



DEPARTMENT OF THE AIR FORCE
WASHINGTON, DC

Policy:



MEMORANDUM FOR AF/LEHI
SAF/MII
HRSO

30 OCT 1997

FROM: HQ USAF/ILEI
1260 Air Force Pentagon
Washington, DC 20330-1260

SUBJECT: Housing Privatization Constraints Meeting Minutes

The meeting was held on October 16, 1997 in the ILE conference room. The purpose of the meeting was to discuss and obtain a consensus on two issues effecting housing privatization. The following personnel were in attendance:

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|-----------------------|----------|
| Colonel Joseph Munter | AF/ILEIP |
| Colonel William Drake | SAF/MII |
| Mr Robert Helwig | HRSO |
| Lt Col David Williams | AF/ILEIP |
| Maj Kenny Weldon | AF/LEHI |
| Maj Stephen Shea | AF/ILEIP |
| Maj Peter Leahy | AF/ILEIP |
| Capt Daniel Schwarz | AF/LEHI |

Constraints: The first issue covered was a review of project constraints - their use and effect on a project's viability. The discussion led to a conclusion that project constraints would be limited and would focus on those policy issues that, if significantly violated, would lead to Air Force or OSD rejection of the project. Consequently, during and after site visits, the development of feasible approaches to privatize housing requirements would include sensitivity analyses centered around the primary project constraints listed below:

a. 3 to 1 Leveraging: While 3 to 1 leveraging is not a formal policy, the leveraging ratio does appear in congressional testimony given by Mr Beyer, Principal Deputy Undersecretary of Defense (IA&I). After some discussion, HRSO expressed their intent to continue using the leveraging constraint in determining project viability in their site visit reports. The Air Force may elect to continue pursuing those projects that don't meet the 3 to 1 leveraging but will have to justify to HRSO during the concept approval process why project should be approved. This will remain a constraint. (Closed).

b. **Out of Pocket:** The meeting moved on to a discussion on the use of out of pocket (OOP) expenses for members occupying privatized housing. The AF/ILEI position is that \$0.00 OOP will be a constraint. If a MAJCOM wants to pursue something other than \$0.00 OOP it will be difficult to get approval. The concern is that without a uniform policy on the use of OOPs an imbalance is created across the Service and personnel assigned to some bases may have to pay OOPs while others do not. This may have a detrimental effect on morale. MAJCOMs may request a determination that OOP be allowed based on analysis provided in site visit reports citing the pros and cons of allowing it. (Closed).

c. **Build to a maximum of 90% of deficit:** Next the group covered the HRSO constraint on the build to the 90% of deficit rule and its applicability to housing privatization. HRSO recently reaffirmed this constraint within HRSO and ILEH conferred with their counterpart at DOD housing, Mr. Potochyna, and agreed that the constraint applies as written to privatization projects. This will remain a constraint. (Closed)

d. **Life Cycle Costs:** This Air Force constraint will continue to apply. The meeting members determined not to apply a fixed ratio to privatized versus MILCON life cycle costs. The group decided that the constraint should be written that privatized life cycle costs should be "comparable" to or less than MILCON. (Closed).

Discussions of other possible project constraints resulted in a determination that although there will be other project goals or modeling assumptions used in developing privatization alternatives, none would be identified as project constraints for the purpose of implementing Air Force or OSD policies for program execution. Some of the other constraints proposed included:

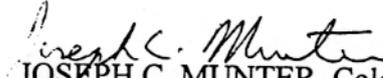
a. **Manufactured Modular Homes:** The group decided to strike it as a constraint. It will be allowed as an objective. Maj Weldon, ILEH, stated that the new Family Housing Master Plan will include an investigation into the feasibility of building manufactured or modular homes. (Closed).

b. **Minimum Developer Internal Rate of Return (IRR).** The purpose of this HRSO constraint is to insure that projects the Air Force considers meet a developers minimum rate of return. This is done so we don't spend government time and money to pursue projects that developers aren't interested in due to low rates of return. (Closed).

After covering constraints the group discussed the process presently in place for site visit reports. The present process for all projects whether declared feasible or not flow from HRSO to AF/ILEI to the MAJCOM. The group decided to modify the process for those projects that do not meet all project constraints. Col Munter would like to include at least one proposed approach that is feasible. It may not be what the MAJCOM or installation desired but it would show how a privatization approach could work at their base. Given the field's inexperience and lack of expertise in developing privatization approaches, Col Munter's desire is for HRSO to look at not only what the MAJCOM proposes but also use their expertise to formulate a feasible approach that the MAJCOM has not considered. For those projects that cannot meet all project constraints, Col Munter would like the Housing Privatization IPT to review the site visit report and participate in the feasibility determination. (Closed).

The second issue to be discussed was Air Force housing standards and policy. The meeting time ran over and the issue was not covered. The group will be reconvened to discuss this issue.

These minutes will form the basis of a policy letter to be transmitted to the MAJCOMs.


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