

Offutt AFB Housing Privatization Beat



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Still in the Pattern

Although progress has occurred in discussions between Air Staff and ACC regarding the possibility of including additional improvements in Offutt's housing privatization project, no official decision has been made. We therefore have not been able to develop new project milestones. As soon as this is possible, new dates will be posted on the housing privatization web page. It is expected that we will have dates posted by the second week of December so keep checking the web page.

With the request for proposal (RFP) being put on hold, the housing privatization project management office (PMO) has focused its efforts on being prepared for the transition period (i.e., time between when the developer is selected and construction activities begin). Specifically, the PMO wants to incorporate lessons learned from other projects to ensure Offutt does not encounter some of the same hiccups as other installations. As reported in previous issues of "the Beat", a few housing privatization projects have already been awarded and are underway. Individuals working those projects can speak to "what went right" and "what went wrong" during the implementation of privatization and transfer of housing responsibilities to the private developer. An "Air Force Housing Privatization Policy and Lessons Learned Workshop" was held in early November and several personnel involved in the process from all service branches offered insights and recommendations. Offutt representatives took special note of some management techniques that can be utilized after the developer comes on board to make the transition period run as smoothly as possible. It is the goal of all installations to make the switch from Military Family Housing to privatized housing appear seamless. By incorporating lessons learned and proactively planning ways to ensure success, the Offutt team is committed to do just that. In short, we will be prepared!

On to this month's issue...If you've attended a housing privatization briefing or have kept up with the project via "the Beat" and other information available on the web page, you've noticed that most of the housing units at Offutt require a "major" renovation. The **Feature** describes in more detail exactly what this will entail. The Question of the Month attempts to squelch fear regarding the possibility of the developer going bankrupt and leaving housing in a state of disarray. So if you want to feel better about the process, keep reading...

What's New?

Request For Proposal (RFP) - The RFP is still on hold until decisions are made regarding the inclusion of additional improvements. One potentially good thing about this is that it allows more time make any changes to the RFP that may result in improvements to the projects. So if you've been holding back any suggestions for fear that you may be asking a stupid question (there are no stupid questions by the way), you still have a chance to potentially make an impact. Don't be shy about contacting the PMO (see POC info below)!!!

Prestige Housing - Recent guidance has come down regarding requirements for Chief Master Sergeant (CMSgt) and Prestige Housing. The purpose of the guidance is to ensure that installations have an adequate number of housing units (based on manning requirements) that incorporate the features necessary to be considered prestige. Units at Offutt designated "prestige" currently have several, but not all of the amenities listed in the guidance. However, under privatization, when the 13 "NCO Row" units are converted to seven single-family units, five will be designated prestige and contain all required amenities. The other two will be designated CMSgt units and will also contain the amenities but are not as large and cannot be considered prestige. Bottom line...after privatization, Offutt will have its required number of prestige housing units and all will contain the required amenities.

FEATURE

Unit Renovations

FEATURE

Although under privatization, several existing housing units at Offutt will be demolished and rebuilt, the majority will undergo either a minor or major renovation. It is therefore understandable why occupants would want to know a little more about what these renovations will include. Because the Air Force wants potential developers to be creative in their proposals, the RFP is very specific in regards to certain aspects of renovation and deliberately vague in others. A table exists that summarizes the basic requirements for each housing increment. Items range from correcting structural deficiencies such as repairing wet basements and driveways to improving aesthetic qualities such as

remodeling bathrooms and kitchens. Other general requirements include increasing storage space, providing additional bathrooms, creating family rooms, replacing floor treatments and installing carpeting, replacing carports with garages, installing privacy screening between units, and providing security features such as motion detectors. Emphasis is also placed on increasing utilities efficiency by replacing windows, replacing downdraft with upflow Heating Ventilation and Air Conditioning (HVAC) units, etc.

Not all units require major renovations. The new Coffman Heights units, for example, require very minimal work (e.g., utility meters and motion detectors). Other areas that have recently undergone major renovations also require only minor items .

Because **most** of us spend **most** of our time inside, interior renovations are probably the **most** important. However, a common knock against military housing is the aesthetic quality (or lack thereof) of the exterior. The RFP does not provide a lot of detail on how the Air Force would like the units to look on the outside. Rather, the hope is that the developers will use their expertise to develop an attractive appearance that will improve the overall quality of the community. To gain some perspective on how renovations can do a lot to improve a housing unit's exterior, one only needs to look at some of the units in the 2nd Increment (i.e., near Peter Sarpy School).



Renovate Unit in Capehart, 2nd Increment

Developers can include more renovation features than what is required. As described in the October issue of "the Beat", the RFP even provides a prioritized list of "desired features". For renovated units, these desired features (in priority order) are:

1. New construction in lieu of renovation
2. Additional interior storage
3. 2-car garages
4. Room for storm shelter
5. Walk-in clothes closets
6. Vaulted ceilings
7. French doors to rear patio
8. Finished basements

As indicated by this list, the number one desirable is to build new units in lieu of renovation. However, regardless of what the developer ends up proposing, the requirements in the RFP ensure that military members at Offutt AFB can look forward to seeing a "safe, quality, affordable community where they will choose to live."

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

What happens if the developer becomes financially insolvent?

Obviously, a key factor in making privatization a success for the next 50 years is ensuring that the developer has the proper financing to complete the construction requirements and manage and maintain the units over the long term. A major portion in the proposal evaluation process is evaluating the developer's financial plan. Because of the size of the project and commitment required just to put together a proposal, it is expected that only qualified development teams with sound financial backing will be able to participate. However, regardless of the safeguards built into the selection process regarding financial viability, the Air Force must still protect itself against the possibility of default.

The first major means of preventing financial problems is the "lockbox concept". This was explained in detail in the July issue but in summary, all revenue generated from the housing privatization project will be managed by a third party "lock box" agent. The lock box account consists of several sub-accounts that exist to ensure funds are available to pay for the various obligations under the privatization deal. For example, one sub-account exists to pay for principal and interest on the Direct Government Loan, a separate account exists for capital improvements throughout the duration of the project, etc. As part of the economic analysis done to determine the viability of privatization at Offutt, computations were made to verify that enough revenue would be generated from the collective BAHs for the developer to be financially capable of meeting the requirements. This combined with the third party control of funds will go a long way towards ensuring the financial well-being of the project.

In addition to the lock box agreement, there will also be a "Right to Cure Default" clause written into the deal which will allow the Air Force to make the debt payment for the developer in times of extreme circumstances (e.g., if there was an unusually high turnover in housing and not enough revenue could be generated to pay the bills for a particular month). If it is deemed advantageous for the government to activate this clause they may do so. Of course, the developer will have to repay the government for any payment they may miss.

What's Next?

- **Resolve Project Scope Issues** **Pending**

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