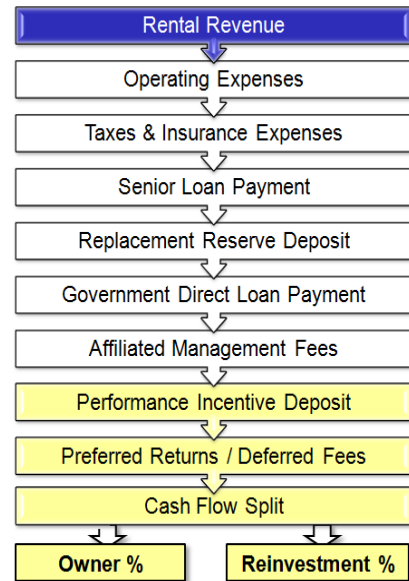
Installations and MAJCOMs have key roles in providing financial oversight. The Installation has better insight into local conditions that require attention and/or any desired project concerns to be addressed. This insight should be considered when reviewing the annual budget. All PO budgets, as defined above, should ensure the project is financially sustainable and the HMO should be familiar with the PO budgeting methods. While the PO is responsible for creating and submitting the budget to the AF, the Installation has the responsibility to communicate its priorities to the PO prior to the budget being submitted. The HMO should collaborate and coordinate these priorities with the IC. The HMO and MAJCOM should review the proposed budget to ensure their priorities were taken into consideration and to ensure the levels of service and quality are what the Installation and Command expect. The financial status of the project is routinely briefed during the MRC meeting. If these priorities are not addressed in the budget, the PO should discuss the reasons why during the budget review process and work with all parties to address these issues in subsequent budgets.

In addition to the Annual Budget review, other oversight activities include:

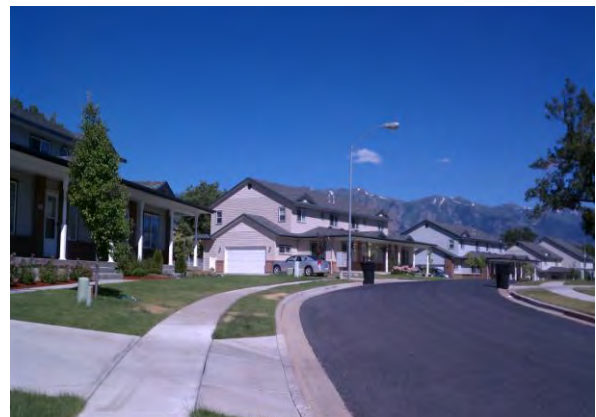
- **Lockbox Report** – AFCEC monitors all project cash flows to ensure project accounts are properly funded. AFCEC follows up directly with the Lockbox Agent and PO to address any inconsistencies. The HMO should have a basic understanding of the Lockbox in order to educate and inform their leadership.
 - The typical IDP lockbox is shown to the right. The Senior Loan and Government Direct Loan (GDL) are high priority payments. Not all projects have GDLs. The Senior Loan funds the “Lion’s Share” of the development scope. If the project defaults on the Senior Loan, the lender could be entitled to take over the project.



- Financial restrictions placed on the cash flows of the project limit the amount of private funding a project can receive. The GDL steps in solely to complement this shortage / gap of private funding thus allowing full funding to cover the total project development cost and is repaid after the Senior Loan.
- Deposit all net cash flow received during the IDP into the construction escrow account to pay for IDP construction.
- Once construction is complete, Post-IDP, net cash flow is split between the PO and the Reinvestment Account (RIA) according to the percentage negotiated at closing. RIA funds are used to fund the long-term development and sustainment of the housing units (reinvestment) while the PO portion is profit. Both the AF and PO benefit from net cash payments, thus the PO and AF are incentivized to take actions to maximize project cash flows.



- Project Summary Report – Each quarter, AFCEC generates a rating based on Key Performance Indicators (KPI) that identify if the project is exceeding, meeting, below, or significantly below targets. Performance is benchmarked to budget and pro forma (variances), previous periods (trends) and where applicable, portfolio and industry standards. AFCEC / HMO use the summary report to follow up on any recommendations for improvement with the PMO. A sample scorecard from the report is provided in the next section, *Project Scorecard and Ratings*. The ratings color codes definitions are provided at [Appendix D](#).
- Performance Incentive Fees (PIF) – This fee is awarded to the PMO as an additional incentive for sound management; it is intended to align AF and PO expectations for PMO performance. The PMO must meet specific criteria to earn the fee, as specified in the OA attachments. Depending on how the delegated authorities for a particular project are structured, the Installation, MAJCOM or AFCEC may have responsibility for approving all or a portion of the PIF. It is important for the AF to review and respond to requests for PIF fees in a timely manner. They are project-specific; closing documents may or may not have included PIFs.
- Annual Reforecast Report - AFCEC conducts a reforecast analysis to review the closing assumptions about project performance, update assumptions based on actual performance and conditions to date, and assess the impact of these adjustments on projected funding for the IDP, sustainment, and ODP. These forward-looking long-term forecasts help identify risks and evaluate whether there will be funds available to complete the IDP, sustain capital improvements and make debt payments and to provide sufficient funding for ODP.



AFCEC publishes the Annual Reforecast Report, including recommendations, and typically briefs the findings and recommendations at the MRC. The HMO should pre-brief the results to their leadership and MAJCOMs to determine what actions, if any, can be taken at the Installation level, in partnership with the PMO, to facilitate meeting forecasted goals.

Project Scorecard and Ratings

AFCEC publishes a quarterly scorecard for each project in the portfolio. The scorecard is used to evaluate overall project performance and includes KPIs in four assessment categories. The KPIs are based on private sector best practices and were customized to align with the unique requirements of MHPI. As shown in the sample scorecard below, the four assessment categories are 1) Development, 2) Occupancy, Operations and Maintenance, 3) Finance and 4) Long-Term Outlook. Development is not applicable once the IDP is complete.

Rating Metric	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Trend
	Rating				
Overall Project Rating:	B	B	B	B	↔
Development:					
Units Delivered / Units Scheduled (##)	636 / 542	680/575	680/605	680/641	↑
IAW Project Documents	Yes	Yes	Yes	Yes	-
Occupancy, Operations, and Maintenance:					
Occupancy Rate	93.6%	92.8%	95.3%	95.5%	↑
Occupancy: Variance to pro forma (# / % pts)	+254 / +19.5% pts	+228 / +17.1% pts	+231 / +16.8% pts	+209 / +14.9% pts	↔
Service Calls (% Responded/Completed on Time)	100.0% / 100.0%	100.0% / 100.0%	100.0% / 100.0%	100.0% / 100.0%	↔
Administration and Physical Condition (ASV)	-	-	Acceptable 101.2%	-	↔
Resident Satisfaction Survey Score	-	-	-	Exceptional 80.6	↑
Finance:					
OPEX vs. Budget (Quarter)	85.3%	95.9%	100.9%	92.3%	↔
NOI vs. Pro Forma (Quarter / TTM)	140.8% / 123.3%	134.3% / 128.6%	131.5% / 133.0%	143.0% / 137.4%	↑
Debt Coverage Ratio (Quarter)	1.72	1.67	1.57	1.57	↔
Long-Term Outlook:					
Sources and Uses: Surplus or (Gap) / % Uses	\$6.0M / 1.8%	\$5.1M / 1.5%	\$5.1M / 1.5%	\$7.5M / 2.2%	↔
Capital Repair and Replacement	Exceptional	Exceptional	Exceptional	Exceptional	↔
Reinvestment (Available \$PU/% Standardized Needs)	-	-	-	-	↔

The project rating – denoted by a red/yellow/green/blue color code - indicates whether the project is meeting, trailing or exceeding expectations and identifies trends that require attention. Although conditions change over time, the AF benchmarks performance against the expectations established at closing because the AF, PO and Senior Lender used these expectations to establish the scope of work over the life of the project. Projects that consistently fail to meet expectations may require modifications to the scope of work or level of service provided to residents.

Rating	Definition
Exceptional	Exceeds Targets
Acceptable	Meets Targets
Marginal	Below Targets
Unacceptable	Significantly Below Targets

The project rating relates to project performance, and is based on an assessment of all the KPIs in the scorecard. It's important to recognize that some factors driving project performance are controllable while others are not. Therefore the project rating is not necessarily a reflection of the PO's or installation performance. For example, the PO and AF may be partnering to the fullest extent possible, but the project could still be rated Unacceptable due to market conditions that are beyond their control. All risks – controllable and uncontrollable - must be understood and communicated to senior leaders in order to determine an appropriate course of action.



The scorecard project color rating and trending definitions are provided at [Appendix D](#). The thresholds used to evaluate each KPI and determine the overall project rating are provided at [Appendix E](#).

Long Term Outlook - Post-IDP: Sustainment and Reinvestment

Once the IDP is complete, the focus turns from completion of the initial scope of work to sustainment of the assets. The Post-IDP objectives are to ensure there is adequate funding throughout the lockbox to meet all operating expenses, debt service payments, CR&R, and ODP (reinvestment).

CR&R, also known as maintenance and repair, is needed to ensure the homes are maintained to an acceptable condition and include items such as appliances, roofing, streets and utility infrastructure. It is paid exclusively from cash flow deposits into the Replacement Reserve Account. CR&R expenses are not annually recurring expenses like operating expenses. Replacement generally occurs on a useful life cycle basis, and the associated costs are significant enough to warrant long term planning.



The CR&R Plan captures the capital needs of the project for the remaining lease term. AFCEC reviews the PO's CR&R plan each year (during and after the IDP) and works with the PO to ensure all capital items, costs and replacement cycles are reasonable and accounted for. AFCEC asks for Installation input on any items failing or are in need of replacement sooner than what is indicated in the plan. AFCEC also performs a CR&R site visit every 3-5 years to evaluate the assets and validate whether the plan adequately captures the needs.

Although the CR&R work allows the units to be maintained at an acceptable standard, the AF expects these units to remain competitive with market alternatives for 50 years. The ODP includes replacement and renovations of homes to achieve this objective. The phase typically lasts for several years with the timing and duration varying per project. The ODP is paid from two sources: cash flow deposits into the RIA and proceeds from a PO reinvestment loan. Cash flow deposits to the RIA start only after the IDP is complete.



Annually, AFCEC conducts a reforecast analysis to review the closing assumptions about project performance, updates those assumptions based on actual performance and conditions to date, and assesses the impact of these adjustments on projected available funding for the IDP, sustainment and ODP. ODP analysis compares projected available funds to projected needs. Two benchmarks are used to evaluate projected needs – the Reinvestment Plan and a Standardized Needs Assessment.

- The PO provides the Reinvestment Plan in its pro forma at closing. As a practical matter, the PO is expected to identify ODP needs and propose a plan to the AF. Unlike the IDP, there is no specific scope requirement. The AF and PO will work together to establish the plan which must be approved by the AF before the ODP commences. The amounts to be invested, timing of the investment, and target of the investment is not standardized from project to project. The level of proposed investment is typically a function of available funding and the PO's and AF's assessment of anticipated needs in the future.
- The Standardized Needs Assessment uses a more structured approach for estimating future needs. The estimated needs are based on the age of the unit in year 25 and the work completed during the IDP. The work commences in Year 25 and lasts two to five years depending on the number of units in the project. These estimates represent a preliminary needs assessment and do not represent a requirement.



The results of the analysis typically point to the importance of maintaining high occupancy and operational efficiencies. They also highlight the need to balance current spending with future needs and requirements.

EXECUTIVE SUMMARY

PRIVATIZED HOUSING COMMON OPERATIONAL ISSUES

- A good partnership—one based on frequent and regular communication, driven by a common goal to improve housing opportunities for Airmen, supported by a willingness to be proactive and creatively solve problems—will lead to a successful project.
- AFIs do not apply to POs unless specifically included by reference in the project transaction documents.
- HP does not affect any Installation Commander authorities as established in law, regulation, or military culture.
- Appropriated Funds (APF) may not be used to support HP assets or infrastructure except where specifically authorized by legislation. Doing so may violate the terms of the project transaction documents and could result in an ADA including fines or imprisonment.
- Under Title 10 authorities, the Installation Commander may furnish services in connection with any military housing acquired or constructed on a military installation. These services are provided on a cost reimbursable basis and could include firefighting and fire protection services, police protection services, electric power, steam, compressed air, water, sewage and garbage disposal, natural gas, pest control, snow and ice removal, mechanical refrigeration, and telecommunications service.
- The approval authority for Utility Allowance (UA) is delegated to the IC.
- The HMO is required to verify eligibility of all tenants who apply for HP. The PO must receive validation of eligibility from the HMO before finalizing a lease with the prospective tenant.
- The project financial success greatly depends on the PO's ability to keep homes occupied. If target occupancy is not met, potential reductions in services or scope may become necessary.
- ICs should support the PO's efforts to rent to OETs to meet occupancy targets and to maintain a high level of service for residents. Maximized occupancy also funds investment in each project, including new or renovated homes, amenities, community features, services and quality of life for all tenants.
- Commanders may and are encouraged to allow POs to implement the [OET Tiered Occupancy Priorities, Jul 2006 for Tiers A through C](#) when occupancy is over 95%, and are encouraged to do so when annual financial projections indicate a need for additional funding.
- ICs should support reasonable demographic change requests when occupancy falls below 95%, realizing that at times rank and grade mixing may be necessary during the IDP to avoid using the OET Priority Policy.
- There may be times the occupancy conditions allow the PO to market to Tier D, General Public. Congress is notified, as required, when a MHPI project begins leasing to general public tenants.
- EC&E are any costs for work on “any privatized housing unit that benefits a Tenant” and exceeds normal operations, maintenance, repair, or replacement of items within their expected service life and is not identified in the annual budget.

PART THREE: PRIVATIZED HOUSING COMMON OPERATIONAL ISSUES

Installation Commanders are responsible for implementation of MHPI policies. The answers are not always going to be straightforward, as multiple stakeholders could be involved (some outside of the AF). They could encounter issues that others may not have dealt with before and thus Installation Commanders are encouraged to refer to SMEs to determine the best way forward. Below is a discussion of some commonly raised issues and lessons learned for privatized housing.

Partnering

The better informed and engaged leaders tend to produce more successful projects. A good partnership – one based on frequent and regular communication, driven by a common goal to improve housing opportunities for Airmen, supported by a willingness to be proactive and creatively solve problems – promotes a successful project. The strength of the partnership between the PO and Installation during the IDP is especially important as it sets the stage for a significant and long-lasting joint venture on the project and the livelihood of future residents for years to come!

Training and Strategic Communication

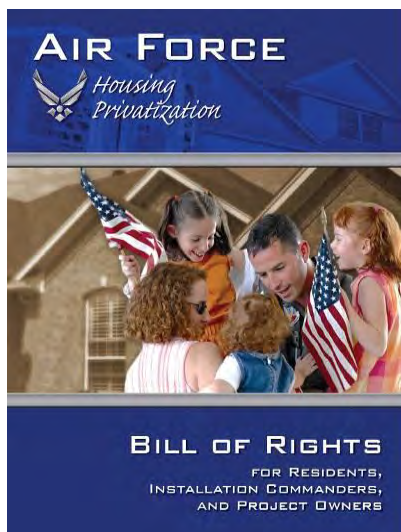
HP developed a Training and Strategic Communication Plan which implemented a comprehensive training program that integrated the vision and objectives of the AF Housing Program. One of the objectives of the plan is to improve training and strategic communication to senior leadership (Installations, MAJCOMs, and General Officers) on HP. New and updated brochures i.e., informational reference guides, are designed to enhance senior leaders awareness, knowledge and understanding of HP from the quality of life aspect as a tenant while others focuses on specific commander roles and responsibilities that affect the success of the HP project at the installation.

AFIs do not apply to POs unless specifically included by reference in the transaction documents. Thus, special emphasis is placed on educating Installation leadership at all levels to include adding HP modules at pre-command courses at Maxwell Air Force Base. There are many training opportunities available for all stakeholders who desire more information about HP. This information, opportunities and publications include (but are not limited to):

- *Maxwell AFB Commanders Seminar* – explains infrastructure initiatives, key funding issues, and includes HP
- *MAJCOM Commanders Housing Privatization Leadership Brief* – a AFCEC-provided briefing given to provide MAJCOM Commanders a sight picture on the performance of the projects within their MAJCOM as well as other relevant issues. As a part of the AFCEC Strategic Training and Education Plan, this presentation provides high-level programmatic information on the policy, process and governance of housing privatization. MAJCOM Commanders normally coordinate with the A7s to request/schedule this briefing via video teleconferencing (VTC) or on-site.
- *Housing Privatization Lessons Learned Forum* – a forum for attendees to share lessons learned, highlight best practices, discuss the AF Housing Program strategy and define AF customer service expectations. Forum is supported via VTC, Defense Connect Online (DCO) or webinars.

Housing Privatization - A Primer for Senior Leaders

- *Installation Leadership Briefing* – a AFCEC-provided brief given upon every change of command to ensure the new IC is familiar with the legal and financial structure of the project, roles and responsibilities, commander authorities, project performance, construction status and other relevant issues. HMOs normally coordinate with AFCEC to schedule this briefing during the MRC or ASV visits to the installation.
- *Privatized Housing Orientation (PHO I-II)* – implementation training provided by AFCEC to the HMO, HRO and key stakeholders to prepare the installation for privatization. PHO I, which can be one or two visits, webinars or DCOs, occurs 30-60 days after HRO selection; PHO II occurs 30-90 days after closing when Transaction Documents have been officially posted to AFPACES. PHO I-II introduces the new stakeholders to the transaction, ensures a smooth transition from the deal structuring phase to the IDP and post-IDP phases, and provides a road map for long-term project success. Topics include an overview of the PCM program, roles and responsibilities, delegated authorities, compliance oversight, operations, and reimbursements. An IC's leadership brief is provided during PHO I.
- The *Privatized Housing General Officer Homes (GOH)* guide
- The *Bill of Rights for Residents, Installation Commanders and Project Owners* brochure
- The *Living in General Officer Privatized Housing* brochure
- The *Commander and Privatized Housing* brochure



A full list of privatized housing training opportunities, publications, and websites is provided at [Appendices F and H](#).

Commander Authorities

It is critical to note that housing privatization does not affect any Installation Commander authorities as established in law, regulation, or military culture. These

unimpaired rights, prerogatives and authorities include but are not limited to the authority to bar individuals from the installation; the authority to conduct inspections or searches of individuals entering, leaving or present on the installation; the authority to issue search authorizations on the installation based on probable cause; the authority to conduct disaster

The IC has the right to act on and enforce all authorities in law, regulation, or military custom as well as take action on several MHPI issues, as delegated.

preparedness exercises and/or emergency recovery operations on the installation; and the authority to exercise emergency health powers on the installation in the event of a natural disaster. IC delegated authorities are provided in [Appendix G](#).

Commanders are responsible for assets, people, and geographic areas they control and maintain the authority for the installation when determined necessary in the interest of good order and discipline or for the health and welfare of the installation population. When housing is privatized, ownership of the housing assets is conveyed to the PO and the government assumes oversight responsibilities as delegated by SAF/FM, SAF/IEI and AFCEC. After closing, AFCEC issues a delegation letter to the Installation and MAJCOM that outlines specific authorities to be delegated. Typical authorities are highlighted in the HP Bill of Rights brochure.

Delegated Authorities

SAF/FM delegated fiduciary responsibility for the HP program to AFCEC in 2001. SAF delegated authority for entering into HP agreements to SAF/IEI in 2002 and also delegated authority to AFCEC for most day-to-day decisions. The rationale for centralizing day-to-day oversight responsibilities at AFCEC was to ensure consistency and standardization in oversight procedures and decision making IAW the MHPI goals and objectives. AFCEC sends delegation of authority letters to ICs (single based projects) or MAJCOMs (grouped projects) describing their roles and responsibilities. The references for these delegation letters are in [Appendix H](#). The table below summarizes where authorities currently reside:

Action for Approval	Approval Authority			
	SAF/IEI	AFCEC/CL	Installation CC	MAJCOM
Lockbox Account Disbursements in Excess of \$5 Million	●●●			
Declaration of Events of Default	●●●			
Material Scope Changes (i.e., Restructuring/Refinancing)	●●●			
Material Project Document Amendments and Modifications (other than non-material Operating Agreement (OA) amendments approved by base or MAJCOM)	●●●			
Lockbox Account Disbursements		●●●		
Annual Budget Approval		●●●		
Construction Approvals (NTP, Acceptance Notice, Certificate of Compliance)		●●●		
Default Notices		●●●		
Scope changes that do not result in a negative financial impact		●●●		
Approve Change of Property Management Firm		●●●		
Approve Change of Lockbox Agent		●●●		
Base Access			●●●	
Environmental Plans and Permits (i.e., dig permits and SHPO coordination)			●●●	
Inspection of Environmental Compliance Records			●●●	
Removal of historical, archaeological, cultural artifacts			●●●	
Ingress and Egress			●●●	
Approve Annual Utility Allowance			●●●	
Provide and bill for Fire and Police Services (Reimbursements)			●●●	
Removal and debarment of individuals from the base			●●●	
Operating Agreement Amendments (non-material amendments, no financial impact)		●	●	●
Co-Chair the Management Review Committee (MRC)		●	●	●
Approve the Performance Incentive Fee		●	●	●

● Single Base Project ● Grouped Project, One MAJCOM ● Grouped Project, Multi-MAJCOM

Appropriated Funds and the Anti-Deficiency Act (ADA)

Appropriated Funds (APF) may not be used to support HP assets or infrastructure except where specifically authorized by legislation. APF may not be used to purchase United States (American), state, or AF flags for HP, for funding maintenance and repair (M&R) or modification, or for related HP expense, except for the following items:

- Communications Support. Readily removable government anti-terrorism / force protection (AT/FP) and communications equipment is funded with non-MFH funds. Refer to AFI 32-6003, General Officer Homes (GOH) Management and Operations, for Communications Support requirements in GOH.
- System requirements in HP that are determined to be government responsibility are funded with non-MFH funds. These systems will be installed and maintained IAW closing transaction documents.
- As with government-controlled housing, FH APF (operations funds, P-721) and P-727 may be used to maintain the HMO (office overhead and civilian pay), purchase supplemental furnishings for privatized housing (PH) occupied by eligible personnel [(Special Command Positions (SCP), General Officers, O-6 ICs, CMSAF, and GO civilian equivalents (Senior Executive Service))] as prescribed by AFI 32-6003.



ICs must be aware that privatized projects may not use appropriated funds (except as noted above), congressional inserts, end-of-year funds, or any other unauthorized means by which the Installation may have addressed funding challenges in the past. Doing so could result in an ADA violation and monetary fines and/or imprisonment.

Reimbursable Services

Under Title 10 authorities, the Installation may furnish services in connection with any military housing acquired or constructed on a military installation. These services are provided on a cost reimbursable basis and could include firefighting and fire protection services, police protection services, electric power, steam, compressed air, water, sewage and garbage disposal, natural gas, pest control, snow and ice removal, mechanical refrigeration, and telecommunications service. The most common of these reimbursable services are fire, police, and utilities.



The fire and police reimbursement rate for the first year of the project is established in the Lease of Property (LOP); every year thereafter, the Installation will update the reimbursement rate using the methodology included in the LOP.

AFCEC works with the HMOs to ensure that updates to the annual fire and police reimbursement rates are accurate and IAW project transaction documents. To do this, AFCEC facilitates an annual data call with the HMOs, provides updates to the rates and furnishes applicable reimbursement templates to the installations for the HMOs to populate. Subsequently, the HMOs update these templates as well as any applicable supporting response data, and sends back to AFCEC for review. Once AFCEC approves the updates, the

HMO sends notification to the PO by 1 October for use in the upcoming year's budget calculations. The HMO is the liaison for coordinating the annual updates with appropriate installation offices which include the Fire Department, Security Forces and their Resource Advisors, Accounting Liaison Office (ALO), Regional Defense Finance and Accounting System (DFAS) site office, and PO/PMO personnel.

In addition to fire and police, many Installations provide utility service in the older housing privatization projects. The reimbursement is a function of the utility rate and consumption, as specified in the USA. The utility rate may or may not include a charge for M&R, depending on what was negotiated at closing. Consumption estimates may be used until meters are installed; therefore, it is critical for the PO and Installation to agree on the estimation methodology if it isn't already specified in the USA. The Base Civil Engineer (BCE) should be familiar with the process and terms stated in the project USA. Civil Engineering should update the utility rate annually or as indicated in the USA and work through the HMO to provide timely notification to the PO.

Accurate billing for reimbursable services is critical and impacts the Installation's budget.

For newer projects, a new concept was agreed upon for Installations that provide utility services to the project. As with current projects, the PO pays the entire bill until residential house meters are put into operation on target tenants homes. After mock billing, the PO sends a bill to Target Tenants for their utility usage cost. However, the PO does not absorb the utility M&R cost as this function stays with the government unless the utility meets the "Sole Benefit Test" justification in the USA.

The base may provide other services IAW Title 10 Subchapter IV, Section 2872a if there is a written agreement between the Installation and the PO about the service to be provided and at what cost. Certain exceptions may apply when issues arise related to the security or mission of the Installation or for the health, welfare, safety or security of persons on the Installation. When emergencies arise, the PO and AF should communicate, even if only a verbal conversation, on the best approach to meet the need and follow up with more formal communications after the emergency has passed.



Utility Allowance (UA)

In accordance with a Presidential Mandate and Department of Defense policy, all privatized housing residents will be individually responsible for paying for their gas and electricity consumption with a portion of their BAH. The BAH each member receives is intended to cover the costs of rent, utilities, and PO-provided basic renters insurance. Until the Utility Allowance (UA) is implemented, members pay their full BAH as rent. After the UA is implemented, members pay their BAH less the UA as rent. Members will retain the UA so that they can pay their own utility bills.

Implementation of the UA follows the procedures established in the OA and typically begins towards the end of the IDP. During the course of the IDP, the PO installs gas and electric meters on all units. The PO gathers consumption data for one year, and then uses that data to develop a proposed UA for each unit type (floor plan and construction). The PO submits the proposed UA to the AF. UA approval is delegated to the IC.

The purpose of the Utility Allowance is to emphasize personal responsibility and energy conservation.

The UA is set at 110% of the annual estimated average of utility consumption for each unit type (i.e., age, size, and construction date) based on historical consumption (a rolling 5-year average, once five years of data is available) and

projected utility rates. The UA is designed to eliminate out-of-pocket utilities expenses for most service members. However, households who consume more than 110% of the average consumption for their unit type will incur out-of-pocket expenses. Members who consume less than the average amount of utilities will generally pocket a portion of the utilities allowance.

To transition into the UA, the PO may provide tenants up to one-year of mock billing (refer to transaction documents for details). This gives tenants a chance to review their consumption and focus on strategies to reduce their consumption before live billing begins. Mock bills show what a tenant would owe or be refunded once the UA is implemented. The PO also uses a significant amount of marketing and outreach to educate tenants on the new procedure. The HMO may also assist in the transition by educating members during in-processing.

Each year the PO will submit an updated UA with the annual operating budget. This submittal is reviewed by AFCEC, the MAJCOM and Installation to ensure the sample size, calculations and methodology are correct. Ultimately, the IC must approve the UA before the next project budget year begins.

Customer Satisfaction

Each year the PO is required to administer a tenant satisfaction survey conducted by a government approved vendor. The survey is distributed to each tenant at the Installation and measures tenant satisfaction using 9 to 11 factors which are rolled up into three indices: Overall, Property, and Service Satisfaction. After the survey is completed the vendor publishes reports for each neighborhood and an overall rating for the Installation. All reports should be reviewed by the Installation HMO with the PO to incorporate action items into action plans to address areas recommended for improvement. A template is provided for the PO to use in creating their specific neighborhood action plans. Survey results are analyzed by AFCEC annually after all projects have completed the survey and are one of the KPIs for the project scorecard.



The annual survey allows projects to compare their tenant satisfaction to other projects, compare best practices, and monitor year-to-year progress. However, the survey is not the only means to effectively monitor tenant satisfaction. POs constantly receive feedback from tenants in the form of move in/out surveys, service call surveys, periodic community events and tenant representatives. Customer satisfaction is at the heart of a good project and has a direct affect on occupancy and funding for the project. The resident survey scores and occupancy are the best indicators of resident satisfaction and if the project is meeting and/or exceeding resident standards and expectations.

Co-location of the HMO and PMO

The AF encourages HMOs to share an office with their PMOs. This allows the two offices to provide a higher level of service to Airmen and their families as well as save time during their interactions with HP. Experience shows that co-location greatly enhances the HMO and PMO ability to partner and communicate more effectively thus enabling them to be more efficient. Per the SAF/IEI and HQ USAF/A7C 1 Oct 2009 policy



memorandum, all future housing privatization projects are encouraged to include the requirement for a co-located customer service facility. It is recommended that all requirements be vetted through the AT/FP office to ensure compliance.

- At existing privatized housing locations, ICs should promote co-location with the HMO and PMO staffs, including joint base locations. At a minimum, one person from each staff should permanently relocate to the other customer service facility to strengthen the partnership.
- If the HMO collocates with the PMO, the Installation pays for all HMO communication lines and equipment with Operations and Maintenance (O&M) funding.

Eligibility Verification

Eligible Target Tenants assigned to the local area are required on their Permanent Change of Station (PCS) orders to process through the HMO upon arrival. They should receive information about all available housing in the local area, including government-controlled, privatized and community housing, as well as related community services. The HMO assures eligibility and/or information concerning privatized housing is IAW specific legal documents and requirements. Applicants who are interested in or desire to live in privatized housing are referred to the PMO as eligible by the HMO. The PMO is responsible for advertising to prospective tenants. The HMO should coordinate and partner with the PMO to ensure sufficient advertisement.



Marketing, Occupancy and Other Eligible Tenants (OET)

Marketing and occupancy are key areas for partnering between the HMO and PMO. The PMO periodically shares their Marketing Plan with the HMO for review. The overarching goal of the plan should be to ensure both the PMO and the AF are making every effort to attract Target Tenants (TT) - accompanied AF members assigned to the Installation and Independent Duty personnel. The IC has the ability to influence occupancy decisions by publicizing the benefits of living in privatized housing. Best practices include articles in the base newspaper, inviting the PMO to weekly staff meetings and newcomers' orientation briefings and integrating the PMO into the AF community by inviting them to participate in social events.



Project success greatly depends on whether the project can meet its occupancy targets. The PO may rent to OETs when occupancy falls below 95%.

The project financial success greatly depends on the PO's ability to keep homes occupied. Generally, when occupancy falls below 95%, a tiered occupancy structure allows the PO to rent to OET i.e. non-Target Tenants.

The OET Tiered Occupancy Priority policy provides financial protection for the projects by ensuring the POs have an avenue to maintain 95% occupancy rates, or better, for all projects. Although there may be slight variations of the tiered structure in some of the transaction documents, the policy was implemented to protect the Senior Lender investment and to protect the AF by ensuring adequate funding for maintenance, repairs and future development.

The OET Tiered Occupancy Priorities are as follows:

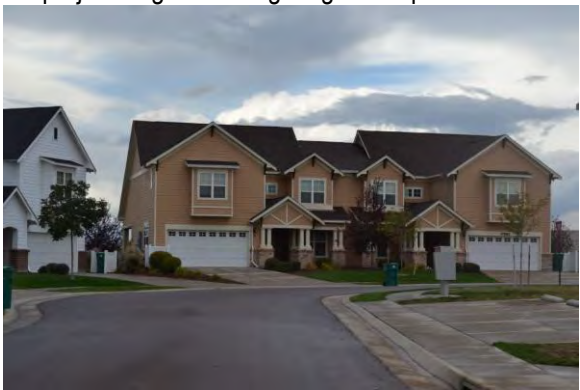
Tier A: Immediately, with occupancy below 95%, rental permitted to:
Other Active Duty Military Members/Families
Guard and Reserve Military Members/Families
Tier B: At 30 consecutive days of low occupancy, rental permitted to:
Federal Civil Service Employees
Retired Military Members/Families
Retired Federal Civil Service
Tier C: At 60 consecutive days of low occupancy, rental permitted to:
DoD Contractor/Permanent Employees (US Citizens)
Tier D: At 90 consecutive days of low occupancy, rental permitted to:
General Public
Transaction documents may differ and prevail.

The OET Tiered Occupancy Priority policy is a legal contractual right of the PO and an obligation of the AF. Support of the IC and senior leaders for this initiative is critical to project success. If the PO fails to implement the OET Tiered Occupancy Priority Policy during the IDP, it may reduce funding needed for completion of the IDP scope. It may also create additional long term obligations for the project which will further reduce funding for other demolition or future work. Any attempt by the AF to obstruct this PO right to use the occupancy priority policy could lead to a legal claim against the AF.

For example, if occupancy is low and the installation needs swing space during a dormitory reconstruction project, the Installation Commander may allow responsible Airmen from the dormitories to occupy housing. This type of policy helps to maximize use of the upper tiers of the Occupancy Priority policy. If weak occupancy persists, the PMO will offer housing to the lower tiers according to the Occupancy Priority policy. The Installation can help the PMO achieve its occupancy goals by ensuring processes, such as base access procedures, are in place. This will facilitate the PMO efforts to rent units in a timely manner and maintain revenues needed to continue providing a high level of customer service.

There may be times when mixing may be necessary. Work with the PO and AFCEC to re-designate areas if a permanent change is needed.

As indicated in the table above, there may be times the occupancy conditions allow the PO to market to Tier D, General Public. Congress is notified, as required, when a MHPI project begins leasing to general public tenants. Therefore, if the PO is recommending leasing homes to this tier, the AF has a requirement to provide congressional notification for the project. Once a PO notifies the IC of their decision to market and lease to Tier D waterfall tenants, AFCEC prepares a staff package for AF/A7C and SAF/IEI. The package will include a project summary of the project/installation and cite the date and estimated timeframe the project is expected to begin marketing to the general public.



The transaction documents are not 100% comparable with regard to the steps required to begin or stop leasing to Tier D. However, all transactions require the POs to meet reasonable requests for information from the AF. The

Installation, MAJCOM and AFCEC should be included on any requests or notifications of intent to lease to general public tenants for any project. This requirement includes projects that have general public tenants due to past low occupancy which was subsequently discontinued for any reason yet is restarting its marketing / leasing program to Tier D general public tenants. This notification requirement is not intended to discourage general public leasing in any way.

The PO may market to OETs until the occupancy rate reaches 95%. However, Commanders may and are encouraged to allow POs to implement the policy for Tiers A through C when occupancy is over 95%, which is advisable when annual financial projections indicate a need for additional funding. Leases that expire for Tier D tenants are only renewed based on the position and status of the occupancy priority list and for the length of time stated on the lease per the transaction documents.

Maintenance Standards

Privatized housing maintenance includes Change of Occupancy Maintenance (COM), on-demand maintenance (service calls), preventative maintenance and common area maintenance. The OA and associated management plans establish the standards for each project. Prior to 2011, COM standards varied from project to project and the interpretation of standards were different at various installations. However, beginning in 2011, AF/A7COH and AFCEC initiated an effort to develop uniform COM standards for future projects; efforts continue to implement within current projects. The AF may not hold the PO to a standard not specifically identified in the closing documents and should reference the documents when determining if the PO is meeting the standard. Air Force Instructions (AFIs) do not apply to POs unless specifically included by reference in the project transaction documents.



When a tenant initiates a service call, the PO classifies the request based on the severity of the issue and either dispatches a maintenance technician to perform the work or sets up a service appointment. Each quarter, the PO reports service call and service resolution performance to AFCEC following the standardized criteria and available from the HMO.

Preventative maintenance and common area maintenance are accomplished using both a prescribed schedule outlined in the closing documents and on an as needed basis when issues are identified by the Installation, tenants, or PO. The

HMOs monitor the POs adherence to maintenance standards by conducting compliance oversight and sampling units. The results are forwarded to AFCEC quarterly in the compliance checklist report.

Move-In / Move-Out Cleaning Standards

Prior to move-in and before the tenant signs the lease, the tenant may request a leasing agent jointly conduct an inspection of the home and complete a Move-In Report documenting the condition of the home. Tenants acknowledge, at lease signing, that they are responsible for maintaining the cleanliness of their home

Tenants are responsible for maintaining the cleanliness of their home and for any damage he/she causes that exceed fair wear and tear.

and for any damages that exceed normal wear and tear. The PMO normally provide a damage cost estimate sheet outlining the standard costs to clean or repair homes left excessively dirty or damaged beyond normal wear and tear.

Tenants must leave the home in the same standard of cleanliness and repair in which it was received. The home should be clean throughout and should meet the standards the tenant agreed to when they signed their lease. In 2011, AF/A7COH and AFCEC initiated an effort to develop uniform cleaning standards for future projects; efforts continue to implement within current projects.



Prior to move-out, the tenant and the PMO conduct an exit walk through inspection of the home. Using the Move-In Report, which documented the condition of the home at the start of the lease, the PMO itemizes any damages that exceed normal wear and tear and provides a copy to the tenant who acknowledges receipt in writing. If the tenant does not correct noted discrepancies and if damage fees apply, they either pay fees by check or establish a payment plan with the PMO.

OETs are sometimes required to provide a security deposit upon lease signing. The PMO refunds the deposit, minus any applicable fees or costs to repair damage, upon termination of the lease.

Community Integrity (Rank Segregation)

The AF intends for HP to maintain the tradition of rank segregation within Officer and Enlisted grade equivalent housing areas. Exceptions to this policy are permitted to accommodate the IDP transition phase and to minimize the need to initiate the OET Priority Policy to achieve maximum occupancy.

To schedule new construction or renovations during the IDP period, tenants may be required to relocate to other housing areas to accommodate new or renovated privatized homes. These “required” moves are identified in the Concept Development phase and map out the PO’s strategy to reach the end state agreed upon during negotiations and closing. Most projects specify that the Installation provide one paid government move during the IDP to accommodate these required moves. Though POs try to maintain rank segregation, it may not be possible to maintain during this time. The HMO, PO and senior leaders constantly try to balance the disruption resulting from IDP progress.

After the IDP, ICs should support reasonable demographic change requests when occupancy falls below 95% and homes are vacant. The scope change process should be used to accommodate these requests. This will enhance opportunities for residency by military members while ensuring the project remains financially viable to the extent specified in project transaction documents. Allowing the integration of NCOs and Officers should in no way impair the IC authority to take necessary actions to sustain good order and discipline.



Anti-Terrorism / Force Protection (AT/FP)

Transaction documents specify PO responsibilities for the AT/FP requirements known at the time of closing. In the event that AT/FP requirements have not been identified for a closed HP project, or new AT/FP requirements arise, the AF may attempt to renegotiate with the PO for an amendment to the transaction documents to require compliance with current AT/FP requirements. The Commander must advise the PO of all future AT/FP requirements and tenancy changes. For additional guidance on funding AT/FP in privatized housing, please refer to AFI 32-6007, Privatized Housing Management.

Flags

The PO may provide flags, and/or flag poles/stanchions if identified in the transaction documents and if costs were included in the annual budget. Otherwise, flags and/or flag poles are provided at the PO's discretion. The use of appropriated funds is not authorized for the purchase of flags for privatized housing.



Privacy Act / Release of Information to PO

Maintaining information privacy is the responsibility of every federal employee, military member, and contractor who comes in contact with information in identifiable form. Redacted information, IAW the Privacy Act and AFI 33-332, *Air Force Privacy Act Program*, concerning in/out-bound personnel, should be made available to the PO/PMO to assist in forecasting available homes for leasing.

The Installation may release the following information about incoming military members to the PMO for housing purposes and without the written consent of the subject: 1) Name, 2) Office, 3) Unit address, 4) Duty phone number and 5) Official (duty) e-mail address. Work e-mail addresses for deployed areas are not releasable.

The PO is entitled to information from the police blotter for responses to incidents within PH and the HMO can provide this information as long as it excludes privacy information. For privacy reasons, only the address and incident should be included in this notification. A System of Records Notice (SORN) reflects AF HP requirements.

Americans with Disabilities Act (ADA) and Fair Housing Act

The Americans with Disabilities Act (ADA) requires the PO provide, through the project transaction documents, a percentage of housing units for individuals who require special accessibility or adaptable features. Through the compliance checklist process, the HMO ensures valid and authenticated ADA requirements are being accomplished by the project at no cost to the tenant and are paid for by the project.

The Fair Housing Act states that "It shall be unlawful for any person or other entity whose business includes



engaging in residential real estate-related transactions to discriminate against any person in making available such a transaction, or in the terms or conditions of such a transaction, because of race, color, religion, sex, handicap, familial status, or national origin.” As a private entity, POs are required to follow this act. HMOs should be aware of this law as part of its oversight responsibility and to ensure Airmen are treated fairly.

Sex Offender Policy

AF guidance memorandum required ICs establish disclosure processes for persons assigned to or applying for military, government-managed and privatized housing who are sex offenders or who have dependents who are sex offenders that they want to reside with them. This guidance requires all potential tenants to complete an AF Form 4422, Sex Offender Disclosure and Acknowledgement, in conjunction with DD form 1747, Application for Assignment to Housing as required by AFI 32-6001, Family Housing Management, and AFI 32-6007, Privatized Housing Management.



The process for allowing a known sex offender to reside in PH is situation-specific as the level of offense and the associated restrictions may vary from state to state. The disclosure process should be consistent with federal and state laws and established in coordination with the Staff Judge Advocate, Security Forces and HMO. Failure to disclose the required information will result in denial of housing and/or eviction.

POs are required to follow federal, state and local laws for sex offenders.

Tenant Responsibilities

All tenants, including GOs, must enter into a formal lease agreement with the PO through a Tenant Lease Agreement (TLA). HP tenants sign and are legally bound by its lease terms and conditions. The TLA includes a military termination clause and describes pertinent rental terms and conditions. The lease term is normally for a 1-year period. A Tenant Handbook is attached to the TLA and describes all tenant responsibilities including move-in inspection report, move-out inspection report, cleaning standards, lawn care standards, and other community standards. Accompanied military members are not required to pay security deposits; however, there may be a refundable / un-refundable pet deposit (less any damages). Tenants are responsible for paying any damages assessed upon lease termination. If the project is using a utility allowance (UA), the tenant may be responsible for paying for utilities.

During the IDP, tenants pay their BAH to the PO to cover rent and utilities (gas and electric) in privatized housing. Rent is paid in arrears and the first month's rent is prorated from the lease start date. Tenants set up a monthly allotment to the PO to cover the rent, and any portion of the rent owed prior to the allotment start date is paid directly to the PO. Most projects provide basic renter's insurance. The TLA details all relevant rent payment terms and conditions.



Most PMOs require a 30-day written notice of a tenant's intent to vacate the home, to include terminating at the end of the lease. The 30-day requirement is not waived for PCS orders or discharge from active duty service except in the case of short-notice PCS orders. The PM will pro-rate the lease payment for partial months of occupancy at the beginning or the end of the lease term. No early termination fees will apply for moves that qualify under an approved military clause.

The Tenant Handbook also explains what services the PO will provide including tenant activities, trash pickup, recycling, and maintenance. The PMO will review the handbook with tenants at lease signing.



Tenant Dispute Resolution

Tenants should submit complaints or disputes about their housing or property to the PMO. The PMO reviews the request and determines if it meets criteria in the tenant's lease agreement and renders a determination to the tenant. If the tenant disagrees with the PMO decision, he/she may request assistance from the HMO and IC.

Since the AF is not a party to the lease agreement between the tenant and the PO, the HMO and IC may only facilitate on behalf of the tenant. The HMO reviews the complaint and provides resources for legal advice and state laws for guidance on resolving the dispute. The HMO and IC evaluate and attempt to resolve the complaint with the PMO within 30 days after receipt of the complaint. If the PMO still disagrees and the tenants' complaint stands, the HMO and IC should advise the tenant to seek independent legal guidance to pursue the matter. See [Appendix I](#) for the tenant dispute resolution process.



Housing Requirements and Market Analysis (HRMAs) Post-Closing

New HRMAs are typically not accomplished during the IDP but may be considered if a minimum of two triggers at the Installation are reached. Those triggers are 1) approved mission change; 2) off-base vacancy rate below 3%; 3) sustained occupancy rate greater than 95%; and 4) average installation wait list exceeds 12 months. Although HRMAs published after the project closes could indicate an increase or decrease in housing requirements, that change in requirements does not automatically trigger a change to the scope of the project.

General Public Tenants

HMOs and PMOs should keep senior leaders abreast of when a project starts to use the OET Priority process for any reason, in particular if it is headed toward Tier D, General Public. The decision to market and accept general public tenants is made to support the health of the project. Communication of the decision is crucial to the residents of privatized housing.



When the PO implements the OET Priority policy to house Tier D, General Public tenants, ICs should also be aware of their inherent authorities and the additional challenges surrounding these residents. Installation access procedures and badging processes should be discussed / formalized with the HMO and PMO.



In concert with the IC inherent authorities, a search of housing occupied by non-military affiliated residents is permitted as long as there is probable cause. For all authorities associated with searches of General Public tenants and privatized housing within the installation or even on housing situated outside of the installation, ICs should coordinate with their local Staff Judge Advocate and Security Forces as well as review the lease agreement signed by the tenant.

In addition to housing, these tenants may also want to utilize installation facilities such as schools, gymnasiums, recreation centers, libraries, pools, child care centers, Army and Air Force Exchange Service (AAFES) facilities, etc. A strategy to address these types of scenarios should be addressed before the project enters the Tier D category. In some cases, ICs have allowed general public tenants access to the golf course, bowling alley and dining facility. Department of Defense Instruction (DODI) 1015.10, *Military Morale, Welfare and Recreation (MWR) Programs*, dated 6 July 2009, Table 2, list “MHPI employees or residents” as an eligible category for limited use of MWR facilities, as authorized by the Installation Commander.



Extraordinary Cost and Expenditures Reports (EC&E)

The MHPI program requires the PO to report Extraordinary Costs and Expenditures (EC&E) to the AF on a quarterly basis. EC&E are any costs for work on “any privatized housing unit that benefits a Tenant” and exceeds normal operations, maintenance, repair, or replacement of items within their expected service life and is not identified in the annual budget.

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 cost for improvements and services that were not in the original scope, or services that were not included in the annual budget.



For additional information on the limits and reporting process, please see AFI 32-6003, *General Officer Homes (GOH) Management and Operations*.

EXECUTIVE SUMMARY

WHAT TO EXPECT AS A TENANT IN PRIVATIZED GENERAL OFFICER HOMES

- GOHs may receive a higher level of service, as specified in the legal closing documents.
- The Installation GOH management team works closely with the tenant. Security, larger units and amenities, or full landscaping service to prepare for entertaining distinguished guests may be provided for these homes. Some GOHs may even have a customized landscape plan or a dedicated maintenance service call line.
- Furnishings are provided to GOH residents in privatized housing the same as government-managed GOHs. The HMO provides furnishings support for Special Command Positions (SCPs) and supplemental furnishings support for non-SCPs in accordance with AFI 32-6003, General Officer Homes Management and Operations
- The AF, through the HMO, provides SCPs an annual Tableware and Linen Allowance for official entertainment for items such as china, crystal, silver service and linens.
- Appropriated Funds: 10 USC § 2831 limits all appropriated fund expenditures on GOHs to \$35,000 annually and require the Services to report these expenditures by unit address annually to Congress.
- 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 \$50,000. POs submit a quarterly GOH cost report workbook to the HMO identifying their expenditures for each GOH unit.
- Communications equipment that is readily removable and mission-required is funded with non-MFH funds
- Change of Occupancy (COM) is the period after the former resident has moved out and before the new residents moves in. Only minor maintenance and repair work on housing unit is performed during the COM.
- The PO will only address work requests for items such as re-carpeting, changing carpet to hardwood floors or vice versa, changing door hardware, light fixtures, etc. when the items have exceeded their useful life. If extensive work is needed during COM, the PO may elect to perform major maintenance work such as replacing carpets, flooring, kitchen appliances, doors, windows, and cabinetry (bathrooms/kitchen) if conditions warrant and if they have exceeded their useful life. These costs count against the 10 USC 2884 limits for the unit and will be reported to Congress, if required.
- POs may allow some flexibility when signing or completing documents pertaining to the Tenant lease. In most cases, PMOs require a Power of Attorney (POA) from the member when individuals act on their behalf.
- Commanders should pay special attention to historical homes as they fall under the guidance and requirements of the State Historical Preservation Office (SHPO).
- ICs must approve positions identified as "Key & Essential" and specific homes for use as "designated quarters."
- The *Privatized Housing, General Officer Homes Guide* provides GOH standards to ensure that the unique requirements of GOs are satisfied within privatized housing.

PART FOUR: WHAT TO EXPECT AS A TENANT IN PRIVATIZED GENERAL OFFICER HOMES (GOH)

The PO understands the majority of the military members have a choice to live in privatized housing. However, most GOs live on the installation for mission essential and security reasons. GOHs are subject to additional scrutiny and thus GOs should be made aware of the expectations and limitations in privatized housing. As such, the PO is responsible for maintaining GOHs to a high standard and for maintaining the property in a fiscally responsible manner.

General Officer Homes (GOH)

General Officer Homes (GOHs) are usually included in the scope of privatized housing and are built or renovated to the specifications of the project transaction documents. Part of the selection criteria is the POs awareness that GOHs require special consideration and the attention to detail given the importance of the tenant's responsibilities.



The Installation GOH management team works closely with the GO tenant and their aides. In addition, the PMO team is also very responsive and accommodating to the GO tenant providing excellent support services. The transaction documents sometimes provides for higher levels of service such as security and full landscaping service while some GOHs may even have a customized landscape plan or a dedicated maintenance service call line.

GOHs are subject to additional scrutiny and GOs should be briefed on their options and limitations in privatized housing.

GOH Management Team

The GOH Management Team, comprised of POCs from the HMO and PMO, manages day-to-day operations of GOHs. The team closely interacts with GOH residents, and maintains liaison with and advises leadership on GOH matters. The team briefs GOH residents with timely and accurate information, advises them on annual and long-range plans, programs and management actions related to their homes. The team provides cost expenditures to each GOH resident quarterly, using AF approved forms. The team serves as the installation focal point for all GOH furnishings support.

GOH Furnishings

Furnishings are provided by the HMO to privatized GOHs (for SCPs and non-SCPs) in the same manner as government managed GOHs. The HMO provides furnishings support for Special Command Positions (SCPs) and supplemental furnishings support for non-SCPs in accordance with AFI 32-6003, General Officer Homes Management and



Operations. The AF, through the HMO, provides SCPs an annual Tableware and Linen Allowance for official entertainment for items such as china, crystal, silver service and linens. For non-SCPs supplemental furnishings are to be used for official entertainment areas and are intended to complement, not replace, personally-owned furnishings. For additional details, reference AFI 32-6003, General Officer Homes (GOH) Management and Operations.



GOH Cost Reporting

Congress requires reporting of appropriated funds and PO expenditures on any home identified as a GOH. This limitation and other thresholds apply to furnishings, proportional AF HMO staff overhead, readily removable communications, and AT/FP not required of the PO. Expenditures cannot exceed the \$35,000 threshold without prior Congressional approval.

10 USC § 2831 limits all appropriated fund expenditures on GOHs to \$35,000 annually and require the Services to report these expenditures by unit address annually to Congress. Expenditures exceeding the \$35,000 threshold must have approval prior to expenditure of additional 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 PO expenditures exceed \$50,000.

Both PO and Government expenditures are reported quarterly on AF Form 3826, Quarterly Cost Report for General Officer Homes and include costs for administration and management, grounds maintenance, maintenance and repair work, change of occupancy work, property management fees, self help, capital repairs and replacements, and GOH Extraordinary Cost and Expenditures. POs submit a quarterly GOH cost report workbook to the HMO identifying their expenditures for each GOH unit. The AF Form 3826 requires signatures from those validating (preparing), reviewing and certifying the costs on the form. In addition, each GO resident is required to sign the form, if available. The GOH management team works together to obtain the required signatures from the GO occupant and after signatures are complete, the signed original form is provided to the installation MAJCOM.



Communications equipment that is readily removable and mission-required is funded with non-MFH funds. For additional information on the limits and reporting process, see AFI 32-6003, *General Officer Homes (GOH) Management and Operations*.

Change of Occupancy and Change of Occupancy Maintenance (COM)

Change of Occupancy (COM) is the period after the former resident has moved out and before the new residents moves in. Only minor maintenance and repair work on housing unit is performed during the COM. This work includes interior painting, repairing floors, walls and ceiling finishes, repairing electrical and plumbing fixtures, and cleaning over and above resident responsibilities. The PO will only address work requests for items such as re-carpeting, changing carpet to hardwood floors or vice versa, changing door hardware, light fixtures, etc. when the items have exceeded their useful life. If extensive work is needed during COM, the PO may elect to perform major maintenance work such as replacing carpets, flooring, kitchen appliances, doors, windows, and cabinetry

(bathrooms/kitchen) if conditions warrant and if they have exceeded their useful life. These costs count against the 10 USC 2884 limits for the unit and will be reported to Congress, if required.

Power of Attorney (POA)

For senior leaders, PMOs may allow some flexibility when signing or completing documents pertaining to the lease. In other cases, PMOs i.e. the Community Directors (CD) require a POA from the military member when individuals act on Senior Leaders behalf.



For instance, some PMOs may allow the spouse and/or GO Aide to sign move out inspection and lease terminations as a convenience. Although not restricted, Senior Leaders are taking some risk. Therefore the use of a POA should be clearly discussed with the PMO staff as well as spouses and aides.

Although there is not a consistent approach by all PMOs in regards to POAs, senior leaders should ensure their lease identifies the name of the “representative” at the initial meeting with the PMO and GOH coordinator.

Historical Homes

For installations where the project is transferring historic homes over to the PMO, Commanders should pay special

attention to these homes as they fall under the guidance and requirements of the State Historical Preservation Office (SHPO) and may affect the budget by incurring higher than normal maintenance and utility costs. To address historic properties requirements, a SHPO Programmatic Agreement (PA) may be required for the residence.



Historic homes may also have special plaques or furnishings attached to the home. Prior to accomplishing any work on these types of homes, the HMO should always validate the requirements

prior to the PMO performing the work.

Key and Essential (K&E) / Command and Special Command Positions (SCPs)

The PMO must take all factors into consideration as they offer homes for occupancy ensuring they do not violate the Fair Housing Act. However, some military positions deemed "mission essential" must be afforded specific housing units or units within specific housing areas. The positions are identified by the Installation Commander as "Key and Essential" and include Command or Special Command Positions (SCPs). Since incumbents of these positions must reside on the installation as a condition of holding the position, it is imperative to ensure that the housing being

provided is clearly identified in the legal documents or flexibility provided in the transaction document for the PMO to adjust as required. Refer to AFI 32-6001, Family Housing Management, for details on K&E positions.



Generally, specific housing units or units within a housing area are identified for use by incumbents of K&E positions by the Installation Commander. Homes in these areas will not normally be held vacant for more than 90 days in anticipation of the arrival of the member. If the incoming person is not expected to arrive within that timeframe, the PMO may fill the home according to normal waiting list procedures. Incumbents of K&E positions who do not have a home available upon arrival typically will move to the top of the waiting list.

There are times when incumbents of a certain K&E positions are required to reside in a specific unit based on their position. These units, called "Designated Quarters," may be held vacant for up to 90 days awaiting the arrival of the incumbent of the specific position identified for the unit. If the incumbent is not expected to arrive within the specified timeframe, the IC can direct how the unit will be filled.

Since projects depend on occupancy to be successful, it is important to ensure the time units remain vacant is minimized. PMOs cannot continually hold units vacant to accommodate changes as incumbents of K&E positions relocate. The PMO may not be able to adapt to every change without negotiation. It is important that all parties have an understanding of what can/will occur associated with K&E assignments and work together to minimize impacts.

Privatized Housing, General Officer Guide

Quality privatized GOHs is critical for senior leaders in their performance of mission essential and official entertainment functions. AF/A7C developed the "Privatized Housing, General Officer Homes (GOHs) Guide" to provide information associated with privatized GOHs and specifically address roles and responsibilities of the various stakeholders, congressional reporting requirements, facility standards and support services, program maintenance and management guidelines and limitations, and relocation guidelines.

The guide is the "standard bearer" to ensure the unique requirements of GOHs are satisfied through privatized housing. It is intended to establish consistency in the quality of GOH standards and services. The standard identified in the guide is being inserted in all future family housing privatization projects and negotiated into existing agreements.



The GOH Guide will be inserted in all future family housing privatization projects and is intended to be negotiated into existing agreements through the scope change process.

Abbreviations and Acronyms

AAFES - Army and Air Force Exchange Service
ADA – Americans with Disabilities Act
ADA – Anti-Deficiency Act
AF – Air Force
AFB – Air Force Base
AF/A7C – Office of the Air Force Civil Engineer
AF/A7COH – Office of the Air Force Civil Engineer – Housing Division
AFCEC – Air Force Civil Engineer Center
AFCEC/CL – Air Force Civil Engineer Center Director
AFCEC/CFH – Housing Privatization Division
AFCEC/CFHD – Housing Project Development Branch
AFCEC/CFHE – Housing Privatization Execution Branch
AFCEC/CFHO – Housing Operations Branch
AFCEC/CFHR – Housing Requirements Development Branch
AFI – Air Force Instruction
AFIT – Air Force Institute of Technology
AFPACES – Air Force Portfolio and Asset Control and Evaluation System;
AHRN – Automated Housing Referral Network
ALO – Accounting Liaison Office
APF – Appropriated Funds
AST – Acquisition Support Team
ASV – Annual Site Visit
AT/FP – Antiterrorism/Force Protection
BAH – Basic Allowance for Housing
BCE – Base Civil Engineer
CD – Community Director
CE – Civil Engineer
CDCOP – Centralized Design and Construction Oversight Program
CEL – CEL & Associates
COM – Change of Occupancy Maintenance
CONUS – Continental United States
CR&R – Capital Repair and Replacement (Plan)
CRRV – Capital Repair and Replacement Visit
CSAF – Air Force Chief of Staff
CY – Calendar Year
DCO – Defense Connect Online
DCR – Debt Coverage Ratio
DFAS – Defense Finance and Accounting System
DI – Design Instruction
DoD – Department of Defense
DRV – Development Review Visits
EA – Environment Assessment
EBS – Environmental Baseline Survey (Study)
EIS – Environmental Impact Statement
EC&E – Extraordinary Costs and Expenditures
FAR – Federal Acquisition Regulations
FH – Family Housing

Housing Privatization - A Primer for Senior Leaders

FMP – Facilities Maintenance Plan
FY – Fiscal Year
GAO – General Accounting Office
GDL – Government Direct Loan
GO – General Officer
GOH – General Officer Homes
HAF - Headquarters AF
HCP – Housing Community Profile
HMA – Housing Market Analysis
HMO – Housing Management Office (Installation/Government)
HP – Housing Privatization
HRMA – Housing Requirements and Market Analysis
HRO – Highest Ranked Offeror
IAW – In Accordance With
IC – Installation Commander
IDP – Initial Development Period
IF – Industry Forum
IFP – Individual Facility Profile
K&E – Key and Essential
KPI – Key Performance Indicator
LA – Lockbox Account / Agreement
LOP—Lease of Property
M&R – Maintenance and Repair
MAJCOM – Major Command
MAP – Management Action Plan
MFH – Military Family Housing (Funds)
MHPI – Military Housing Privatization Initiative
MILCON – Military Construction
MRC – Management Review Committee
MSG/CC – Mission Support Group Commander
NEPA – National Environmental Policy Act
NDAA – National Defense Authorization Act
NCO – Non-Commissioned Officer
NTP – Notice to Proceed
O&M – Operations and Maintenance
OA – Operating Agreement
ODP – Out-Year Development Period
OET – Other Eligible Tenant
OMR - Operations, Maintenance and Repair
OSD – Office of the Secretary of Defense
PCM – Post Closing Management
PCS – Permanent Change of Station
PDT – Project Development Team
PA – Portfolio Advisor
PA – Programmatic Agreement
PEP – Program Evaluation Plan
PH – Privatized Housing
PHMA – Professional Housing Management Association
PIF – Performance Incentive Fee
PIP – Performance Incentive Plan
PM – Portfolio Manager (AFCEC)

Housing Privatization - A Primer for Senior Leaders

PM – Project Manager (AFCEC)
PMO—Property Management Office (Privatized Housing)
PMR – Program Management Review
PO – Project Owner
POA – Power of Attorney
QA/QC – Quality Assurance / Quality Control
RCM – Resident Construction Manager
RESS – Real Estate Support Services
RFP – Request for Proposal
RFQ – Request for Qualifications
RIA – Reinvestment Account
RRMP – Rental Rate Management Plan
SAF – Secretary of the Air Force
SAF/AQC – Deputy Assistant Secretary of the Air Force, Contracting
SAF/FMB – Deputy Assistant Secretary of the Air Force, Budget
SAF/FMC – Deputy Assistant Secretary of the Air Force, Cost and Economics
SAF/FM – Deputy Assistant Secretary of the Air Force, Financial Management and Comptroller
SAF/GCN – Deputy Assistant Secretary of the Air Force, General Counsel for Installations and Environment
SAF/GCQ – Deputy Assistant Secretary of the Air Force, General Counsel for Acquisition Law
SAF/IEI – Deputy Assistant Secretary of the Air Force, Installations
SCP – Special Command Position
SME – Subject Matter Expert
SORN – System of Records Notice
SOV – Site Orientation Visit
SSDD – Source Selection Decision Document
TLA – Tenant Lease Agreement
TT – Target Tenant
UA – Utility Allowance
UOP – Unit Occupancy Plan
USA—Utility Service Agreement
VTC – Video Teleconferencing Conference
WG/CC – Wing Commander

Appendix A

MHPI Authorities

The Defense Authorization Act of FY 1996 enables the Secretary of the Air Force to exercise certain authorities for the acquisition or construction of family housing units on or near military installations within the United States and its territories and possessions. Exact terminology from the laws should be used when addressing concerns dealing with the MHPI authorities that are summarized as follows:

- Direct Loan – Section 2873
 - The Air Force may make direct loans to persons in the private sector in order to provide funds to such persons for the acquisition or construction of housing units that the Secretary determines are suitable for use as military family housing or as military unaccompanied housing.
- Loan Guarantee – Section 2873
 - The AF may guarantee a loan made to any person in the private sector if the proceeds of the loan are to be used by the person to acquire, or construct housing units that the Secretary determines are suitable for use as military family housing or as military unaccompanied housing.
- Investments (Acquisition of Partnership Interests, Stocks, Bonds) – Section 2875
 - The AF may make investments in nongovernmental entities carrying out projects for the acquisition or construction of housing units suitable for use as military family housing or as military unaccompanied housing.
- Differential Lease Payments – Section 2877
 - Pursuant to an agreement entered into by the AF and a private lessor of military family housing or military unaccompanied housing to members of the armed forces, the Secretary may pay the lessor an amount in addition to the rental payments for the housing made by the members as the Secretary determines appropriate to encourage the lessor to make the housing available to members of the armed forces as military family housing or as military unaccompanied housing.
- Payments by Allotment – Section 2882
 - The AF may require members of the armed forces who lease housing in housing units acquired or constructed under this subchapter to make lease payments for such housing pursuant to allotments of the pay of such members under section 701 of title 37.
- Assignment of Members – Section 2882
 - The AF may assign members of the armed forces to housing units acquired or constructed under this subchapter.
- Conveyance of Land – Section 2878
 - The AF may convey or lease property or facilities (including ancillary supporting facilities) to private persons for purposes of using the proceeds of such conveyance or lease to carry out activities under this subchapter.
- Conveyance of Units – Section 2878
 - The AF may convey or lease property or facilities (including ancillary supporting facilities) to private persons for purposes of using the proceeds of such conveyance or lease to carry out activities under this subchapter.

Appendix A

MHPI Authorities (cont.)

- Lease of Land – Section 2878
 - The AF may convey or lease property or facilities (including ancillary supporting facilities) to private persons for purposes of using the proceeds of such conveyance or lease to carry out activities under this subchapter.
- Build to Lease – Section 2874
 - The AF may enter into contracts for the lease of military family housing units or military unaccompanied housing units to be constructed under this subchapter.
- Rental and Occupancy Guarantees – Section 2876
 - The Secretary concerned may enter into agreements with private persons that acquire or construct military family housing units or military unaccompanied housing units under this subchapter in order to assure—
 - (1) the occupancy of such units at levels specified in the agreements; or
 - (2) rental income derived from rental of such units at levels specified in the agreements.
- Interim Leases – Section 2879
 - Pending completion of a project to acquire or construct military family housing units or military unaccompanied housing units under this subchapter, the Secretary concerned may provide for the interim lease of such units of the project as are complete. The term of a lease under this section may not extend beyond the date of the completion of the project concerned.
- Ancillary Support Facilities – Section 2881
 - Any project for the acquisition or construction of military family housing units or military unaccompanied housing units under this subchapter may include the acquisition or construction of ancillary supporting facilities for the housing units concerned.
- Unit Size and Type - Section 2880
 - The AF shall ensure that the room patterns and floor areas of military family housing units and military unaccompanied housing units acquired or constructed under this subchapter are generally comparable to the room patterns and floor areas of similar housing units in the locality concerned.

Appendix B

Roles and Responsibilities Matrix

Assessment Area	Installation	MAJCOM	AFCEC	A7C	SAF/IEI
Design and Construction	Participates in Design Reviews, identifies haul routes, provides base access to subcontractors, provides easements as needed, participates in unit acceptance, endorses RCM recommendations for unit acceptance, participates in AFCEC site visits	Provides manpower/resources to Installation, assists HMO in resolving issues as needed, and ensures Installation understands privatized roles and responsibilities.	RCM provides daily on site construction oversight, participates in all construction meetings, reviews monthly payment applications, and ensures construction requirements are met. Utilizing feedback provided by the RCM, Project Manager accepts/rejects Designs and Final Plans and issues Notice to Proceed, Acceptance Notice, Certificates of Compliance, and Certificate of Development Completion. Prepares quarterly construction reports for SAF/IEI and SAF/IE. AFCEC reviews all proposed changes in scope and staffs changes that will result in a negative financial impact to SAF/IEI for decision.	Provides manpower/resources, develops policy & provides oversight and guidance, reviews any packages staffed to SAF/IEI	Approve any changes to scope or schedule that result in a negative financial impact

Appendix B

Roles and Responsibilities Matrix (cont.)

Assessment Area	Installation	MAJCOM	AFCEC	A7C	SAF/IEI
Operations	Assists PO in marketing to Target Tenants, supports efforts to maximize occupancy, verifies eligibility of 100% of all housing tenants, participates in regular partnering meetings, briefs and educates senior leaders, sends operations and environmental portions of compliance checklist to AFCEC quarterly, provides utilities/fire/police service as negotiated, provides annual notification of reimbursement rates, approves UA (in preparation for mock or live billing), participates in annual budget review, develops base access procedures for OET (if use of tenant waterfall is anticipated), completes GOH cost reporting, provides drayage and furnishings per established guidance, coordinates quarterly MRC that Installation Commander co-chairs, participates in AFCEC site visits, assists with dispute resolution when resident appeals PO decisions, reviews annual customer satisfaction survey and ensures PO has an action plan to address identified weaknesses	Coordinates MRCs that MAJCOM co-chairs & validates and approves PIF (as indicated in delegated authorities), reviews GOH cost reports, reviews EC&E reports, provides manpower/resources to Installation, assists HMO in resolving issues as needed, ensures Installation understands privatization roles and responsibilities. Augment temporary manpower requirements from the HQ staff to meet/assist AFCEC when annual and quarterly staff assistance visits and like requirements occur.	Develops and provides training for all stakeholders; assists HMO to help resolve partnering/operational issues as needed; coordinates MRCs that AFCEC co-chairs; solicits data from bases to form policy decisions; supports GOH cost reporting efforts. Reviews Compliance checklist and resolves issues as needed. AFCEC reviews all proposed changes in scope and staffs changes that will result in a negative financial impact to SAF/IEI for decision	Provides manpower and resources, develops policy & provides oversight and guidance, reviews any packages staffed to SAF/IEI	Approves any changes to scope or schedule that result in a negative financial impact

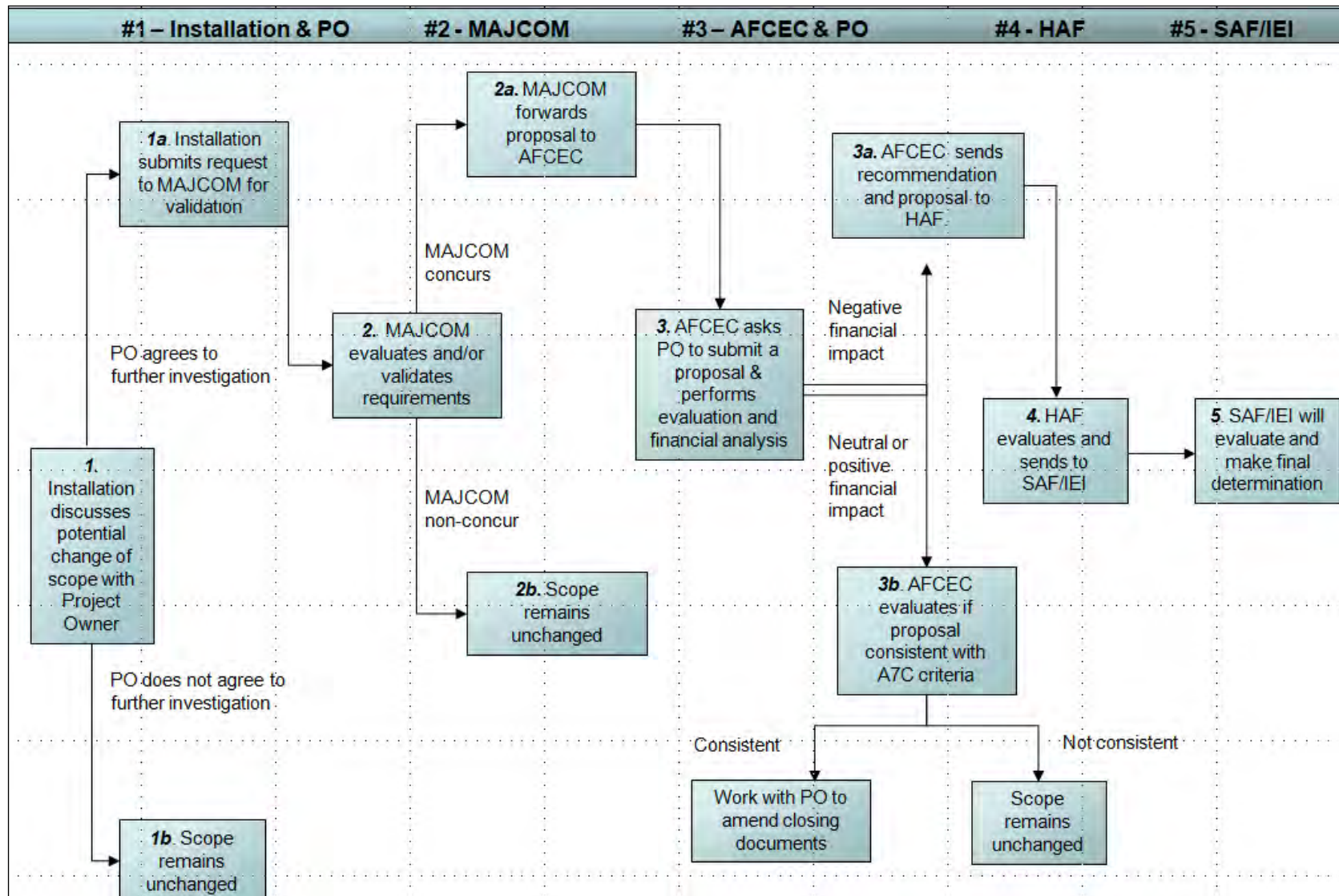
Appendix B

Roles and Responsibilities Matrix (cont.)

Assessment Area	Installation	MAJCOM	AFCEC	A7C	SAF/IEI
Finance	Bills for utilities and services as negotiated; ensures payment is applied to correct accounts	Provides manpower/resources to Installation; assists HMO in resolving issues as needed; ensures Installation understands privatized roles and responsibilities	<p>Monitors performance to pro forma benchmarks quarterly; reviews monthly construction draws; approves disbursements from the CR&R and RIA up to \$5M; ensures compliance with financial requirements (compliance testing); develops quarterly Lockbox Report; monitors payment of GDLs, and develops Annual Reforecast report to include evaluation of financial impact of any proposed changes; reviews annual insurance certificates to ensure compliance with requirements</p> <p>AFCEC reviews all proposed changes in scope and staffs changes that will result in a negative financial impact to SAF/IEI for decision</p>	Provides manpower/resources; develops policy & provides oversight and guidance; reviews any packages staffed to SAF/IEI	Approves disbursements from the RIA in excess of \$5M; approves any changes to scope or schedule that result in a negative financial impact
Other			Develops quarterly project ratings & reports that integrate all four oversight areas; develops compliance testing reports that integrate all four areas; develops semi-annual PEP reports; briefs A7C and SAF/IEI quarterly, brief A4/7 semi-annually (PMRs); briefs other senior leaders as needed		







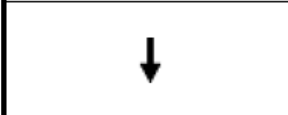
Appendix C

Scope Change Process



Appendix D

Project Rating Definitions

Project Rating Definitions		
Color Code / Symbol	Rating	Definition
	Exceptional	Substantially exceeds performance expectations in a way beneficial to the Air Force or project as a whole.
	Acceptable	Meets performance expectations.
	Marginal	Does not meet identified performance expectations or exhibits negative trends that could threaten project viability. Weaknesses may include, but are not limited to, sharp declines in or prolonged weakness in occupancy rates, sharp declines in or prolonged deterioration of the physical condition of housing, sharp declines or prolonged deterioration of cash flows. Weaknesses that are temporary or are expected to be remedied are characteristics of a Marginal rating.
	Unacceptable	Fails to meet material minimum performance requirements or any loan default or material violation of loan covenants. Continuing issues or issues inherent to the project are not easily remedied are characteristics of an Unacceptable rating.
	Improving Trend	Indicates the factor has shown improvement in each of the past two consecutive quarters. Positive trends are assigned based upon favorable changes regardless of the direction of the underlying factor. Trends do not necessarily result in a rating change.
	No Trend	Indicates the factor has not moved in the same direction for two consecutive quarters.
	Unfavorable Trend	Indicates the factor has shown deterioration in each of the past two consecutive quarters. Negative trends are assigned based upon unfavorable changes, regardless of the direction of the underlying factor.

Appendix E - Key Performance Indicators

Metric	Basis	Blue "Exceptional"	Green "Acceptable"	Yellow "Marginal"	Red "Unacceptable"
Overall Project Rating	Performance on other metrics	No metric rated "Marginal." Project must have two or more metrics with exceptional ratings.	No metric rated "Unacceptable." The project must have two or more categories rated "Acceptable".	Project must have two or more categories rated either "Marginal" or "Unacceptable"	Overall project performance meets the definition of "Unacceptable."
Development					
Units Delivered / Units Scheduled (# / #)	Actual construction progress compared to pro forma schedule	>3 months ahead of schedule	+/- 3 months of schedule	4-6 months behind schedule	>6 months behind schedule
IAW Project Documents (Y / N)	Actual construction progressing in accordance with Project documents	N/A	Meeting all requirements	N/A	Requirements not met
Occupancy, Operations and Maintenance					
Occupancy Rate	Quarterly Actual Occupied Units / Actual Available Units	more than 95%	90-95%	85-90%	85% or less
Occupancy: Variance to pro forma (# / % pts)	Quarterly Actual Occupied Units compared to Pro Forma Occupied Units	Exceeding pro forma	0-5% less than pro forma	5-15% below pro forma	more than 16% below pro forma
Service Calls (% Responded / Completed On Time)	Percentage of On Time Maintenance Call Responses and Completions	N/A	96-100% completed on time	90-95% completed on time	less than 90% completed on time
Annual Site Visit (ASV) Score	Total Site Visit Score	>5.0 percentage points above Portfolio average	+/- 5.0 percentage points of Portfolio average	5.1 - 10.0 percentage points below Portfolio average	>10.0 percentage points below Portfolio average
Resident Satisfaction Survey Score	Annual Resident Satisfaction Survey	"Outstanding" or "Very Good" based on CEL ranges	"Good" or "Average" based on CEL ranges	"Below Average" based on CEL ranges	Less than "Below Average" based on CEL ranges
Finance					
OPEX vs. Budget (Quarter)	Actual Operating Expenses as a % of budgeted Operating Expenses (when available/with exceptions)	Variance is less than +/-5% of budget	Variance is +/-6-10% of budget	Variance is +/-11-20% of budget	more than 20% variance
NOI vs. Pro Forma (Quarter / TTM)*	Quarterly and TTM NOI compared to pro forma NOI (with exceptions)	120.0% or more of pro forma	95.0% - 119.9% of pro forma	85.0% - 94.9% of pro forma	Less than 85.0% of pro forma
Reinvestment Variance to Pro Forma (\$ / %)	Actual Reinvestment Account deposits as a percentage of pro forma Reinvestment Account deposits	100.1+% of pro forma	80.0 - 100.0% of pro forma	60.0 - 79.9% of pro forma	Less than 60.0% of pro forma
Debt Coverage Ratio (Quarter)	Quarterly Debt Coverage Ratio	Greater than Senior Loan DCR 1.25 / total DCR 1.15	Senior Loan DCR 1.15 to 1.25 / total DCR 1.05 to 1.15	Senior Loan DCR 1.0 to 1.15 / total DCR 1.0 to 1.05	Senior Loan or total DCR less than 1.0
Long-Term Outlook					
Sources and Uses Surplus or (Gap) / % Gap	Projected Sources and Uses compared to pro forma Sources and Uses (any cash-funded contingencies should be added to surplus/offset gap)	Excess sources over uses	<(2.5%) of Total Sources	(2.5%) - (Total % of Development Fee) of Total Sources	>(Total % of Development Fee) of Total Sources
Capital Repair and Replacement	Projected timing of CR&R shortfalls during remaining project term	No funding shortfalls during remaining project term	15 years - end of project term	5 - 14 years	0 - 4 years
Reinvestment (Available \$PU / % std. needs)	Projected percent of standardized needs that can be funded (based on pro forma reforecast)	100.0%+	70.0% - 99.9%	30.0% - 69.9%	0.0% - 29.9%

*Note: Trend based on TTM performance

Appendix F

Training Opportunities

Training Resources	WG/CC or IC	MSG, BCE	HMO	MAJCOM	Residents	General Officers	POs
Leadership Orientation Briefing	✓	✓					
Maxwell Commanders Course	✓						
MAJCOM/CC Briefing				✓		✓	
Asset Manager Training Course		✓	✓	✓			✓
Compliance Testing Training		✓	✓	✓			✓
Transition Training (Privatized Housing Orientation I-II)	✓	✓	✓	✓			✓
Primer for Senior Leaders	✓	✓	✓	✓			
GO Handbook (under revision)	✓	✓	✓	✓		✓	
Brochures/Published Materials	✓	✓	✓	✓	✓	✓	✓
Recommended PO Training			✓				✓
Asset Manager Toolbox (AFPACES)			✓				✓
AFIT WMGT 400 (Base CE Course)		✓					
AFIT WMGT 406 (Housing Management Course)		✓	✓	✓			✓
AFIT WMGT 416 (AM Flt Chief Course)			✓				
AFIT WHSS 404 General Officer Homes Management Course			✓				
AFIT WHSS 312 Housing Privatization Management Course			✓				
AFIT WHSS 206 Housing Referral and Relocation Course			✓				
A7C Quarterly Lessons Learned	✓	✓	✓	✓			
HMO Quarterly Lessons Learned		✓	✓				

Appendix G

Installation Commander Authorities - Unimpaired

The Installation Commander (IC) has the authority to *act and enforce* on all authorities established in law, regulation, or military custom, to include:

- 10 U.S.C. § 2872a - Furnish utilities and services at levels deemed appropriate by the Gov't for the Project
 - Allows government to furnish utilities and services to a housing area if the housing area is located on an installation
 - Establishes reimbursement authority
- 50 U.S.C. § 797 – Promulgate and enforce security regulations and restrict public access to the Base, to include regulations delineating parameters for authorized entry to or exit from the Base
 - Establish ingress, egress or removal of persons
- 18 U.S.C. § 1382 – Bar individuals from the Base
- Military Rule of Evidence 314, 10 U.S.C. §802, et seq., and 50 U.S.C. §797 –Conduct inspections or searches of individuals, the Premises, the Leased Premises or the Leased Premises Improvements
 - Inspections of AF Members; not the asset
- Military Rule of Evidence 315, 10 U.S.C. §802, et seq., and 50 U.S.C. §797 –Issue search authorizations based on probable cause of individuals, the Premises, the Leased Premises or the Leased Premises Improvements
- 50 U.S.C. §797 – Conduct disaster preparedness exercises and/or emergency recovery operations on the Base
 - Safeguarding of property (Installation) against destruction, loss, or injury by accident or by enemy action, sabotage, or other subversive actions
- 10 U.S.C. §113 and 8013, 50 U.S.C. §797, 18 U.S.C. § 1382 and 5 U.S.C. § 301 –Exercise emergency health powers on the Base in a public health emergency due to biological warfare, terrorism, or other communicable disease epidemic

Installation Commander Authorities – Delegated under Housing Privatization

The Installation Commander has the authority to take action on HP issues based on delegated authorities to include:

- Administrative Operating Agreement Amendments – Approve non-substantive modifications, administrative corrections or clarifying amendments
- Performance Incentive Fee (PIF) – Approve Performance Incentive Plan (PIP) determinations for single base projects or provide Commander's Evaluation if required by the Performance Incentive Plan
- Environmental Plans and Permits – Specifics listed in Lease of Property
- Removal of archaeological artifacts – Upon discovery
- Installation Access (Ingress and Egress) – Reiteration of unimpaired IC Authorities
- Security Matters – Reiteration of unimpaired IC Authorities
- Utility, Fire and Police Reimbursements – Coordinate, calculate and collect from the Lessee the reimbursement amount due monthly for Fire and Police services
- Utility Allowance (UA) Determination – Review and approve the Lessee's utility allowance calculations as specified in the Rental Rate Management Plan

Appendix H

Housing Privatization References

Public Law and Policy Memorandums

1. National Defense Authorization Act of FY 1996, Public Law 104-106, *Military Housing Privatization Initiative*
2. National Defense Authorization Act of Fiscal Year 2009, Public Law 110-417
3. DOD Manual 4165.63, 28 Oct 2012, DoD Housing Management
4. DODI 1015.10, Military Morale, Welfare and Recreation (MWR) Programs, dated 6 July 2009
5. SAF/IE Memo, 19 Oct 2006, Delegation of Authority for Military Housing Privatization Program
6. SAF/IEI & HQ USAF/A7C Memo, 1 Oct 2009, Co-location of AF Housing & Property Management Staff Policy
7. SAF/IEI Memo, 25 Jul 2002, Re-Delegation of Authority
8. SAF/FM Memo, 1 Feb 2001, Creation of an Air Force Portfolio Manager for Housing Privatization
9. HQ USAF/ILE Memo, 12 Feb 2001, Housing Privatization Portfolio Manager for the Air Force
10. HQ USAF/CV Memo, 8 Sep 2009, Air Force Policy for Installation Access Control
11. HQ USAF/A7C Memo, 12 Jul 2006, New Housing Privatization Tenant Waterfall Policy
12. HQ/USAF/A7C Memo, 8 May 2009, Housing Privatization Project Scope Changes
13. AF/JAA Memo, 7 Mar 2011, Advisory Opinion – Command Authorities in Privatized Housing Areas

Air Force Instructions

1. AFI 32-6007, *Privatized Housing Management*, dated 19 Sep 2012
2. AFI 32-6003, *General Officer Quarters*, dated 26 Apr 2006, *(in revision)*
3. AFI 32-6001, *Family Housing Management*, dated 21 Aug 2006, IC-3 24 Oct 2008
4. AFI 33-332, *Communications and Information, Air Force Privacy Program*, dated 12 May 2011
5. AFI 32-6002, *Family Housing Planning, Programming, Design and Construction*, dated 15 Jan 2008

Air Force Housing Guides and Brochures

1. A7/A7CH Guide, 2013, *Privatized Housing – General Officer Homes Guide (in revision)*
2. AFCEC/CFH Executive Brochure, 2010, *Bill of Rights for Residents, Installation Commanders and Project Owners*
3. AFCEC/CFH Executive Brochure, 2013, *Living in General Officer Privatized Housing (in revision)*
4. AFCEC/CFH Brochure, 2013, *The Commander and Privatized Housing (in revision)*

Air Force Websites

<https://cs.eis.af.mil/a7cportal/ProgramGroups/Housing/Pages/default.aspx>
<http://www.afcec.af.mil/index.asp> (Housing Privatization page under development)

Other References

1. Transaction Closing Documents per project
2. Annual CEL & Associates Tenant Survey, available at www.afpaces.com
3. USC Title 10, *Armed Forces*
4. 5 U.S.C. § 552(a), *The Privacy Act of 1974, Records Maintained on Individuals*, as amended

Appendix I

Tenant Dispute Resolution Process

