



GUESTS OF HONOR



After almost a dozen years, military housing privatization has not been without its fair share of challenges.

BY VICKI SHARP, NALP, CAPS, CDPM



In 1996, a niche market was created for apartment developers and professional property management companies as a result of Congress authorizing the privatization of military family housing on all military installations in the United States. This huge undertaking officially began when the first base was fully privatized in 2001.

Now, nearly a dozen years later, the final group of Air Force installations has been privatized, ending an amazing effort that included decades of site visits, 'round-the-clock work on planning and strategy sessions and frantic bid preparations in hopes of winning these lucrative, 50-year partnerships at the approximately 100 available military bases. A lot has changed from that first partnership.

These partnerships should not be confused with typical government contractor relationships. Private developers actually entered into partnerships with the government in what are called "Public Private Ventures (PPV)." While the privatization partner is the managing partner in the legal sense of the word, the government has a strong hand in the day-to-day operations and oversight of the project.

Therefore, developers and property managers found themselves facing unique and often costly challenges. For example, military housing construction comes to a quick halt when unexploded ordnance is found on the site; when it's discovered the property is being built near an existing golf practice range; or when this new construction is being built on what was originally a firing range, with a heavy concentration of lead from spent ammunition in the ground.

Lincoln Military Housing's Geiger Ridge in Quantico, Va.



Children at a Lincoln Military Housing community in Annapolis, Md.

Cleanup becomes costly—and usually unbudgeted—so PPV partners found out early on that they needed to be very creative to deliver these new homes as planned.

Unprecedented Demand

Once ready for move-in, the property management side found another unique set of challenges that, for the most part, were not clearly understood during the bidding process. And, even now, new lessons are being learned as the projects try to meet the demands of today's military families.

For example, this new construction created demand for these new homes at levels never before seen—everyone wanted a new home, and military families became very creative in finding ways to get bumped to the top of the waiting list.

PPV managers began receiving phone calls from Service Members' command, pushing them to move certain families into new homes for a variety of reasons. In some cases, notices were sent from the medical command to move a family into a new home because it was a "healthier" environment.

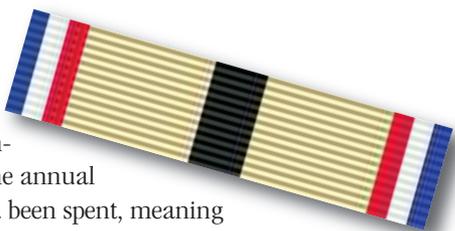
Being able to juggle these requests and still maintain some sense of order within the community required a professional and well-delivered response. To put it succinctly, military commanders were not used to being told, "No."

What's In the Rent?

Another challenge faced at the outset was that most military families considered their homes to be rent-free. In reality, that was not the case, because they did not receive their Basic Allowance for Housing (BAH) when they lived in military housing. However, because they never saw the BAH, the assumption was that the rent was free.

With this military housing privatization came the requirement to disclose this information on the service member's Leave and Earnings Statement (LES). Now residents could see the BAH added to their income, and then have it immediately be withdrawn as an allotment to the partnership. This BAH, incidentally, includes rent, all utilities and renters' insurance.

These families now realized that they were paying rent. This created a new kind of "customer." When the government was responsible for providing housing, and residents thought that these accommodations were rent-free, they didn't mind waiting weeks for a repair to be made. They fully accepted it when they



were told during the summer, for example, that the annual maintenance budget had been spent, meaning only emergency repairs could be done until October.

Now with an understanding that they are paying rent, they demanded that repairs be made promptly. Many of their service requests began with the statement, "Now that we have to pay for this old house..."

Another source of contention was how much rent was being charged, and for which homes. Keep in mind that, in military housing, rental rates are based on the BAH, which is computed solely based on the Service Member's rank and whether they have dependents. Unlike the conventional market, rates are not set based on the home's age, size, condition or amenity package.

This means that a sergeant and his family who are living in a two-bedroom house built in 1955 would pay the same rent as a sergeant and their family who just moved into a brand-new, three-bedroom home. Such situations were not always well-received, and property managers faced the challenge of acceptably explaining these discrepancies to these Service Members—and their spouses.

Disclosing the BAH amount to the families created another unexpected consequence for the partnership. Now that residents saw how

much they were paying, they started shopping the outside market. Because most conventional rental rates do not include utilities, some residents saw "cheaper" rents and made the move to conventional housing. To make matters even more difficult for property management firms, the military initially agreed to pay for the move of anyone who chose not to live in privatized housing, so this move was free to the resident.

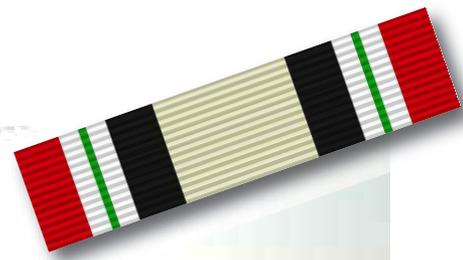
Fortunately, as with most major changes in life, it did not take long for this anomaly to settle. By providing great customer service, and delivering significant marketing messages to existing residents, the mass exodus quickly reversed. In fact, it didn't take long for the residents who did leave for "cheaper" rent to realize that utilities take a big chunk of that monthly BAH amount. Many then had to join waiting lists to return to the "all-bills-paid" environment.

The Occupancy Waterfall

Challenges didn't stop there: During the past decade, a new Base Re-Alignment and Closure (BRAC) was issued, meaning that some locations gained new military residents—creating a need for additional construction to provide adequate housing—while others lost military families as brigades, air wings and ships were relocated.

In some cases, installations were closed, taking away the entire resident client base. This created a need to implement the occupancy waterfall, included in all privatization partnerships, as a

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means to provide stability to the partnership when there are not enough military families to fill the homes.

Occupancy waterfall can be defined simply as a list of eligible residents who are not active-duty military families, but who can live in military family housing when occupancy levels fall to a specified level for more than 30 days.

There typically are seven or eight waterfall levels, which include single Soldiers, retired military, government civilian workers and civilians who may have no connection to the military whatsoever. Traditionally, living in military housing has always been reserved for active-duty military families, which builds a strong sense of camaraderie that can be challenged when the waterfall is implemented. Not surprising, implementing the occupancy waterfall is not well received by current residents or the base command. This places the burden on the property management team to frequently and openly communicate the situation to everyone involved.

Failure to do so can create significant ill will within the community, resulting in resident complaints to command, members of Congress and perhaps the media.

The 'Bad' Guys

The implementation of a resident utility billing program also has become a challenge. Although the mandate by Congress for such was made in the 1990s, it is only now being implemented. While it sounds like the PPV partners are taking away the all-bills-paid benefit that comes with living in military housing, this is not exactly the case. The government is simply trying to make those Service-Member households who exceed the average utility usage pay for their fair share. Nonetheless, this arrangement has led PPV partners to be perceived as the "bad guys."

Before a utility billing program can be started, meters must be installed on the homes and a short period of "mock billing" is

completed. This allows residents to view their actual consumption and make lifestyle changes in the effort to conserve energy. Once implemented, each family is given a utility allowance, which is based on the average usage of all homes within that unit type and neighborhood. They also receive a small percentage buffer above that average to take into consideration any maintenance issues that may have caused increased usage.

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Lincoln Military Housing's Oceana in Virginia Beach, Va.

The resident actually pays only the amount in excess of the rolling monthly average usage in homes that are basically identical to their own, after an allowance for the buffer. And, in many cases, these families can earn refunds if they maintain usage below the average.

Again, for property managers, the key to successful implementation of this utility billing program is to over-communicate to residents and to the command. Residents do not always fully understand that they must only pay for excessive usage, over and above the average. What they hear is that the "evil property managers" are now making them pay for utilities. Like many false, negative rumors, word spreads like wildfire.

Communication Overload

The culture of military housing includes residents talking to each other at a frequency never seen in the conventional apartment community world.

It therefore is necessary to be extremely careful in how issues, such as implementing the occupancy waterfall or billing residents for exceeding utility allowances, are handled.

Military residents know about and willingly use avenues for complaints that are not common among residents in conventional apartment communities. For example, residents in conventional rental housing don't ask their boss to call to complain to owners or the management company about how they were denied a move into a new home.

Nor would they ask their doctor to write a letter demanding that all the AC ductwork in their home be professionally cleaned. Conventional apartment residents probably would not write a letter to their congressman demanding that they not be charged for utility usage; however, these are fairly common experiences when managing the military family community.

'Thank You, Soldier'

It's not all bad for PPV partners. In 10 years, more new homes have been built and more new communities have been created than the federal government was able to accomplish in the previous 50 years. This means that, overall, military families have a far better standard of living than any other military force in history.

PPV partners have provided great family activities and services that help the families who are waiting at homes while the active-duty service member is deployed. Homework Help Clubs and Kids Clothes Exchanges are among many programs that try to assist these families. The activities keep the families connected to others within the community and provide opportunities to network with each other for support.

Many companies have established scholarship funds for the children of fallen Service Members. Others participate and contribute significantly to

organizations like the Wounded Warriors program. Millions of dollars have been raised and donated to support military families and organizations.

Following are a few examples of project owners giving back to the military families.

The Corvias Foundation has awarded more than \$4.5 million to the children or spouses of active-duty Service Members since 2006. It was recognized by the White House in 2012 for its efforts. The Foundation awards four-year, \$50,000 college scholarships directly to high school seniors and \$5,000 in educational grants

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to spouses pursuing or continuing their education.

One scholarship recipient, Katie, wanted to enroll at Cornell University. She says she did not think it was possible to attend such an expensive school and that it would be impossible for her to achieve her dream.

Her family was stationed at Fort Bragg and supported her endeavors, but she would need to gain a large scholarship to attend an Ivy League school. The Corvias Foundation awarded Katie a four-year, \$50,000 scholarship. She has excelled throughout college and now attends University of California, where she is pursuing her Ph.D. in chemistry and will soon become a research scientist.

The non-profit Lend Lease (US) Community Fund teamed with the PGA TOUR's Birdies for the Brave military outreach initiative. Recently, a golf tournament hosted by Lend Lease raised \$235,000 to support military outreach programs for wounded warriors and military families. PGA TOUR player Frank Lickliter II and 11 military members from Fort Campbell and 10 wounded warriors were among the 125 golfers who participated in the event.

Michaels Military Housing also provides a scholarship program for military families. To date, it has awarded 115 scholarships worth a total of \$324,000 to these deserving family members.

All privatization partners have established programs that offer military spouses career opportunities so that they can follow a true career path, rather than leaving them to take one dead-end job after another as they are relocated by the military.

NAA is deeply involved with the Hire a Veteran program, and hosted a successful Military Career Fair in conjunction with the 2013 NAA Education Conference & Exposition in San Diego (See page 70 of the August 2013 issue of *units*).

Many veterans and military spouses are now working in great jobs with NAA member companies that were created during this event.

Lastly, there is no greater feeling of success for military housing provider staff members than when a new mother calls you and asks you to come visit her in the hospital after giving birth to her first child. Then, when you arrive, you learn that you are the second person to hold that baby because Dad is deployed.

There is nothing like having a young boy who writes you thank-you notes for hosting an event and expresses, "Me and my Mom had fun, and Mom didn't cry that night."

Or, when a Soldier comes back from deployment, stops by the management office and says, "Thank you for taking care of my family while I was gone."

Military housing providers' response is, "Thank you, Soldier. Thank you for your service to our country."

Yep, this is the best job in the world. 



Vicki Sharp, NALP, CAPS, CDPM, is an Army veteran and has worked in the apartment industry for nearly 40 years, including the past 10 in military housing. Sharp is an industry trainer, motivational speaker and consultant. Reach her at www.thesharpsolution.net or 512-550-2021.



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