

NOT FOR PUBLICATION
UNTIL RELEASED BY THE
HOUSE ARMED SERVICES COMMITTEE
QUALITY OF LIFE PANEL

STATEMENT OF
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BEFORE THE

HOUSE ARMED SERVICES COMMITTEE
QUALITY OF LIFE PANEL

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Introduction:

Chairman Bacon, Ranking Member Houlahan, and distinguished members of the panel, thank you for the opportunity to testify on the Department of the Navy's (DON) Military Housing Privatization Initiative (MHPI).

Thanks to Congress's unwavering support of our military families and its attentiveness to MHPI projects, since 2019 the DON has made steady improvements in oversight processes, customer service, staffing, operations and maintenance. Leaders at all levels of the Navy, Marine Corps, and the DON remain steadfast and focused on improving the MHPI housing experience for Sailors, Marines and their families. We are also closely monitoring the long-term financial viability of each agreement, which is especially important given the increasing operating costs in today's market.

I proudly served more than 20 years in the U.S Navy, both enlisted and later as an Officer. I have lived aboard ships, in dormitories, unaccompanied housing, austere overseas locations ashore, and in privatized military housing right here in the United States. I can personally attest to the importance of affordable, safe, and high-quality housing for our Service members and their families. Our Marines and Sailors are better fighters if they know that their families are living in safe, quality housing.

It is imperative that every single family in MHPI project housing is living in safe and healthy homes, is supported by their military leadership, and is afforded high-quality service throughout the entire residency process: from lease signing, to maintenance service requests, to the move-out process. The DON is continuing to focus on MHPI by providing rigorous oversight of the companies that provide privatized housing; implementing reforms; bolstering our installation housing offices; and ensuring that our leaders are advocates for Sailors, Marines and their families.

Privatized Family Housing Overview:

The DON MHPI inventory contains approximately 62,000 family housing units and 6,000 unaccompanied housing beds. The DON is currently engaged in business agreements with

seven parent companies comprising 15 PPV entities. In each agreement, the DON transferred ownership of our existing housing units to the MHPI Company and entered into a long-term lease for the underlying real property or constructed housing on privately owned land. While we have made significant changes and improvements to our privatized housing, the DON continuously assesses our oversight and the needs of our Sailors, Marines, and their families to update our policies and performance measures.

Leadership Focus:

DON leadership -- from the Secretary of the Navy to the installation commanding officer to senior unit noncommissioned officer -- are focused at ensuring quality of life is achieved for Sailors and Marines. The Navy's and Marine Corps' training courses for installation commanders now include more focused training on MHPI oversight. Installation commanders now receive detailed metrics on MHPI partner performance. Installation commanders are required to engage in resident issues and to provide input into the evaluation criteria used to incentivize our MHPI partners.

The DON has a team of auditors within the Naval Audit Service that is dedicated to the singular task of reviewing MHPI partner and project companies' performance. This team of government employees review current MHPI performance now and assess the long-term viability of our agreements. This audit team has already completed inspections and continues to work with the Navy and Marine Corps Housing Offices and MHPI partners to provide an independent assessment of MHPI performance.

In accordance with Section 3042 of the FY 2020 NDAA, the DON Housing Council has been established as a mechanism to ensure senior leadership is involved in identifying opportunities and resolving issues with DON privatized housing. I last convened this Council on August 30, 2023, and, moving forward, the DON will continue to leverage this governance structure to continuously improve and to raise and resolve issues.

MHPI Reforms:

The DON has successfully implemented the MHPI reforms set out in the FY 2020-2023

National Defense Authorization Acts (NDAA). We have made significant progress to enhance our oversight of privatized housing to hold MHPI companies accountable for providing safe, quality housing. Some examples of these congressionally mandated NDAA provisions that have been implemented throughout the DON include:

- Tenant Bill of Rights (FY 2020 NDAA Section 3011): All 18 rights contained in the Tenant Bill of Rights have been fully implemented at all MHPI DON installations and the Tenant Bill of Rights will be incorporated in MHPI landlord/tenant leases as part of the implementation of a common lease across the DON's portfolio.
- Additional Housing Staff (FY 2020 Section 3014): In response to many of the items included in section 3014 of NDAA 2020, the DON has an additional 293 housing staff which primarily include housing inspectors, and resident advocates providing additional oversight and communication with the tenants to ensure habitability during move-in, move-out, and throughout the service members and families' stay in privatized housing.
- Third-Party Assessments (FY 2020 NDAA Section 3051): The DON has aggressively moved out on this requirement. The Navy has completed all 3rd party inspections of its third-party homes and the Marine Corps is currently 60% complete and anticipates completion by the end of calendar year 2023. The DON is working through the initial findings to provide a summary to OSD however, initial inspection feedback indicates the homes are structurally fit with minimal identified life health safety concerns.
- Supplemental Government Payments. Using authority provided in the FY 2019 NDAA, and amended by subsequent NDAAs, the DON has established a process to the identify and submit to the DoD Chief Housing Officer our "underfunded" housing privatization projects that are eligible to receive supplemental Government funds (i.e., "Section 606(a)(2) payments"). These funds have successfully been used by MHPI project companies specifically and exclusively for the future sustainment, recapitalization, and financial sustainability of projects.

Increased Oversight & GAO Findings:

We appreciate the findings of the recent Government Accountability Office (GAO) audit recommendations regarding the strengthening oversight of the MHPI housing program. The DON, 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. Corrective actions are ongoing with creation of additional educational pieces to our existing material including to the Plain Language Brief all residents receive at lease signing. In collaboration with the other military departments, the DON has updated internal policy documents and brochures provided to residents to clearly articulate the roles and responsibilities of our resident advocates and housing professionals. We are also updating our educational materials for our families to explain the three-step resolution process. The housing professionals who work in our government Housing Service Centers are always available for residents. The Housing Service Center contacts new PPV residents at 15-days, and again at 60-days, after move-in to solicit any feedback from the resident and to answer questions.

The Navy Housing Learning Center has updated the training courses for our Navy and Marines Corps housing professionals. We have focused on bolstering the training in dispute resolution, resident communication, and the improvement and standardization of the home inspection process. In coordination with the other military departments and OSD, the DON established detailed training for MHPI housing inspectors based on the International Property Maintenance Code inspection standards. The inspection standards and other training aids can be found on the enterprise Military Housing, or eMH, which is the authoritative military housing database.

Military Housing Offices:

The DON remains dedicated to providing MHPI oversight, quality control, and support, and we are striving for continued improvement in the operation, maintenance, and customer service in privatized family housing. Today, the DON has 508 government personnel supporting MHPI, which includes with 293 of these government positions established by the FY2020 NDAA. This increased staff has allowed for increased communication with the residents, increased home inspections, and increased oversight of our MHPI partner. Our government MHPI staff are located throughout the headquarters, regional and installation levels but the vast majority are located at our installations, working closely with our Marines, Sailors and their families. At the installation level, we focus on ensuring that resident advocates are available, trained and empowered to serve as the frontline contact for residents to raise and resolve issues they have with their housing experience.

Our installation housing offices also administer regular feedback loops and structured assessments to ensure families have the opportunity to provide real-time feedback on their experience with MHPI. In addition to annual satisfaction surveys, the Navy and Marine Corps use point-of-contact surveys for families to evaluate MHPI performance. These surveys are utilized at key moments of tenant interaction including move-in readiness of the home and service request satisfaction. Combined, these tools allow the DON to provide real-time accountability, if necessary, work with the MHPI companies on corrective action plans.

The DON continues to self-evaluate for areas that we can improve and to identify opportunities for us to better serve our Sailors, Marines and families. Navy and Marine Corps Housing policies and procedures continue to evolve, and the DON recently published an MHPI Housing Handbook to provide a comprehensive tool for the oversight and management our of MHPI program.

Long-Term Sustainability:

We are also taking steps to ensure the long-term viability of our MHPI projects so quality homes are available to our families in the future. We have implemented improved processes for oversight and collaboration with MHPI companies to address life, health, safety issues, and improve marketability of homes. We have stood-up a dedicated MHPI qualify assurance program to review the condition of homes. Finally, the DON monitors the financial health of each project through monthly financial reporting and a robust Annual Sustainment Plan review, which identifies near-term and long-term funding risks for work required to sustain the quality of homes through the term of the current ground lease. This formal plan review also ensures the DON is aligned with MHPI companies on the prioritization of work, especially when funding shortfalls are projected. In recent years, the DON has worked through many challenges, such as force restructurings and economic factors like rising insurance and labor costs.

The DON has developed a robust tool for assessing the health of the privatized housing portfolio ability to sustain itself in the future. While we anticipate many of the DON's MHPI

will be able to sustain themselves in the future, there are some projects that may require different paths forward to ensure long-term financial viability. In addition, the DON is looking to increase our privatized housing inventory in locations where we have seen requirement to house families continue to grow, to include remote locations like Naval Air Station Fallon, Nevada and Naval Air Weapons Station China Lake, California. By taking a long-range view, we are able to work through challenges and find solutions that will ensure our families will have safe, high-quality homes today and in the future.

Conclusion

I would like to thank Congress and this panel for your continued focus on MHPI and steadfast oversight of this program. We must continue to work together to ensure our Marines, Sailors and families have the safe, quality, and well-maintained housing they deserve.