

NOT FOR PUBLICATION  
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HOUSE COMMITTEE ON APPROPRIATIONS  
SUBCOMMITTEE ON MILITARY  
CONSTRUCTION, VETERANS AFFAIRS, AND  
RELATED AGENCIES

**STATEMENT OF**  
**THE HONORABLE B.J. PENN**  
**ASSISTANT SECRETARY OF THE NAVY**  
**(INSTALLATIONS AND ENVIRONMENT)**  
**BEFORE THE**  
**SUBCOMMITTEE ON MILITARY CONSTRUCTION,**  
**VETERANS AFFAIRS, AND RELATED AGENCIES**  
**OF THE**  
**HOUSE APPROPRIATIONS COMMITTEE**

**12 March 2009**

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Chairman Edwards, Mr. Wamp, and members of the Committee, I am pleased to appear before you today to provide an overview of the Department of Navy's housing program.

## OVERVIEW

The following tenets continue to guide the Department's approach to housing for Sailors, Marines, and their families:

- All service members, married or single, are entitled to quality housing; and
- The housing that we provide to our personnel must be fully sustained over its life.

With the support of Congress, and particularly this Committee, we have made great strides in improving the quality of life for our members and their families over the past years. These include:

- Funds programmed and contracts in place to eliminate inadequate family housing in the Navy and Marine Corps.
- A robust military construction program to meet the Marine Corps' unaccompanied housing needs.
- Successful execution of the first two unaccompanied housing privatization projects within the Department of Defense.

Despite these achievements, there remain challenges that we face as a Department. A detailed discussion of the Department's family and unaccompanied housing programs, and identification of those challenges, follows:

## FAMILY HOUSING

As in past years, our family housing strategy consists of a prioritized triad:

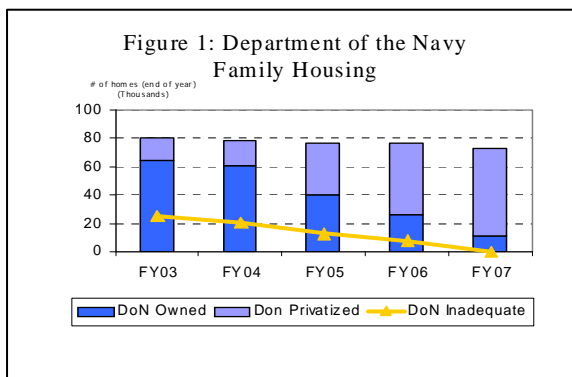
- Reliance on the Private Sector. In accordance with longstanding DoD and DoN policy, we rely first on the local community to provide housing for our Sailors, Marines, and their families. Approximately three out of four Navy and Marine Corps families receive a Basic Allowance for Housing (BAH) and own or rent homes in the community. We determine the ability of the private sector to meet our needs through the conduct of housing market analyses that evaluate supply and demand conditions in the areas surrounding our military installations.

- Public/Private Ventures (PPVs). With the strong support from this Committee and others, we have successfully used PPV authorities enacted in 1996 to partner with the private sector to help meet our housing needs through the use of private sector capital. These authorities allow us to leverage our own resources and provide better housing faster to our families. Maintaining the purchasing power of BAH is critical to the success of both privatized and private sector housing.
- Military Construction. Military construction (MILCON) will continue to be used where PPV authorities don't apply (such as overseas), or where a business case analysis shows that a PPV project is not feasible.

As of the end of Fiscal Year (FY) 2008, the Department owned, operated, and managed over 10,600 units world-wide. Eighty percent of this housing is overseas or at foreign locations. Additionally, the Department leases another 6,100 homes worldwide. These include short-term domestic and foreign leases, housing units obtained in the United States through the "Section 801" lease construction program and lease-construction units in foreign countries, principally Italy.

This Committee has had a long-standing interest in the Department's efforts to identify and eliminate inadequate family housing. As indicated in our December 29, 2008 report to Congress on this subject, the Department uses the following Department of Defense definition of an "inadequate" family housing unit:

*"Any unit requiring whole-house repair, improvement, or replacement as identified by the Services' condition assessments, exceeding a per unit cost of \$50,000 adjusted by the area cost factor. Services' condition assessments shall utilize private sector housing industry construction codes and sizing standards as a basis for assessing inventory adequacy."*



The Navy and Marine Corps met the OSD goal to eliminate inadequate family housing by programming the necessary resources and having contracts or agreements in place by the end of FY 2007. The Department relied principally on the use of military housing privatization authorities to address inadequate family housing in the United States and military

construction overseas where, with the exception of U.S. territories and possessions, the privatization authorities do not apply. Figure 1 is a chart depicting how the elimination of inadequate Navy and Marine Corps family housing units was programmed by FY 2007.

Although funding was provided and contracts or agreements were in place by the end of FY 2007, the actual work to eliminate the units (through renovations or replacement) extended beyond FY 2007. This is driven by the magnitude of the work involved and a desire to minimize displacement of Navy and Marine Corps families as units are taken off line for renovation and, therefore, become unavailable for occupancy. The Navy expects that all work will be complete by 2011. The Marine Corps expects that all work will be complete by 2014. The latter period is extended as the Marine Corps plans to retain housing, in the interim, to accommodate increased requirements due to its force structure initiatives until sufficient additional housing can be built.

It is important to note that, notwithstanding the definition used to distinguish inadequate from adequate housing, the Navy and Marine Corps intend to ensure the continued habitability and safety of its housing through accomplishment of needed maintenance and repair projects as requirements emerge and through the programming of improvement or replacement projects as part of an overall recapitalization program for Government-owned housing.

One challenge facing the Department, with respect to family housing, is the increased requirements associated with the Marine Corps' "Grow the Force" initiative. The Marine Corps will see a growth of almost 5,000 families as a result of this initiative. In accordance with long-standing Department of Defense policy, the Marine Corps plan for addressing the additional family housing requirement due to the Grow the Force program relies on the communities near the military installations as the primary source of housing. Housing for the additional families associated with the end-strength growth indicated in the Marine Corps Stationing Plan (or for families associated with pre-Grow the Force base loading) has been programmed in those cases where the Marine Corps has determined, through the conduct of housing market analyses, that the local community cannot support the housing needs of our military members. In those cases, the Marine Corps plans to provide housing through use of military housing privatization authorities. For all locations, including those with reported deficits, military family housing requirements are sensitive to prevailing market conditions and are subject to change. Prior to programming projects for the provision of additional housing, it is important to establish that the deficits reflect systemic, long-term requirements and are not reflections of short-term market fluctuations. Accordingly, the Marine Corps will continue to

update its analyses to monitor the housing markets' ability to accommodate the additional Marine Corps families.

## UNACCOMPANIED HOUSING

There are over 157,000 unaccompanied housing spaces for permanent party personnel in the Navy and Marine Corps housing inventory. These represent a wide mix of unit configurations including rooms occupied by one, two, or more members.

The challenges in the area of unaccompanied housing are as follows:

- Provide Homes Ashore for our Shipboard Sailors. Junior single sailors assigned to sea duty, rank E3 and below, are by law not authorized a housing allowance. The Navy has historically met a portion of its single Sailor housing demand by berthing sailors on major combatant surface ships. The Homeport Ashore initiative seeks to provide a barracks room ashore whenever a single sea duty sailor is in his or her homeport, so they need not live on the ship. The Navy has made considerable progress towards achieving this goal through military construction; privatization and intensified use of existing barracks capacity. However, there remain sailors living on board ships in our Fleet concentration areas. The Navy continues to evaluate bachelor housing strategies to enhance the quality of life for single sea duty sailors.
- Ensure our Barracks Meet Today's Standards for Privacy. We are building new, and modernizing existing, barracks to increase privacy for our single Sailors and Marines. Although the Navy continues to hold to the OSD construction standard of a private sleeping room design for new single sailor barracks, it has recently constructed a number of permanent party barracks facilities to an enhanced 1+1 standard that allows assigning two Sailors to a room, in a 2+0 configuration, to support the higher priority of Homeport Ashore. These are private sector style apartments with two bedrooms, each with a bathroom and two closets, and a shared common area with eat-in kitchen, living room and clothes washer and dryer. The result is an improvement in living conditions for junior enlisted personnel, a unit comparable with commercial off-base apartments, and the ability to house 2 Sailors per bedroom until capacity allows the more desirable private sleeping room configuration.

It is the Commandant of the Marine Corps' priority to ensure single Marines are adequately housed. Thanks to your previous support, in FY 2009 the Marine Corps will make significant progress toward fulfilling this priority. Your 2009 appropriation of \$1.2 billion in MILCON funding for Marine Corps barracks will result in the construction of approximately 12,300 permanent party spaces at eight Marine Corps installations. In the FY 2009 FYDP the Marine Corps has programmed the necessary funding to eliminate the BEQ deficit for the Marine Corps pre-Grow the Force end strength requirement by 2012. The Marine Corps expects to satisfy this requirement by 2014. These barracks will be built to the 2+0 room configuration, as have all Marine Corps barracks since 1998. This is consistent with the core Marine Corps tenets for unit cohesion and teambuilding.

- Eliminate Gang Heads. Although both Services have programmed funding to eliminate permanent party gang heads, the Marine Corps will continue to use these facilities on an interim basis to address short-term housing requirements resulting from the additional end-strength related to the Grow the Force Initiative.
- Housing for Wounded Warriors. In 2008, Congress provided approximately \$60 Million for two Wounded Warrior barracks projects, one each at Camp Pendleton and Camp Lejeune. Each project has 100 rooms and is designed to comply with accessibility guidelines for the disabled. These projects will provide critical temporary housing for our healing Wounded Warriors. In accordance with new Department of Defense standards, the Marine Corps developed standards for the operation and maintenance of facilities that house Wounded Warriors and issued them in the Marine Corps Housing Manual. Recent inspections of existing Wounded Warrior facilities continue to validate their compliance with both DoD and USMC standards. In addition, our annual inspections and periodic, comprehensive follow-up programs, one-to-one interviews, focus groups and town-hall meetings serve to better inform our efforts for additional improvements to our Wounded Warrior housing facilities.

## HOUSING PRIVATIZATION

As of the end of FY 2008, we have awarded 30 privatization projects involving over 61,000 homes. As a result of these projects, nearly 20,000 homes will be renovated and over 21,000 new or replacement homes will be built. (The remaining homes were privatized in good condition and did not require any work.) Through the use of these authorities we have secured approximately \$8 billion in private sector investment from approximately \$800 million of our funds, which represents a ratio of almost ten private sector dollars for each taxpayer dollar.

The Navy has also executed two unaccompanied housing privatization projects using the pilot authority contained in section 2881a of Title 10, United States Code. These projects are at San Diego (executed in December 2006) and Hampton Roads (executed in December 2007) and will result in a total of over 3,100 units, including over 2,100 new 2-bedroom apartments, for unaccompanied Sailors.

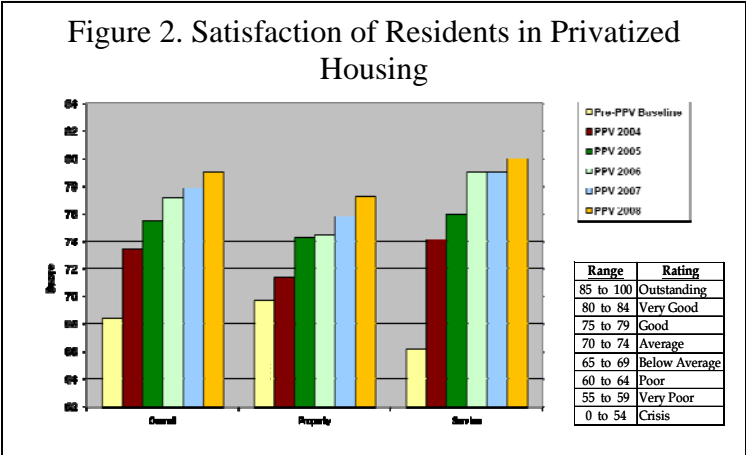
The Navy is continuing to evaluate candidate locations for the third pilot project, including the Mayport/Jacksonville, Florida area as well as additional phases at San Diego and Hampton Roads using the public/private entities previously established.

While the military housing privatization initiative has been overwhelmingly successful, there are challenges in this program area as well. They include:

- The current economic climate. In the current economic climate, we have seen a dramatic curtailment in the amount of private financing available for our future military housing privatization projects/phases. This, in turn, affects plans for future construction and renovations. We are working with the Office of the Secretary of Defense, the other Services, and the lending community on ways in which we might mitigate such impacts and preserve our ability to leverage private capital on future projects/phases.
- Program Oversight. There has been a great deal of attention focused by Congress on the Service's oversight of housing privatization projects in the wake of difficulties experienced by some partners. We take seriously our responsibility to monitor the privatization agreements to ensure that the Government's long term interests are adequately protected. We have instituted a portfolio management approach that collects and analyzes financial, occupancy, construction, and resident satisfaction data to ensure that the projects remain sound

and that the partners are performing as expected. We conduct meetings with senior representatives of our partners and, where necessary, resolve issues of mutual interest. Where our projects have encountered difficulties, appropriate corrective actions have been taken. For example, we had concerns regarding performance of the private partner in our Pacific Northwest project. We worked with that partner to sell its interest to another company which has a record of good performance with military housing privatization projects.

Perhaps the most important measure of success of our privatization program has been the level of satisfaction on the part of the housing residents. To gauge their satisfaction, we used customer survey tools that are well established in the marketplace. As shown in Figure 2, the customer surveys show a steady improvement in member satisfaction after housing is privatized.



## CONCLUSION

The Department of the Navy remains committed to improving the quality of life of Sailors, Marines, and their families wherever they serve. We are deeply grateful for this Committee’s continued support and appreciative of the opportunity to testify before you today.