

May 11, 2015

The Honorable Lindsey Graham, Chairman
Committee on Armed Services
Subcommittee on Personnel
United States Senate
Washington, DC 20510-6050

The Honorable Kirsten E. Gillibrand, Ranking Member
Committee on Armed Services
Subcommittee on Personnel
United States Senate
Washington, DC 20510-6050

Dear Chairman Graham and Ranking Member Gillibrand:

The private apartment industry has successfully partnered with the Department of Defense (DoD) to meet the military's housing needs for nearly 20 years. The members of the National Multifamily Housing Council (NMHC) and National Apartment Association (NAA) are the leading firms engaged in the Military Housing Privatization Initiative (MHPI) and provide housing for service members and their families nationwide. As you begin consideration of the National Defense Authorization Act for Fiscal Year 2016 (NDAA), we urge you to reject a reduction of the Basic Allowance for Housing (BAH) that could seriously jeopardize privatized military housing and negatively impact real estate investment serving the military community.

We appreciate the time and resources this Congress has devoted to military compensation and benefits reform, as well as, your efforts to ensure that any changes meet the unique needs of an all-volunteer force. To that end, Congress has long-recognized the importance of housing on troop readiness, morale, retention and overall quality of life. In addition, the Military Compensation and Retirement Modernization Commission closely examined military housing benefits and did not recommend any changes to the BAH. In fact, the Commission's surveys showed that housing allowances are one of the most important benefits to service members. Approximately one million service members and their families depend on the BAH to meet their housing needs.

The BAH also serves as a core element of the privatized military housing program. Before housing privatization, over 50 percent of the military's housing units were in need of replacement or repair.¹ Today, the MHPI leverages private market forces to provide high-quality, affordable homes to military families. While the DoD touts housing privatization as "the single most effective reform" carried out

¹ Office of the Deputy Under Secretary of Defense, Military Housing Privatization, FAQs at: <http://www.acq.osd.mil/housing/faqs.htm>.

in the installations and environment program area,² arbitrary cuts to the BAH can undermine the continued success of the program.

A BAH reduction shrinks revenue in privatized housing and will force building owners to make related operating adjustments, including scaling back property services and amenities. Decreased cash flow can also drain reserve accounts, which severely limits the ability of property owners to respond to future maintenance or capital improvement needs. Also, a BAH reduction can threaten a project's ability to satisfy debt service obligations and harm recapitalization efforts where revenue reductions continue over the long-term.

The housing benefits modifications proposed by the Administration fail to appreciate the business impacts of a BAH reduction, which will threaten the sustainment of housing privatization. The MHPI reversed the trend of substandard and scarce housing for military service members and their families. As you consider the future of military pay and benefits in the NDAA, we urge you to reject proposed changes to the BAH this year. Moving forward, this allows housing stakeholders the opportunity to work with the DoD to develop practical solutions that support the continued success of the military housing privatization program. Thank you.

Sincerely,



Douglas M. Bibby, President
National Multifamily Housing Council



Douglas S. Culkin, CAE, President
National Apartment Association

Cc: The Honorable John McCain
The Honorable Jack Reed

² Testimony of John Conger, Acting Deputy Under Secretary of Defense Installations and Environment, "Hearing on FY14 Budget Request Installations, Environment, Energy and BRAC." U.S. House Appropriations Subcommittee on Military Construction, Veterans Affairs and Related Agencies. April 12, 2013.