

RECORD VERSION

STATEMENT BY

**HON ALEX BEEHLER
ASSISTANT SECRETARY OF THE ARMY
(INSTALLATIONS, ENERGY & ENVIRONMENT)**

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Introduction

Chairmen, Ranking Members, and distinguished members of the joint subcommittee on Personnel and Readiness and Management Support, thank you for this opportunity to testify on the current state of the Army's Military Housing Privatization Initiative, and to answer any questions you may have. I want to begin by thanking the committees for their continued support and commitment to our Soldiers, Families, and Civilians. I would also like to take this opportunity to welcome the new Members on these two subcommittees. Your continued leadership and guidance were instrumental in the successes we achieved last year. I look forward to working with you to achieve our mutual goal of improving the condition of the housing on all of our Army installations, which directly impacts the welfare and quality of life for our Soldiers and Families.

Providing Safe, Quality Army Family Housing

First, I'd like to emphasize that the safety and well-being of our Soldiers and their Families is paramount. On all of our installations, the Army is committed to providing safe and secure family housing that meets or exceeds health and safety standards, which includes preventing exposure to environmental hazards.

With more than 102,200 homes (11,000 Army-owned, 87,000 privatized and 4,200 leased), the Army is the seventh largest provider of housing in the United States. The vast majority of our homes in the United States are owned and managed by private companies. Housing is an extension of how our installations contribute to Soldier and Family Readiness, and regardless of who owns the homes, we are committed to providing safe, quality, affordable housing to our Soldiers and their Families on all of our installations, both CONUS and OCONUS.

We recognize that no matter how well we and our privatized partners are managing our housing assets, we can always improve. I appreciate hearing from the witnesses called in the previous two panels. Oversight and scrutiny of inventory management, along with

customer satisfaction surveys, provide continuous feedback, which is essential to identifying issues or areas we can improve. Whether in Army-owned or privatized housing, preventative maintenance programs proactively identify areas of concern. The Army and our private partners endeavor to promptly respond and resolve all problems whenever they occur.

Although Army-owned and privatized homes are built and maintained to high standards, they are affected by weather, just like all other homes in the world. In areas of high humidity, after heavy rains, or when a hurricane or tornado strikes, additional maintenance and unanticipated repairs will inevitably be needed. The maintenance departments for our Army-owned and privatized homes strive to quickly address residents' problems through well-established policies and procedures, and to follow up to ensure that our residents are satisfied. Nonetheless, in some cases we and our partners have let residents down by failing to completely resolve problems in a timely fashion. We want to know when this happens and encourage residents to escalate concerns. By looking into each occurrence, we and our partners are able to learn from our mistakes and engage in process improvement.

Environmental Hazards

I would like to take this opportunity to address some recent news reports on a small fraction of our Army-owned and privatized homes. We take these reports very seriously, and acknowledge that there is room for improvement. The Army's greatest asset is our people, and we are committed to ensuring that our Soldiers and their Families experience a high quality of life while they serve our nation.

After investigating these reports, we have determined three key facts regarding the number of children in Army housing had elevated blood lead levels: 1) children on Army installations were five times less likely to have elevated levels than the national average, 2) out of 83,517 Army children tested between 2010 to 2018, less than 1

percent (690) showed elevated levels, 3) more than 70 percent of Soldiers and their Families live off post in non-Army housing.

Furthermore, additional analysis that the Army conducted into specific cases noted in news reports regarding Fort Benning show that historic homes are not a likely source of elevated blood lead levels. Fort Benning determined that 19 of the 31 children who tested positive there lived off post and just four lived in historic homes on the base. Similarly, of the 3,400 children tested at Fort Riley since 2012, 11 had elevated levels, and seven of them lived off post. Fort Hood's medical center tested 11,181 children since 2011, and 12 of the 15 children with elevated results lived off post.

Nonetheless, out of an abundance of caution, the Army recently took immediate action to address Soldier and Family concerns pertaining to environmental hazards in homes. We began by identifying approximately 13,000 pre-1978 government-owned/leased/privatized homes with aged six or under because they are most at risk to environmental hazards. We tasked the US Army Corps of Engineers (USACE) to conduct an Environmental Hazard Screening in Army-owned, leased, and privatized housing; consolidate and analyze findings; and prepare a report of results addressing concerns related to potential hazards. We conducted 1,360 visual inspections between September 2018 and December 2018, and identified over 833 (60.5%) homes with one or more positive visual indicators of lead-based paint, both inside and outside the home, requiring further investigation. We also reviewed the records of these same homes for evidence of Asbestos Containing Material (ACM). The records review and limited visual checks indicated that all existing asbestos was correctly encapsulated and in locations where daily activities would not disturb it.

In addition, the Installation Management Command (IMCOM) and the Army Public Health Center (APHC) implemented a plan to sample water at the tap in 20 percent of the Army-owned and leased homes annually. Since 2016, this potable water testing has been completed in 60% of these homes, with most issues corrected through routine maintenance measures such as the replacement of faucets, filters, or aerators. The

Army will test the drinking water on the privatized homes following the IMCOM and APHC established regimen beginning the second quarter of FY19, and, based on the test results, the private partners will replace fixtures as required per EPA lead-free standards.

We are also working with both Army garrison staff and private partners to ensure a more rigorous check is being implemented during preventive maintenance inspections of homes to verify proper ventilation is occurring, especially in bathrooms. If there are mold issues, the Army housing staff or the private partner will promptly respond. In response to resident concerns regarding communication between them, the housing manager, and the installation, the Army is also developing a standardized template for communications that can be shared among all installations.

Our approach to the Environmental Hazard Screening results has been comprehensive. We reinforced resident and leadership education to ensure communication is ongoing at every echelon, from HQDA and Senior Leader engagements, to garrison-level resident education. We believe these efforts will lead to proactive reporting of potential hazards that will greatly reduce risk from environmental hazards including lead-based paint.

Additionally, the USACE report provided several key recommendations: 1) increased staff for Director of Public Works (DPW) and the housing offices and seek resources to support as needed; establish programs for monitoring environmental hazards in housing to include continual inspections, 2) reporting and oversight, and replacement of all non-lead free plumbing fixtures; 3) increase training and develop communication plans for Garrison Commanders, DPWs, Army asset management staff and residents; 4) follow up with all residents to reinforce the importance of previously provided educational materials, with an emphasis on possible environmental hazards; 5) codify and emphasize change of occupancy protocols to include using certified risk assessors to inspect the homes.

We believe these recommendations are valuable and are creating an implementation plan that, pending Army Senior Leader approval, will address them.

MHPI Oversight

Where the Army has privatized the management of our housing inventory by transferring ownership of the assets to a partner, we continue to retain an essential oversight role to ensure that the partner meets its obligations.

Day-to-day oversight of both Army-owned and privatized housing is performed by the installation garrison commander and his or her housing support team. Our garrison commanders play an important role in the day-to-day execution of housing operations at their installations. By working daily with the installation housing offices, their own maintenance staffs, and on-base private housing management representatives, they ensure residents' housing concerns are addressed in the most expeditious and appropriate manner. Residents play an equally important role by bringing issues to the attention of the Army or privatized-property managers. Additionally, garrison commanders regularly hold town hall meetings or forums at every Army installation to engage with local residents. When we have identified instances where customer service expectations were not met, we have worked with our partners to correct the situation and continue to do so as issues arise.

An additional aspect of the Army MHPI program is its development and construction oversight. Typically, a private partner develops a development and construction plan in conjunction with the Garrison Commander and installation support team (DPW, Safety, and Army housing staff), and then the Army approves proposed plans, including the budget. The installation support team oversees the development and construction activities, along with a third-party Independent Construction Consultation (ICC) contractor. The ICC contractor inspects any development and construction work to ensure compliance with building codes, and before a home is occupied, it is certified for occupancy.

We have found that as the MHPI program matured, we identified the need to improve our training program for garrison commanders, Army leaders, and Soldiers.

In addition, we and our partners will improve communications with residents. For instance, when news outlets reported that some work orders were not being processed in a timely manner, we examined the records related to each. While we found a number of these claims to be inaccurate, there were instances where our partners could have done better. We will direct our garrisons to make a regular review of local work order records to identify opportunities for continuous improvement.

It is also essential to note that our military and civilian tenants have the exact same protection available to anyone living on the local rental market under the Fair Housing Act, without having to face any fear of reprisal. Dissatisfied residents have several avenues for recourse, including a process for escalating their concerns to the private project company, the Government Housing Office, or both in some cases. In fact, we strongly encourage residents to take advantage of this process, as their satisfaction is the goal of the Army and our private partners. Residents always have the option to “vote with their feet” and live off post, as two-thirds of Army families currently do.

Our goal for housing occupancy rates is 95%. Our overall occupancy rate from FY16 to FY18 increased from 91.3% to 93.3%, and as of 30 November 2018 was at 94.9%. While we find this encouraging and tangentially indicative of satisfaction, satisfaction surveys themselves range from only 77%-86% of residents satisfied. Our stretch goal is 90%. Clearly, there is room for improvement.

Our partners have sufficient incentive to make these improvements. Military Housing Privatization Initiative (MHPI) ground leases are typically for 50-year periods and their main streams of revenue (from Soldiers’ Basic Allowance for Housing and rent from civilians living on post) are not guaranteed. A rigorous funds-allocation waterfall process dictates how the net operating income is allocated. This includes annual operation expenses (maintenance, capital repair and replacement expenses), as well as long-term

reinvestment in properties. Our partners' main objective, which coincides with the Army's expectations, is to ensure that MHPI projects continue to be sustainable, that housing remains attractive to our Soldiers and their families, and that housing remains competitive with the local, off-post housing market, where Soldiers always have the option of renting. It is also important to note that when there are inadequate funds in the reinvestment account to execute long-term projects – such as renovations, demolition or replacements – the private partners do not retain the revenue as profit. Instead, the long-term project sustainment is postponed until the necessary projects can be executed. Furthermore, the performance of the private partners dictates their incentive fees. These incentive fees are based on metrics developed jointly between the Army and the individual partners, and are in no way guaranteed.

Conclusion

Our mission is to provide high quality homes and living experiences for those who choose to live on our installations, whether the housing is Army-owned or privatized. We remain committed to providing safe and secure housing for our Soldiers and their Families.

The Army and its private partners have well-established procedures in place to monitor and manage environmental hazards in all homes and are continuing to develop and implement enhanced move-in protocols, maintenance procedures, and oversight responsibilities.

The Army and its private partners will continue to inform and educate Soldiers and Families about concerns and health impacts of environmental hazards, resources available to tenants, and all available methods to report potential risks.

We believe these efforts will lead to proactive reporting of potential environmental hazards and greatly reduce the risk to our Soldiers, Families, and Civilians.

We have not achieved the level of resident satisfaction that we strive for. There is clearly room for improvement. We believe that increased education for garrison and senior commanders along with initiatives to improve communications with residents will close gaps that exist.

Thank you for the opportunity to present this testimony and for your continued support of our Soldiers, Families, and Civilians.