



DEPARTMENT OF THE AIR FORCE
HEADQUARTERS UNITED STATES AIR FORCE
WASHINGTON DC



17 APR 1998

MEMORANDUM FOR SEE DISTRIBUTION

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

SUBJECT: Policy on Housing Privatization Constraints and Standards

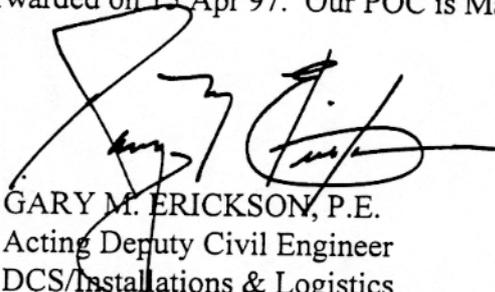
The feasibility of family housing privatization is subject to constraints we impose on privatization "deals," and it's clear from our initial attempts at privatization that we need to develop expanded policy in this area. Recently AF/ILEH, AF/ILEI, SAF/MII, the Housing Revitalization Support Office (HRSO), and AF/DPPC met to establish or clarify policy regarding housing standards and other constraints impacting the feasibility of housing privatization initiatives. These discussions produced the following results:

- a. Leveraging (return on investment): During site visits, HRSO will continue to use three-to-one leveraging to evaluate project viability. If an otherwise promising privatization project does not meet the leveraging goal, the Air Force may elect to proceed, but will be responsible for convincing OSD to approve the project and any supplemental funding support from OSD.
- b. Member out-of-pocket expense: It is Air Force policy that the cost of privatized housing to members, including utilities, will not exceed the member's basic allowance for housing (BAH). Implementation of this constraint will be accomplished in close coordination with SAF/FM and other offices as appropriate.
- c. Deficit reduction via privatization will not exceed 90 percent of the deficit determined by the Housing Market Analysis.
- d. Life cycle cost: The life cycle cost of a privatization project need not be less than its MILCON alternative. The benefits of accelerated revitalization and deficit reduction are reasonable tradeoffs for somewhat increased life cycle costs, where "somewhat" is purposely left to be defined on a case-by-case basis.
- e. Housing standards: Project housing requirements will be validated using the most recent Housing Market Analysis - one bedroom requirements may be rolled into two bedroom requirements. Housing standards such as style, size, equipage, finishes, landscaping and neighborhood improvements will be determined using a "market fit" methodology for each target grade. Market fit is a methodology used to develop the new basic allowance for housing (BAH).

This methodology looks to place members in housing that is not substantially different from the housing leased by families with roughly equivalent income in the local housing area. Where resources are available, we will maximize the number of units revitalized before adding amenities beyond the market fit. Since a certain amount of creativity may improve privatization feasibility, alternative housing standards can be modeled, provided alternatives do not result in increased outlays by the government or failure to meet requirements defined by the Housing Market Analysis. Additionally, we will not reduce a project's minimum revitalization requirements, as defined by established whole house standards, to achieve higher leveraging. For example, the Air Force will not eliminate an established requirement to upgrade bathrooms in order to revitalize more units. Implementation of this standard will be accomplished in close coordination with SAF/FM and other offices as appropriate.

HRSO will attempt to include at least one feasible privatization proposal in future site visit assessment reports. Where a feasible project cannot be defined within MAJCOM parameters, HRSO will use its expertise to model an approach the MAJCOM has not considered. Where project constraints preclude feasible privatization solutions, the Air Force Housing Privatization IPT will review site visit reports before they are issued to MAJCOMs and installations.

Please incorporate this additional privatization policy into the Air Force Housing Privatization Policy and Guidance Document we forwarded on 15 Apr 97. Our POC is Major Peter Leahy, AF/LEIP, DSN 664-4036.



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