



July 11, 2018

The Honorable Mac Thornberry, Chairman  
Committee on Armed Services  
United States House of Representatives  
Washington, DC 20515

The Honorable John McCain, Chairman  
Committee on Armed Services  
United States Senate  
Washington, DC 20510

The Honorable Adam Smith, Ranking Member  
Committee on Armed Services  
United States House of Representatives  
Washington, DC 20515

The Honorable Jack Reed, Ranking Member  
Committee on Armed Services  
United States Senate  
Washington, DC 20510

Dear Chairman Thornberry, Chairman McCain, Ranking Member Smith and Ranking Member Reed:

The National Multifamily Housing Council (NMHC) and National Apartment Association (NAA) represent the nation's leading providers of multifamily rental housing and provide homes for service members and their families nationwide. Our member companies have successfully partnered with the Department of Defense (DoD) to meet the military's housing needs for over 20 years. However, we are deeply concerned about the sustainment of the privatized military housing program resulting from continuing reductions to military housing benefits. As you begin to conference the National Defense Authorization Act for Fiscal Year 2019 (NDAA), we urge you to halt reductions to the Basic Allowance for Housing (BAH) and support House Section 604, which safeguards housing sustainment and advances the long-term, financial health of privatized housing.

Over two decades ago, Congress recognized serious deficiencies in government-owned, military housing and enacted the Military Housing Privatization Initiative (MHPI). The program successfully leverages private sector investment to provide troop housing more efficiently and capably than previous, government-run military housing models. The BAH serves as a core component of that program.

One million service members and their families rely on the BAH to secure their housing. Today's BAH is tailored to the needs of an all-volunteer force, and has effectively responded to changing service member housing preferences, improved housing quality for service members and incentivized private real estate investment around installations.

However, the FY15 NDAA set in motion a five percent overall reduction to the BAH. Our industry cautioned that such BAH cuts can undermine the availability and affordability of high-quality troop housing, interfere with modernization efforts, and hamper the ability to respond to capital improvement needs. Acknowledging these concerns, Congress called for a GAO study on the impacts of BAH reductions on the long-term sustainability of privatized housing projects. Published this Spring, the study concluded that "DOD's ability to maintain quality housing is critical, because housing can affect retention, readiness, and servicemembers' quality of life."<sup>1</sup>

The report raised serious concerns about the DoD's efforts to assess risks of housing project sustainment and noted that "DOD has not identified a course of action to address possible shortfalls resulting from the reductions in the basic allowance for housing."<sup>2</sup>

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<sup>1</sup> *Military Housing Privatization – DOD Should Take Steps to Improve Monitoring, Reporting, and Risk Assessment*. GAO-18-218. (March 2018), p. 38.

<sup>2</sup> GAO-18-218 at 39, 20.

House Section 604 supports the findings of the GAO and recognizes the negative impacts of BAH reductions in housing recapitalization efforts. The provision makes a serious commitment to preventing damage to privatized project sustainment and ensuring the long-term success of the MHPI.

While the Senate-passed NDAA also includes language addressing MHPI project sustainment (also Section 604), that provision creates an unworkable system that makes financial relief contingent on a series of problematic factors. Of concern, the Senate provision establishes a case-by-case approval process that includes elements inconsistent with the fundamental structure of the MHPI and seemingly delays action until after financial distress has taken root.

As you consider the long-term health of military housing in the NDAA, we urge you to support House Section 604 and preserve high-quality housing for service members and their families. Continued reductions to the BAH can endanger privatized military housing and replicate the conditions that led to historic failings in pre-privatization military housing. Moving forward, this allows housing stakeholders the opportunity to work with the DoD to develop practical solutions that support the housing needs of military families and sustain the continued success of the privatized military housing program. Thank you.

Sincerely,



Douglas M. Bibby  
President  
National Multifamily Housing Council



Robert Pinnegar  
President & CEO  
National Apartment Association

C.C. House NDAA Conferees  
Senate NDAA Conferees