

DEPARTMENT OF THE AIR FORCE PRESENTATION
TO THE HOUSE ARMED SERVICES COMMITTEE QUALITY OF LIFE PANEL
UNITED STATES HOUSE OF REPRESENTATIVES

SUBJECT: MILITARY HOUSING PRIVATIZATION INITIATIVE WITNESS PANEL

STATEMENT OF:

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Introduction

Chairman Bacon, Ranking Member Houlihan, and distinguished members, thank you for the opportunity to discuss Department of the Air Force (DAF) energy, installations, and environment programs.

Our installations remain the platforms from which we enable and project combat power in and through the air and space domain. Every DAF mission starts and ends on an installation. We train and equip for joint operations, generate readiness, test new weapon systems, control and sustain air and space weapon systems, and provide safe, healthy communities for our Airmen, Guardians, and their families at our Air and Space Force installations.

Taking care of our Airmen and Guardians and their families is a fundamental responsibility and commitment for the DAF. Our ability to provide safe and habitable housing for our members is a key part of their quality of life, fostering our ability to recruit and retain the people we need to lead the Department and accelerate the transformation from the force we have today to the one needed to meet our pacing challenge. This is commanders' business, and we have taken on this challenge to make meaningful, enduring changes to our privatized military housing program. We want to thank the members of this Committee for your continued leadership in supporting our Airmen, Guardians, and their families.

When I served as a DAF active-duty member, I lived in military housing and had the honor to serve in units and organizations responsible for managing dormitories and housing. I can personally attest to the vital impact housing can have on the quality of life for our service members and their families, and the peace of mind it can give a member to know their family and fellow unit members are taken care of when they are away. I am honored to lead the transformation and strengthen the oversight of our privatized housing to ensure our service members and families have safe and healthy housing.

Privatized Family Housing

The DAF Military Housing Privatization Initiative (MHPI) inventory contains over 52,000 privatized end state unit homes spanning 31 projects across 63 installations. Ensuring the health and safety of our Airmen, Guardians and their families living in privatized family housing is a leadership imperative for the DAF. While we have made significant changes and

improvements to our privatized housing, we continuously assess our oversight of the privatized housing and needs of our Airmen, Guardians, and their families to update our policies and actions. Specifically, this includes internal DAF auditing of the program, implementation of National Defense Authorization Act provisions, and implementation of Department of Defense Inspector General audit and Government Accountability Office recommendations, as appropriate. Furthermore, we continue to empower our tenants and commanders to address housing challenges at our installations, take action to hold privatized housing companies accountable, and provide senior level governance and oversight to MHPI projects to provide safe, quality, and well-maintained housing where service members and their families and caregivers will want and choose to live.

We continue our efforts to improve our privatized housing portfolio including implementing the most recent GAO audit recommendations regarding strengthening oversight of the MHPI housing program including:

- DAF, in collaboration with the other military departments, has clarified guidance for residents to explain how and when they can use the formal dispute resolution process.
 - Updated the New Resident brief and Dispute Resolution brochure providing residents information regarding the formal dispute process.
 - Provided training to housing professionals during the Global Housing Symposium in May 23. Training provided a focus on roles and responsibilities of key players, resolving disputes at the lowest level during the informal process, determining eligibility for formal disputes, and the formal dispute process and timeline.
- DAF, in collaboration with the other military departments, updated internal policy documents, as well as brochures provided to residents, to clearly identify the specific roles and responsibilities of designated Resident Advocates (RA).
 - Developed new and revised job aides that delineate the roles and responsibilities between the privatized housing RA and the Military Housing Office (MHO) manager to better serve our members.
 - Revising Department of the Air Force Instruction (DAFI) 32-6000, Housing Management, to ensure privatized housing RA roles and responsibilities are clearly identified and provided to military members leasing privatized housing.
 - Trained RAs during the Global Housing Symposium in May 23. Training included

roles, responsibilities, negotiation, and conflict resolution. DAF also provides training to Installation Commanders on the roles and responsibilities of the RA and the MHO.

- DAF assessed personnel needs and completed a needs-based workforce study related to the number of positions the DAF requires to oversee privatized military family housing.
 - Published the Air Force Manpower Determinant (AFMD) for Housing Management on 27 Jul 23. The DAF is revising the report and assessing the manpower requirements.
- DAF, in coordination with the other military departments and OSD, established detailed training for MHO inspectors based on the International Property Maintenance Code (IPMC) inspection standards.

Similarly, we are addressing the remaining elements of the MHPI reforms set out in the FY 2020-23 National Defense Authorization Acts (NDAA). We made significant progress to implement reforms and enhance our oversight of privatized housing to hold MHPI companies accountable for providing safe, quality housing. Specifically, several congressionally mandated NDAA provisions were implemented throughout the DAF including:

- FY 2020 NDAA Section 3011: We collaborated with the private-sector MHPI companies to universally agree to adopt 18 rights set out in the MHPI Tenant Bill of Rights. All but one company has either implemented or agreed to implement all 18 of these rights. While the remaining company, located at Wright Patterson AFB, Ohio, does not yet provide the MHPI Tenant Rights to dispute resolution, or rent segregation, this project remains fully compliant with the legal requirements of their project agreements with the DAF. As Congress has recognized, applying many of the Tenant rights at existing MHPI housing projects requires voluntary agreement by the MHPI companies. The DAF continues to seek voluntary agreement of the remaining MHPI company by working to resolve their concerns and achieve full implementation of all 18 Tenant Rights at Wright Patterson AFB.
- FY 2020 NDAA Section 3036: We implemented the amended section 606 payments to MHPI Projects to focus on the most urgent needs of underfunded MHPI projects and ensure the projects invest these funds appropriately to safeguard long-term project

viability.

- FY 2022 NDAA Section 2813: We verified the appropriate application of Disability Laws and Collection of Modification Costs requirements are documented in existing MHPI projects' transaction documents. These requirements ensure the projects make reasonable accommodations for any resident or family member with a disability.
- FY 2020 NDAA Section 3051: We began the process to complete standardized privatized housing and government-owned housing inspections and assessments at all locations, using DoD's uniform housing standards. As of 31 Aug 23, DAF completed 35 of 63 MHPI third-party home inspections in accordance with FY 2020 NDAA Section 3051 and expect to complete the remaining 28 inspections in FY 2024. The inspections at those locations indicate the units are structurally sound and habitable with no significant concerns identified.
- Our Air Force Judge Advocate General's Corps created specific training for all installation legal assistance attorneys. This training focuses on the role of the legal assistance attorney in supporting tenants requesting disability accommodations as well as providing tenants with legal advice for both informal and formal dispute resolution.

We added 218 government positions across the privatized housing program at all levels, increased inspections, provided additional training to housing personnel, and revamped housing governance. We continue to maintain Resident Councils for two-way communication between the residents, installation and project owner leadership. We utilize feedback from the annual tenant satisfaction surveys to develop action plans for improving the residents' experiences and encourage our Airmen and Guardians, and their families to engage with Resident Advocates to help resolve any disputes and improve communications among all relevant DAF stakeholders. Finally, we continue to utilize a 1-800 call line as an alternate mechanism for residents to raise concerns.

We also expanded our metrics for assessing the health of the privatized housing portfolio, particularly with regards to resident satisfaction, maintenance quality and responsiveness, and property management operations. Most of our private project owners meet or exceed DAF standards as prescribed in our metrics. However, when we identify concerns with operational performance, we have placed a small number of project owners on

Community Action Plans, or if more systemic, on Performance Improvement Plans with milestones and schedules. The goal is to remedy deficiencies and ensure our military families receive quality service and safe housing. DAF's oversight also includes monitoring backlogged work orders, tenant complaints, and the thorough validation of earned performance incentive fees (PIF) before payment and investigation into anomalies. DAF renegotiated PIF agreements with six owners to hold owners accountable and give Commanders a greater voice in the process.

Some privatized housing projects require financial restructuring to remain financially stable and to provide market-comparable housing. Many factors can affect the financial stability of an MHPI project such as lower than projected occupancy driven by market and mission changes, increases in uncontrollable expenses (e.g., utilities, insurance, etc.) and Force Majeure / natural disaster events (e.g., Hurricane Michael impact at Tyndall AFB). Basic Allowance for Housing (BAH) can also be an important factor, as it is the sole source of funding coming into the project as rent. The 14th Quadrennial Review of Military Compensation is currently reviewing the BAH methodology with its report and recommendations expected in 2024. The restructure goals are to ensure the projects can fully fund operational expenses, debt servicing, and sustainment of the homes for the life of the lease as well as fund reinvestment needs during the mid-term reinvestment period, when possible. We are committed to working with the Department of Defense and OMB to optimize the effectiveness and efficiency of these programs while also protecting the interests of the taxpayer. The FY24 President's Budget includes \$220.0 million to financially restructure three MHPI projects, spanning 11 installations.

Conclusion

The DAF is committed to providing safe and habitable housing to our Airmen, Guardians, and their families. We have made significant progress over the past few years to improve privatized housing conditions, hold the project owners accountable, and increase the voice of residents and commanders. The DAF will continue to assess areas where we can strengthen our oversight of MHPI. Our leaders are fully engaged, and only through true partnership can we successfully compete, deter, and if necessary, win our One Fight against the pacing challenges and the acute threats we face as a nation. We look forward to working with you in our efforts to achieve sustained improvement aimed at addressing quality of life issues impacting our Airmen, Guardians, and their families and thank you for your continued support.