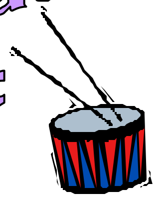
Offutt AFB Housing Privatization Beat



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What's The Difference?

A complaint that seems to be gaining steam is, "If I live in Capehart, why should I have to pay the same rent as the individual who lives in a brand new Coffman Heights unit?" It is true that once privatization is initiated, all occupants will pay rent based on their BAH regardless of the location. Although this may appear to be a little out of whack, it is essentially no different that what goes on today. Some people live in Capehart, some live in Coffman Heights, and believe it or not, some still live in Wherry. And everyone pays the same rent. The rent just happens to be …nothing. And remember that utility allowance (which is subtracted from BAH to determine rent) will be different for each unit type. So the members living in older units will most likely receive a higher utility allowance than those living in newer units. This will help ensure that out-of-pocket expenses are minimized for everyone equally.

It may look like the developer is getting too good of a deal by being able to charge the same rent for units that are not in the same condition. However, it is important to recognize that it is the revenue from collecting BAH that will allow the developer to perform the renovation, demolition, and construction necessary to revitalize the units. In other words, the more revenue the developer is able to generate, the more amenities the developer will be able to provide to the housing occupants. And if you 're wondering how the Air Force knows the developer will use this revenue to upgrade the housing instead of investing in some dot.com company, the answer can be found in this month's "Feature".

Keeping with the theme of developer revenue, the "Question of the Month" section attempts to ease concerns regarding the younger ranks getting squeezed out of housing like cheese from an MRE once privatization begins.

As always direct any questions, concerns, complaints and criticisms to Mr. Chris Wolf of Booz Allen Hamilton (contact information provided at the end of the newsletter).

What's New?

Request For Proposal (RFP) - The estimated date for release of the RFP has been moved to Oct 02. Because all subsequent milestones depend on the RFP release date, they too have been revised as illustrated in the next column. The one milestone that will not slip is the DOD mandated date for completion of construction/renovation (i.e., Dec 2010).

Revised Project Milestones

Advertise RFP	Oct 02
Award to Successful Offeror	Jun 03
Start Construction	Aug 02
Complete Construction/Renovation	Dec 10

Get on Your Soapbox - To prove that your input into this process is extremely valuable, during two separate briefings earlier this month, questions were raised regarding whether or not units will be metered for utility consumption before they are renovated. Originally, the RFP mandated that all meters be installed within 12 months of privatization being initiated. And since all renovation will not be completed within the first 12 months, a majority would be metered before being renovated. However, based on the concern expressed by residents, this was reviewed again and it was decided that meters will not be installed until units are renovated. Of course, not every issue will end up being changed just because it's not popular. But this illustrates the importance of learning the process and asking questions. You can rest assured that, in structuring the deal, the Offutt team is dedicated to doing whatever is reasonable and not financially unbearable to the developer to address military member's concerns as much as possible.

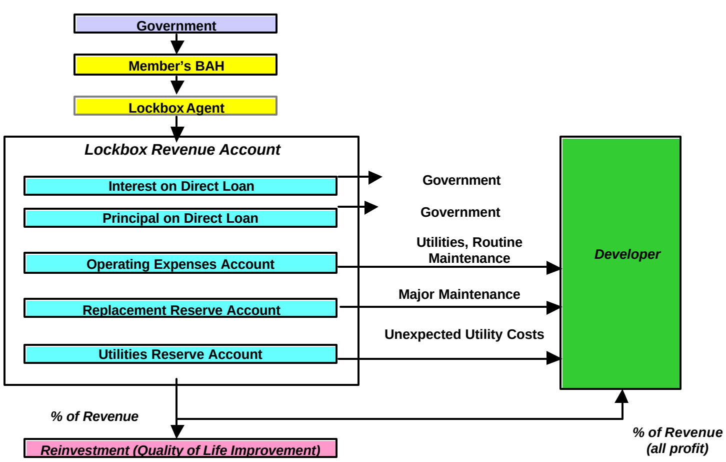
Extra! Extra! Read All About It - Earlier this month, a "*Housing Privatization Special Bulletin*" was delivered to each base housing unit as part of the quarterly *Military Family Housing Gazette*. The four-page bulletin was aimed at educating folks on the benefits of privatization. If you missed it, threw it away, or don't live in housing and would like to see it, it's posted on the Housing Privatization web page.

FEATURE "One, Two, Three Lockbox" FEATURE

As a reminder to readers, the purpose of the "Feature" is to allow you to "get into the weeds" of privatization and learn about certain topics you may not otherwise get an opportunity to. One such topic is the financial aspect of privatization. This is of major interest to all involved for a variety of reasons. One reason is that it is important that the deal provides the financial incentives to attract quality developers that can make the kind of commitments the Air Force needs. Another is the assurance that adequate resources will be available throughout the life of the project for upgrades, additional amenities, etc. A third reason is ensuring the financial solvency of the developer for the next 50 years, and the list goes on.

To help all players involved meet the financial requirements of the deal, the RFP requires the utilization of a Lockbox Agreement. This agreement exists to ensure adequate controls are placed on the receipt and distribution of funds to pay for the various obligations under the privatization deal. All revenues from the project (e.g., all the collected rents) will be deposited into to a Lockbox Account, which prioritizes the distribution of the revenues. The Lockbox Account contains several sub-accounts designed to pay for such items as principal and interest on the government loan, continued maintenance in the housing areas, and future community improvements. An independent third party Lockbox Agent is tasked with executing the accounts while the Air Force maintains an oversight/auditing role throughout the duration of the project.

The sample schematic listed below provides an illustration of how revenue from the project flows. Note that once obligations are fulfilled, the remaining revenue is divided between developer profit and an account that provides for additional quality of life improvements throughout the project duration. The exact percentage of revenue going to each will be proposed by the developer and be one of the factors evaluated during developer selection.



Sample Lockbox Schematic

In determining whether or not Offutt met the criteria for privatization (see May issue of "the Beat" for a description of these criteria) an economic analysis was completed. Part of this analysis included computations to verify that enough revenue could be generated from the collective BAHs for the developer to be financially capable of meeting all of the requirements specified in the RFP. The Lockbox Agreement provides the Air Force a tool for helping to ensure that the results of the Economic Analysis are in fact achieved.

????????Question of the Month????????

What's to prevent the developer from renting units only to higher ranking members so they can maximize their revenue?

The RFP addresses this concern in a variety of ways. First of all, it identifies a projected "demographics" list, which describes the rank distribution of all service members assigned to Offutt expected to live in privatized housing. The developer will utilize this list to not only determine unit requirements but also estimate the revenue stream. Potential developers are required to illustrate how they will meet the demand described by the demographics in their proposals. However, some requirements are specified in the RFP that will ensure all military members have the same opportunities to enjoy the benefits of privatized housing regardless of rank.

First of all, each housing unit will be assigned one of the "grade categories" listed in the following table:

Grade Category	Ranks in Category
SGO	O6
FGO	O4-O5
CGO	O1-O3
PRESTIGE	E9
SNCO	E7-E8
JNCO	E1-E6

The number of housing units within each of these categories will be designed to match the identified demographics. A separate waiting list will be maintained for each category. The individual on top of each list will be offered the next available unit from that category regardless of his or her rank.

Again, the developer will have to specify in their proposal exactly how they will address issues that arise that may impact the target demographics. For example, if several units from one category remain vacant because that waiting list is empty, the developer will be allowed to offer the units to another category (in order to help maintain the 95% occupancy rate amongst other reasons). However, at some point, another unit must be redesignated to the first category to match the original target demographics. The details on how this will all be accomplished will be up to the developer.

Although the RFP leaves some room for developer creativity in managing the units, the basic requirements specified will ensure that nobody gets preferential treatment just because their BAH appears more attractive. This issue is a fine example of how privatization deals are set up to ensure military members concerns are the top priority.

What's Next?

- **Advertise RFP** **Oct 02**

Direct all questions to the CPM, Mr. Chris Wolf of Booz Allen Hamilton, at 294-1149 or e-mail at christopher.wolf@offutt.af.mil