

**HEARING BEFORE THE UNITED STATES SENATE  
COMMITTEE ON ARMED SERVICES  
JOINT SUBCOMMITTEE ON PERSONNEL AND  
READINESS & MANAGEMENT SUPPORT**

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**I. Introduction**

Chairmen Tillis and Sullivan, Ranking Members Gillibrand and Kaine, and distinguished members of the subcommittees: Good afternoon, and thank you for the opportunity to be here today to discuss the current condition of the Military Housing Privatization Initiative (“MHPI”).

My name is John Ehle, and I am the President of Hunt Military Communities (“Hunt”), a subsidiary of Hunt Companies, Inc. Among other things, I am responsible for overseeing the ongoing management, operations, and partner relationships associated with Hunt’s military family housing portfolio.

Hunt welcomes the subcommittees’ interest in military housing, and we share your commitment to promoting the safety, health, and well-being of America’s service members and their families. We also appreciate the efforts of the committee staff in facilitating our participation in this hearing.

At Hunt, we aim to provide more than just housing. We have been entrusted to build quality communities that meet the needs of those in uniform and their loved ones, and we take that responsibility very seriously. We are also committed to being a responsible partner of the Department of Defense, playing an important part in the military mission.

I look forward to providing you with an update on Hunt’s work and hearing your views as we continuously seek to improve the housing experience of our military families.

**II. Hunt is Proud to Provide Quality Communities to America’s Military Families.**

Hunt is honored to serve those who serve us. As a company, we have strong and longstanding ties to the military community. Indeed, as a naval officer who served from 1942–1947, Jack Hunt, one of the founders of Hunt Companies, experienced life in military family housing while stationed in North Africa, Italy, and Guam, and that experience provided a major impetus for the company’s first military housing construction project starting in 1969, long before the MHPI program. Today, at Hunt military communities across the country, our employees include members of military families living in the housing we manage. In a recent survey of 798 Hunt Military Communities employees, more than half indicated that either they or their spouse served in the military or they grew up in a military household.

We take great pride in providing quality homes to those who sacrifice so much for our country. Prior to the creation of the MHPI, military housing was subject to a cycle of investment and subsequent neglect that led to the necessary rebuilding of homes well before what should have been the end of their useful life. The MHPI paved the way for partners like Hunt to provide the expertise, efficiency, and hands-on oversight needed to break that cycle.

Hunt has proudly partnered with the Department of Defense since the inception of the MHPI. We greatly value the relationship we share with our military partners, and we appreciate the oversight they provide.

In service of our partnerships under the MHPI, we have built approximately 15,000 new homes, executed major renovations of another 8,300 homes, and built 83 community centers, in addition to the construction of other community amenities. A total of more than \$5 billion has been invested into the transformation of the communities that comprise Hunt's MHPI portfolio. Since the conclusion of the Initial Development Periods at our projects, we have invested an additional \$180 million in capital improvements across the Hunt portfolio.

We have also performed full LED conversions in three of our communities, which involved converting the lighting in 2,466 of our homes, 718 street lights, and six of our own facilities to LED light bulbs, resulting in an estimated annual electric savings of \$873,000. We have similar plans in place for LED lighting conversions at three additional communities in 2019. As part of that work, we expect to retrofit another 1,444 of our homes, 839 street lights, and five of our own facilities with LED lighting, which will result in an additional \$953,000 in estimated annual electric savings. Also, we have installed solar panels on 1,510 rooftops in four of our communities and a 1.2-megawatt ground-based solar array resulting in estimated solar savings of \$3.4 million annually. Finally, we have installed 3,962 low-water fixtures in homes at six of our communities, thereby saving 33,329,920 gallons of water to date and resulting in \$540,000 in estimated annual water savings. All cost savings associated with these energy sustainability initiatives inures to the benefit of the projects and their reinvestment accounts, thereby building additional capital reserves for future property improvements.

Today, we own interests in approximately 52,000 homes on or within close proximity to 49 Air Force, Navy, Marine Corps, and Army installations located in 21 states and the District of Columbia. Of that number, we manage about 32,000 units across 44 installations and serve more than 165,000 residents.

Our housing stock is made up of a variety of properties. We have a large number of historic houses mixed with many newer homes. Our properties have dedicated community centers for resident activities, and many have additional features such as sporting fields, playgrounds, fitness centers, club houses, pools, and splash pads.

Hunt is committed to supporting our residents, employees, and our neighboring communities through efforts that are focused on military issues. We recognize that service members and their loved ones face a wide range of challenges, from frequent moves and deployments to financial difficulties. Hunt's deployed spouse program centers on improving the quality of life for all residents, even in the most difficult times. For example, in contrast to pre-privatization, residents

in our communities receive landscaping services outside of any fenced area around their homes, and for those families with a deployed spouse, we will service the entire area, including any fenced-in areas around their home.

Unlike most conventional housing properties, we do not require security deposits or application fees from our service members. And where pet deposits or other fees are required by location, they are typically much less than one would find at comparable conventional housing. In addition, we offer other services and benefits for our residents that may not always be offered in a conventional setting, including:

- **Relocation Benefits:** If a resident is required to be out of their home during a repair, we will secure temporary alternative accommodations and may provide financial support to ensure that the resident is not out-of-pocket during this time.
- **Service Order Response Times:** All of our service requests are documented and categorized as “emergency,” “urgent,” or “routine,” and each have required response and completion times associated with them. We monitor these requests on a regular basis and include them in a monthly report to our government partner. Residents also have the opportunity to address a concern with the government partner directly, if needed. When such concerns are raised, we will work with the government partner to ensure it is resolved.
- **Self-Help Supplies:** We provide supplies and equipment for our residents such as light bulbs and air filters, as well as tools and gardening equipment, which they may use at no cost.
- **Resident Events:** We host regular social events for our communities, such as fall festivals, spring carnivals, and movie nights under the stars as well as more regularly scheduled events throughout the year. These events, which include ice cream socials, holiday hot cocoa events, pizza pick-ups, games, and contests, encourage our military families to bond and form a community.
- **Smile Bucks:** Hunt developed the “Smile Bucks” program to empower its employees to make decisions that serve to brighten a resident’s day. Hunt property management employees can each use up to \$100 in any one month (up to \$500 per year) to do something for a resident that goes above and beyond what is required, such as sending a greeting card and a plant to celebrate a birthday or delivering balloons and coloring books to cheer up a sick child.
- **Community Advisory Boards:** Our Community Directors organize and lead a Community Advisory Board consisting of military residents who meet on a monthly basis to discuss and plan social events for the community. This group will also organize support for families with deployed spouses such as meal assistance, dog walking, or other light maintenance or chores to pitch in during a time of need.

Further, we seek to establish a bridge between our military housing properties and the civilian communities that surround them. In this regard, we welcome community groups and services, such as local scouting troops or public libraries, to visit our properties and engage with our residents, all with an eye toward raising the quality of life for those we serve.

We formed a nonprofit organization, Hunt Heroes Foundation, to fund projects that address challenges related to service members and those who support them, particularly in the areas of health, education, and housing. Hunt Heroes has supported military families and their communities through strategic partnerships with organizations like *wear blue: run to remember*, a national nonprofit running community dedicated to honoring fallen military members and their families, and Stop Soldier Suicide, the first veteran-founded-and-led nonprofit focused on military suicide prevention.

It is a privilege to be part of the public-private program that provides homes to our military families, and our commitment to ensuring safe and healthy living conditions is fundamental to our business. We recognize that there is no such thing as maintenance-free housing and that issues will inevitably arise that must be remedied with both historic and newer housing stock. When that happens, we consistently strive to address the situation in a timely and transparent manner. We are not perfect, of course, so we also aim to learn from our mistakes in order to provide a better experience for our residents going forward.

### **III. The Health and Safety of Military Families is Hunt's Top Priority.**

There is no higher priority for us than the safety and health of our resident service members and their families. When we receive reports of an issue that could put that at risk, or that otherwise impairs the quality of the housing provided, we take prompt action.

Hunt has an extensive inspection and preventative maintenance program at all of its properties. We also have systems in place to respond to reported concerns, issue work orders, and follow up in a timely manner. Hunt tracks work orders for maintenance requests and issues work order satisfaction surveys for every visit. Moreover, our maintenance response times are dictated by our MHPI engagements with our military partners, and we provide monthly reports to the government detailing our response and completion times.

Hunt is committed to providing a safe environment for its residents. Its management and maintenance teams are focused on assisting residents and addressing their concerns every day. Hunt strives to keep its residents informed of important environmental and safety matters that may affect them.

This is why we created the Hunt Safety Zone, an online library of information relevant to residents' safety, which is regularly updated with new information. In the library, one can find information concerning home safety, seasonal safety, children's safety and other useful tools. The topics are all presented in a user-friendly format and include fire and mold prevention, window safety, and others. In addition, seasonal safety topics are available by month such that a resident can visit the Safety Zone at a particular time of year and learn about a seasonally relevant safety topic. These topics range from water, grilling, and bicycle safety to crime and poison prevention and even Halloween safety.

In addition to the Safety Zone, we affirmatively provide our residents standard safety information upon move-in. This includes the EPA pamphlet, “A Brief Guide to Mold, Moisture In Your Home,” and information on lead-based paint, asbestos, radon, and/or pesticides. We have a vested interest in maintaining a safe environment for our residents.

We value transparency and are committed to maintaining regular communication and an open dialogue with all resident families and base leadership. We proactively interact with our residents and military partners via routine electronic and written messages, monthly Mission Support Group Commander or Asset Management meetings, regular conversations with military housing offices, and updates on the company website and Facebook page. We hold town hall meetings and conduct “open office hours” or smaller meetings within a community where residents are able to ask questions on a more personalized one-on-one basis.

Also, as mentioned, each of our communities has a Community Advisory Board, which serves as a liaison between community members and the Hunt property management team. Residents are able to voice concerns directly to the command of their respective military units.

Hunt’s ultimate goal is to provide our service members and their families with quality homes that foster their safety, health, and well-being. When we fall short on this, we need to know about it, and we work to fix it.

#### **IV. Where Challenges Have Arisen, Hunt Has Undertaken Substantial Remediation Efforts.**

Hunt acknowledges that exceptional challenges occasionally occur at its properties, and we embrace our responsibility to address such issues when they arise. We are committed to being responsive to the needs and concerns of our residents. The situation at Keesler Family Housing (“Keesler”) in Biloxi, Mississippi has been one area of special focus for us, so I would like to speak to that and, in particular, the remediation effort that Hunt has undertaken there.

The military homes at Keesler were largely destroyed by Hurricane Katrina in 2005. In the years following, the homes were rebuilt, owned by the Air Force, and then placed under the management of Forest City Military Communities via the MHPI program. After the reconstruction, residents at Keesler began identifying issues, including, in some instances, moisture build-up.

Addressing these issues proved difficult. However, we took ownership of the situation and have, in consultation with independent consultants, executed a multi-phase Moisture Remediation Project (“MRP”). As part of this MRP, we have:

- Visited every Hunt-owned residence located at Keesler (approximately 1,100 units);
- Assessed each home for condensation-related issues;
- Developed a tailor-made plan to address the specific issues identified in each home where such issues were found; and
- Performed all necessary remediation work required for each impacted home.

The remediation work varied from home to home. This was not a one-size-fits-all solution. It was a complex plan that varied given the circumstances. In some cases, issues were able to be addressed in a matter of hours. In others, the work was more extensive. In the latter situations, Hunt worked to relocate residents into alternative housing and minimize the impact on affected families by providing various means of financial support. Nevertheless, some residents opted to remain in their homes during remediation. We recognize that this process has been intrusive and inconvenient at times, and we are grateful for the collaborative spirit in which residents have worked with us.

As of May 2018, we have completed all required work for the MRP, including accessing and analyzing more than 1,100 homes at Keesler, and repairing issues when we found them. In addition, we recognize that sustainment of remediation is an ongoing process, and that we need to maintain our investment in order to sustain long-term solutions to meet the needs of our residents. We launched the Sustainment Phase of our program to address any potential moisture issues that may arise in the future.

The Sustainment Phase of our program was designed to be robust and custom-tailored to each home. In the Sustainment Phase, we have used an industrial hygienist to analyze certain units, and we have conducted inspections along duct lines as needed. We have also begun two different pilot programs to study ventilation in the homes, and we have increased the number of hospitality suites to allow for shorter waiting times for those families that may need temporary accommodations while work is being completed in their homes.

To date, a total of \$12.2 million has been spent on our remediation and sustainment efforts at Keesler, and I am proud of the work we have done to address the root cause of the condensation issues reported there. Nevertheless, we understand that Mississippi's Gulf Coast climate lends itself to high levels of moisture and humidity, particularly in the summer months. Indeed, every warm season brings a new set of challenges. Accordingly, we will continue to vigilantly monitor conditions in our Keesler homes, and we fully intend to approach any future moisture issues, should they arise, with the utmost diligence.

## **V. Hunt's Compensation Incentives Are Aligned with the Interests of Its Residents.**

At Hunt, we do not succeed unless we provide our residents with safe and healthy homes that meet their needs. This goal is not only part of our corporate philosophy but also built into our engagements with our military partners.

Each year, Hunt residents receive a satisfaction survey, which gives them the chance to express their views on the job we are doing. The survey is administered by a third-party company and disseminated to residents electronically in order to increase response rates.

The results from these surveys guide us in our work. Hunt representatives meet with our military partners to discuss the survey results, and Hunt provides an action plan to address any areas in need of improvement.

Further, in our industry, resident satisfaction scores are a key metric that can directly impact a company's bottom line. Under the terms of our engagements with our military partners, Hunt

stands to collect an additional fee for the properties it manages based on the achievement of performance benchmarks. Resident satisfaction is a substantial component of these incentive fees, which can be reduced or even forfeited completely if certain goals are not met. Other metrics that can impact incentive fees, depending on the particular agreement, include service order response times, preventive maintenance achievements, commander's evaluations, and occupancy rates.

Thus, Hunt's incentives are aligned with the interests of its residents, and resident satisfaction is our overarching goal.

## **VI. Hunt Continues to Reinvest in and Improve Its Properties.**

Finally, I would like to share with you some information about how Hunt reinvests in its properties and works to improve them.

Hunt's management revenue is generated primarily through the receipt of rent payments from residents who opt to live in a Hunt property. These rent payments are in large measure covered by a service member's Basic Allowance for Housing ("BAH"). Hunt receives the BAH as gross revenue. It then uses portions of the BAH to cover operating expenses, service debt payments, pay asset management and property management costs, and contribute prescribed amounts to reinvestment accounts, which fund long-term sustainment.

Only then is any remaining cash divided between Hunt and its government partner. On average, this permits Hunt to retain between one and two percent of the total monthly BAH dollars it receives, assuming the property is performing financially. In short, this means that the vast majority of each BAH dollar Hunt receives goes to supporting our military housing communities and, by extension, the service members that reside there.

Likewise, Hunt periodically dedicates significant reserve funds to replenishing parts of its housing stock. When it entered into its partnership with the Department of Defense, Hunt was aware that many housing units would need to be replaced during the span of the relationship, and it takes this responsibility seriously. Over the next five years, Hunt plans to invest nearly \$530 million in capital improvements across its portfolio, including the construction of 230 new homes in replacement of existing housing stock.

One exciting development is currently underway in Hawaii, where later this year we will begin the process of replacing existing homes in our Nani Ulupau neighborhood with 40 new houses at a total cost of \$32 million. That project will be followed about two years later by replacement of the homes at the Hokulani neighborhood with 190 new houses at an estimated cost of \$100 million.

At their peak of activity, the combined projects are expected to create 200 jobs and ultimately improve the quality of housing offered to our Marine Corps and Navy residents. Both projects demonstrate our steadfast commitment to addressing challenges posed by aging housing structures and providing homes that serve the safety and health of our residents.

## **VII. Conclusion**

Thank you for inviting me to testify today. I appreciate the opportunity to discuss Hunt's work with you. I have done my best to share what we know about the important issues you have raised.

Above all, what I hope I have conveyed is that Hunt remains committed to providing quality communities that meet the needs of America's heroes and their families. We recognize the responsibility placed upon us, and we do not take it lightly. We are dedicated to our relationship with our military partners, and we look forward to continuing to work with them in this critical endeavor.

Likewise, we welcome the opportunity to hear your views and hope to address any concerns you may have. In that spirit, I would be glad to answer any questions you may have to the best of my knowledge. Thank you.