

Inspector General

United States
Department of Defense



DoD Section 801 On-Base Housing

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Acronyms and Abbreviations

AFB	Air Force Base
EIS	Environmental Impact Statement
IG	Inspector General
NBVC	Naval Base Ventura County
NEPA	National Environmental Policy Act
NFESC	Naval Facilities Engineering Service Center
NWS	Naval Weapons Station
RAVA	Risk Analysis Vulnerability Assessment
U.S.C.	United States Code



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202-4704

August 12, 2008

MEMORANDUM FOR DEPUTY UNDER SECRETARY OF DEFENSE (INSTALLATIONS
AND ENVIRONMENT)
ASSISTANT SECRETARY OF THE AIR FORCE (FINANCIAL
MANAGEMENT AND COMPTROLLER)
NAVAL INSPECTOR GENERAL
AUDITOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: DoD Section 801 On-Base Housing (Report No. D-2008-116)

We are providing this report for your information and use. We performed the audit in response to a congressional request. We considered comments from the Deputy Under Secretary of Defense (Installations and Environment) and the Department of the Navy when preparing the final report.

Comments on the draft of this report conformed to the requirements of DoD Directive 7650.3 and left no unresolved issues. Therefore, we do not require any additional comments.

We appreciate the courtesies extended to the staff. Please direct questions to Ms. Deborah L. Culp at (703) 604-9335 (DSN 664-9335) or Ms. Gwynne M. Roberts at (703) 604-9308 (DSN 664-9308). If you desire, we will provide a formal briefing on the results.

A handwritten signature in cursive script, reading "Richard B. Jolliffe", is positioned above the typed name.

Richard B. Jolliffe
Assistant Inspector General
Acquisition and Contract Management



Results in Brief: DoD Section 801 On-Base Housing

What We Did

This report is in response to Congressman Christopher H. Smith's request for the DoD Inspector General to review the Section 801 housing contract between the Navy and Laurelwood, Inc., for 300 housing units on base at Naval Weapons Station Earle, New Jersey. In September 2010, Laurelwood, Inc., may lease the on-base housing units to the general public.

We reviewed the terms and conditions of Naval Weapons Station Earle Section 801 on-base housing contract and Section 801 on-base housing contracts at other DoD installations to determine additional security measures they implemented or plan to implement for the general public to live on base. We also determined whether the Navy had issued a contract to conduct an environmental analysis to comply with the National Environmental Policy Act for Naval Weapons Station Earle and whether the Environmental Impact Statement will cover security.

What We Found

Naval Weapons Station Earle officials are appropriately acting within the terms and conditions of the 1988 Section 801 housing agreement contract with Laurelwood, Inc. However, they must make a difficult decision on whether to allow the general public to live on base or terminate the contract. Either decision will be costly for the Navy. The Navy is in a difficult situation but is addressing the issues through the Environmental Impact Statement and increased security measures for the general public to live on base. The Navy issued a contract to conduct an environmental analysis to comply with the National Environmental Policy Act, and the Navy will review security considerations to include in the Environmental

Impact Statement. Six other DoD installations have Section 801 on-base housing units. The Navy Section 801 on-base housing units are less than 40 percent occupied. Naval Base Ventura County Port Hueneme officials explored the possibility of placing unaccompanied military members in the Section 801 housing units. The Section 801 contracts do not include early termination provisions without severe monetary penalties.

What We Recommend

DoD should consider an exit strategy and location of housing units in future build-to-lease housing contracts. The Navy should continue to pursue FY 2009 amendments to section 2835, title 10, US Code and if enacted, apply for a waiver to permit unaccompanied military members to occupy vacant Section 801 housing units for the remainder of the contract.

Client Comments and Our Responses

The Deputy Under Secretary of Defense (Installations and Environment) partially concurred with Recommendation B.1., stating that the Section 801 authority is no longer used and current housing privatization initiatives do not contain the same provisions. DoD will convey the lessons learned at the next meeting of the DoD Housing Policy Panel. The Navy concurred with all three recommendations, stating that there are no future plans to award build-to-lease housing projects and a legislative proposal has been submitted to Congress for approval. If approved, the Navy plans to implement the proposal wherever feasible. We consider these comments to be responsive and no additional comments are required. Please see the recommendations table on the back of this page.

Recommendations Table

Client	Recommendations Requiring Comment	No Additional Comments Required
Deputy Under Secretary of Defense (Installations and Environment)		B.1.
Assistant Secretary of the Navy (Installations and Environment)		B.2.
Commanding Officer, Naval Base Ventura County Port Hueneme		B.3.

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Introduction

Objectives

The overall objective of this audit was to review the terms and conditions of the contract between the Navy and Laurelwood, Inc., for the Section 801 on-base housing at Naval Weapons Station (NWS) Earle, New Jersey. Specifically, we reviewed the security measures the Navy will implement for the general public to live on base. However, we did not review the sufficiency of the security measures the Navy plans to implement nor did we perform a comprehensive security threat assessment. We also determined whether the Navy had issued a contract to conduct an environmental analysis to comply with the National Environmental Policy Act (NEPA) for NWS Earle and whether the Environmental Impact Statement (EIS) will cover security. In addition, we determined whether DoD has rented on-base housing to the general public at other DoD installations and whether additional security measures are in place at those locations. See Appendix A for a discussion of the scope and methodology and prior audit coverage.

Background

This report is in response to Congressman Christopher H. Smith's request for the DoD Inspector General (IG) to review the contract between the Navy and Laurelwood, Inc. and security concerns, for 300 Section 801 on-base housing units at NWS Earle (see Appendix B).

In addition, Congressman Smith requested that the DoD IG review the security guard services contract at NWS Earle. "Security Guard Services Contract at Naval Weapons Station Earle," Project No. D2008-D000CG-0116.000, was announced on January 24, 2008, in response to Congressman Smith's request. The objective of the audit is to determine whether the Navy properly administered the contract and whether the contractor performed according to contract requirements. A separate report will be issued to address the security guard services contract.

NWS Earle

NWS Earle is located in Colts Neck, New Jersey, and is one of three Naval weapons stations on the East Coast. The station totals 11,851 acres and comprises two separate land holdings connected by a 14-mile-long highway and rail line. NWS Earle's mission includes:

- receiving, renovating, maintaining, storing, and issuing ammunition, explosives, expendable ordnance items, and weapons and technical ordnance material;
- providing logistics and administrative support to homeported ships; and

- additional tasks as directed by the Commander-in-Chief, U.S. Atlantic Fleet or similar authority.

Section 801 Housing

Congress enacted and President Reagan signed the Military Construction Authorization Act of FY 1984 on October 11, 1983, authorizing Section 801 housing. The act established the Military Family Housing Leasing Program as a pilot program for 2 years; however, the provisions were renewed regularly until the program became permanent in 1991. DoD attempted to tap into the resources of the private sector using Section 801 housing to improve military family housing and in turn increase morale to encourage reenlistment. Section 801 also alleviated the need for major new housing construction with appropriated funds. The Section 801 housing program provided an incentive for private developers to build new rental housing on or near military installations. The private developer or DoD operates and maintains the housing depending on the terms of the contract. Section 801 on-base housing contracts consist of two phases, an inlease and an outlease, each with different conditions for payment and occupancy. DoD leases the units exclusively from the developer during the inlease phase of the contract at a fixed rental rate regardless of occupancy level. The rental rate is either a fixed rate over the life of the inlease or an adjustable rate based on the Consumer Price Index.

Once the inlease expires and transitions into the outlease phase, the rental burden shifts from DoD to the developer. The developer has the option of renting the units to the general public during the outlease. The developer pays DoD rent for the use of the land during the outlease phase of the contract. DoD may continue to provide fire and emergency services to the units during the outlease. At the end of the outlease, the developer must return the land to its original condition.

The Deputy Assistant Secretary of Defense (Installations) testified to Congress in 1987 that in the future, DoD would not build Section 801 housing projects on Government-owned land. Congress mandated, in the Defense Authorization Act passed in 1991, that Section 801 projects be built off post. DoD announced that it would no longer request new authorizations for Section 801 housing projects starting in FY 1992. Instead of using the Section 801 housing program, DoD primarily uses military housing privatization authorities contained in section 2835, title 10, United States Code (10 U.S.C. 2835) to provide military family housing.

NEPA

Federal agencies are required under NEPA to integrate environmental values into their decision making by considering the environmental effects of their proposed actions and reasonable alternatives to those actions. Federal agencies prepare a detailed statement known as an EIS. The Environmental Protection Agency reviews and comments on EISs that Federal agencies prepare.

Finding A. Congressional Questions About Section 801 On-Base Housing Contracts

Naval Weapons Station Earle officials are appropriately acting within the terms and conditions of the 1988 Section 801 on-base housing agreement contract with Laurelwood, Inc. The terms of the contract state that Laurelwood, Inc., may rent the on-base housing units to the general public following the expiration of the inlease phase of the agreement in August 2010.

- Naval Weapons Station Earle will implement additional security measures for the general public to live on base, including a dedicated access road and a perimeter fence around the Section 801 on-base housing units.
- The Navy issued task order 21 from contract N62472-01-D-1390 in the amount of \$399,903.00 and task order 27 from contract N62470-06-D-7106 in the amount of \$599,592.00 to The Environmental Company for assistance in the preparation of the Environmental Impact Statement. The Navy will complete its own study on security to include in the Environmental Impact Statement.
- In addition, six other DoD installations have Section 801 housing units located on base. Currently, Fort Wainwright, Alaska, is the only DoD installation with the general public living on base in the Section 801 housing units. Fort Wainwright officials implemented additional security measures, similar to those planned for Naval Weapons Station Earle, for the general public to live on base.

Naval Weapons Station Earle officials, in accordance with the terms and conditions of the contract, continue to adequately plan for all the steps necessary for the general public to live on base. However, Naval Weapons Station Earle officials face an increased security monitoring burden by allowing the general public to reside in Section 801 on-base housing units or the Navy will face costly penalties to negotiate termination of the contract and compensate the contractor for lost revenue during the remainder of the contract period.

Section 801 On-Base Housing Contract Between Laurelwood, Inc., and NWS Earle

NWS Earle officials are acting within the terms and conditions of the Section 801 housing contract with Laurelwood, Inc., by allowing the general public to live in Section 801 on-base housing units during the outlease. The Navy and Laurelwood, Inc., entered into 52-year contract N62472-86-RP-00209, on October 24, 1988, to build 300 Section 801 housing units on base at NWS Earle. The 300 units consist of 36 four-bedroom units, 60 three-bedroom units, and 204 two-bedroom units. The Navy has paid about \$59.8 million in rental payments on the contract as of April 2008. During the

52-year term of the contract, the developer is unable to transfer the lease to a third party without the prior written consent of the Navy. The developer must demolish the units and restore the land to its original condition at the conclusion of the 52-year contract. The contract has two phases: the inlease and the outlease. Figure 1 shows Section 801 on-base housing units at NWS Earle.



Figure 1. NWS Earle Section 801 Housing Units

NWS Earle Inlease

During the inlease phase, the Navy leases all 300 units at NWS Earle from the developer and the units are used exclusively for military family housing. The 22-year inlease runs from September 1, 1988, through August 31, 2010. The Navy pays the developer a fixed rental rate regardless of the unit occupancy rate. The developer is responsible for all maintenance, repairs, replacements, rehabilitation, and redecoration of the units.

NWS Earle Outlease

During the outlease phase, the developer pays the Navy a rental equal to the appraised fair market rental value of the leased property for the use of the land at NWS Earle. The Navy will determine the fair market rental value of the leased property closer to the end of the inlease period. The 30-year outlease runs from September 1, 2010, through August 31, 2040. During the outlease, the developer may lease the housing units on base to members of the general public of the developer's own choosing, as well as set rental rates and other terms of occupancy. The Navy is responsible for providing fire, police, snow removal, and utilities services during the outlease.

The Navy must grant reasonable access to the housing units and obtain any permits associated with granting unimpeded access to the property from a state, primary, or secondary highway. The developer is responsible for the construction of a dedicated access road to the housing units. If the Navy does not provide unimpeded access to the housing units by September 1, 2010, the contract is terminated and the Navy pays the developer an amount equal to the developer's right to use or occupy the units for the

outlease. The Navy would pay a substantial amount if the contract is terminated, in addition to the rental amount of about \$59.8 million (as of April 2008) the Navy already paid for the Section 801 on-base housing units.

NWS Earle Mission Changes Causing Low Occupancy of Units

The NWS Earle mission changed in the early 2000s, decreasing the need for all 300 housing units. The Section 801 housing unit occupancy rate fell significantly over the past 8 years. The Navy paid the developer an annual rental rate of \$3,554,424 from May 2007 through April 2008 for all 300 units regardless of occupancy rates. In 2007, the Navy paid about \$444,303 per unit for eight occupied units. See Table 1 for NWS Earle Section 801 on-base housing unit occupancy rates from 2000 to 2007.

Table 1. NWS Earle Section 801 On-Base Housing Unit Occupancy Rates

Year	Percentage of Occupied Units
2000	95
2001	78
2002	43
2003	25
2004	22
2005	14
2006	7
2007	3

The Navy and the developer modified the contract with supplemental lease agreement 43 in August 2002, to permit refinancing by the developer and accelerate the transition to the outlease phase. The developer agreed to transfer 50 units per year from the Navy contract, reducing the Navy annual rental payment by \$567,000. The developer would begin accepting the units 18 months after the Navy provided unimpeded access to the housing units. As of February 2008, the Navy has not provided unimpeded access to the housing units. It is unlikely that the Navy will meet the conditions to accelerate the transition to the outlease phase to decrease the rental payments before the inlease expires in 2010.

Congressional Questions and DoD IG Responses

DoD IG received a congressional request from Congressman Christopher H. Smith to review the Section 801 housing contract between the Navy and Laurelwood, Inc., for 300 units of Section 801 housing located on base at NWS Earle. The congressional

request refers to the outlease phase of the contract that allows Laurelwood, Inc., to rent the units to the general public. Specifically we reviewed:

- the security measures the Navy will implement for the general public to live on base;
- whether the Navy had issued a contract to comply with NEPA for NWS Earle and whether security will be covered in the EIS; and
- whether DoD rented on-base housing to the general public at other DoD installations and whether additional security measures are in place at those locations renting to the general public.

Congressman Smith is concerned with the increased security threats to the base and the surrounding communities when the Section 801 housing units are open to the general public. We discuss the issues identified by Congressman Smith in the sections that follow. Furthermore, we visited and reviewed six other installations with Section 801 on-base housing.

In addition to the concerns raised by Congressman Smith, state and local officials, and citizens from communities surrounding NWS Earle brought other concerns to the attention of DoD IG. See Appendix C for a list of several of the primary community concerns regarding allowing the general public to reside on base at NWS Earle during the outlease.

Question 1

What security measures will the Navy implement for the general public to live on base?

DoD IG Response

According to NWS Earle Security Officials, extra security measures that will be implemented for the general public to live on base include but are not limited to:

- building a standard Navy 7-foot-high fence around the units,
- granting an easement for the developer to construct a dedicated access road to the units,
- vetting renters, and
- increasing law enforcement patrols to the housing units.

Building a Fence

Prior to the start of the outlease, the Navy plans to build a standard 7-foot-high fence around the Section 801 housing units, cordoning off the units from NWS Earle's main post. Currently a standard 7-foot-high fence surrounds the entire perimeter of NWS Earle

and runs along each side of Route 34 as it intersects the installation. Figure 2 shows the standard 7-foot-high fence that surrounds NWS Earle.



Figure 2. Navy Standard 7-Foot-High Fence Surrounding NWS Earle

Access Road Alignments and Easements

The Navy must select an easement and road alignments for the developer to build an access road and allow unimpeded access to the units by September 1, 2010, to avoid breaching the terms of the contract. Originally, the Navy considered 34 road alignments to provide unimpeded access to the Section 801 housing units. Navy officials revised and eliminated alignments and currently are considering four road and fence alignments for the dedicated access road to the Section 801 on-base housing units. The Navy included three of NWS Earle four housing areas in the alignments: Green Drive, Stark Road, and Laurelwood. The Laurelwood housing area includes the Section 801 units. The NWS Earle main gate is not used as an access point in any of the four proposed alignments. The Navy will consider all four alignments in the EIS. As of March 2008, the Navy has not decided which road alignment to use. Also, the Navy may use a different alignment than the four discussed in this report.

Alignment 1

For Alignment 1, the Navy proposes cordoning off the Stark Road and the Laurelwood housing areas from the NWS Earle main post. The Navy would allow the use of existing roads as much as possible and add security gates where needed. Figure 3 shows proposed Alignment 1.

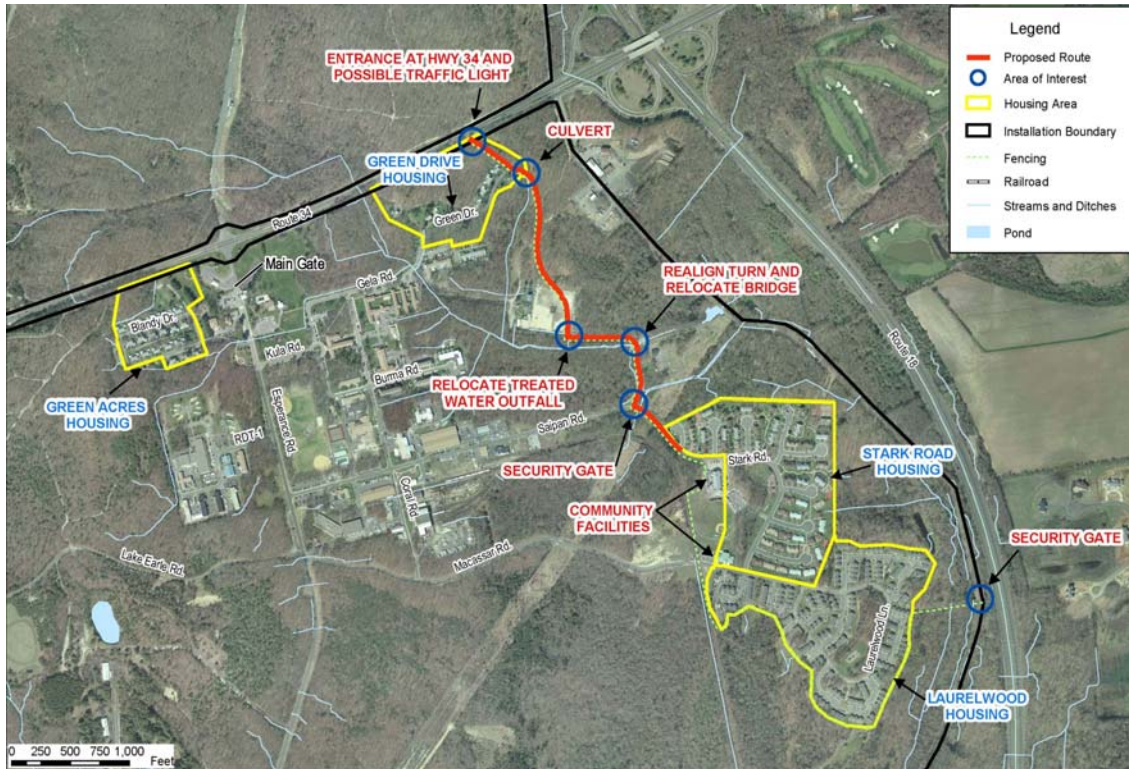


Figure 3. Proposed Alignment 1

Alignment 2

For Alignment 2, the Navy proposes cordoning off the Stark Road, Green Drive, and the Laurelwood housing areas from the NWS Earle main post. The Navy would allow the use of existing roads as much as possible and add security gates where needed. Figure 4 shows proposed Alignment 2.

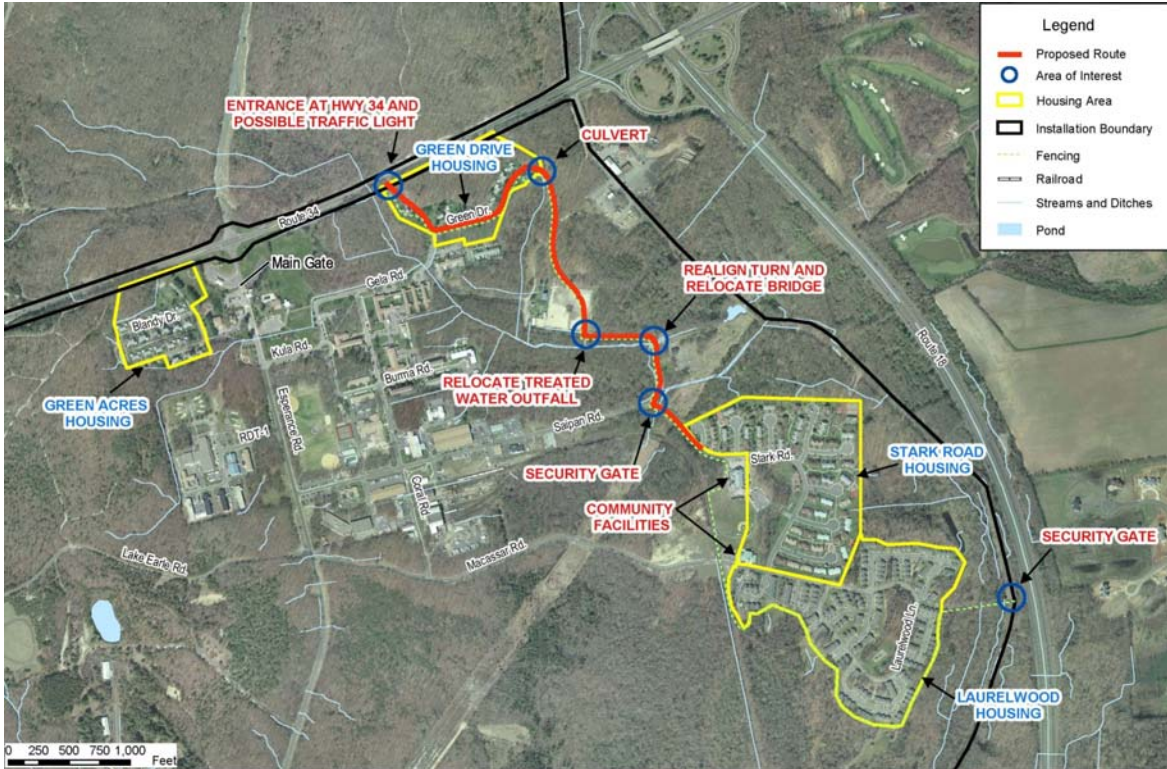


Figure 4. Proposed Alignment 2

Alignment 3

For Alignment 3, the Navy proposes cordoning off the Stark Road, Green Drive, and the Laurelwood housing areas from the NWS Earle main post. The Navy would allow the use of existing roads as much as possible and add security gates where needed. The Navy includes more structures outside the fence in Alignment 3 than in Alignment 2. Figure 5 shows proposed Alignment 3.

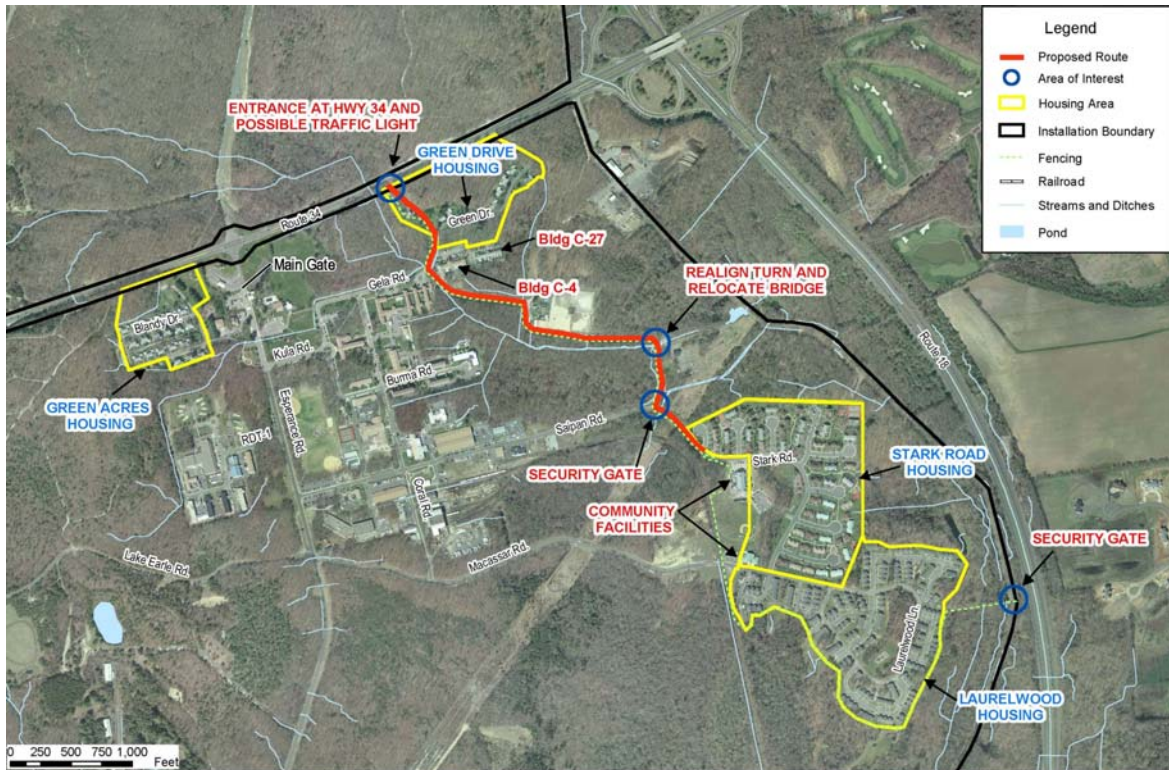


Figure 5. Proposed Alignment 3

Alignment 4

For Alignment 4, the Navy proposes cordoning off only the Laurelwood housing areas from the NWS Earle main post. The Navy would grant an easement for the access road to be built through the base. The Navy would build a fence on each side of the road similar to the fence that runs on each side of Route 34 as it intersects NWS Earle. The developer would build a bridge or underpass for Alignment 4. Figure 6 shows proposed Alignment 4.

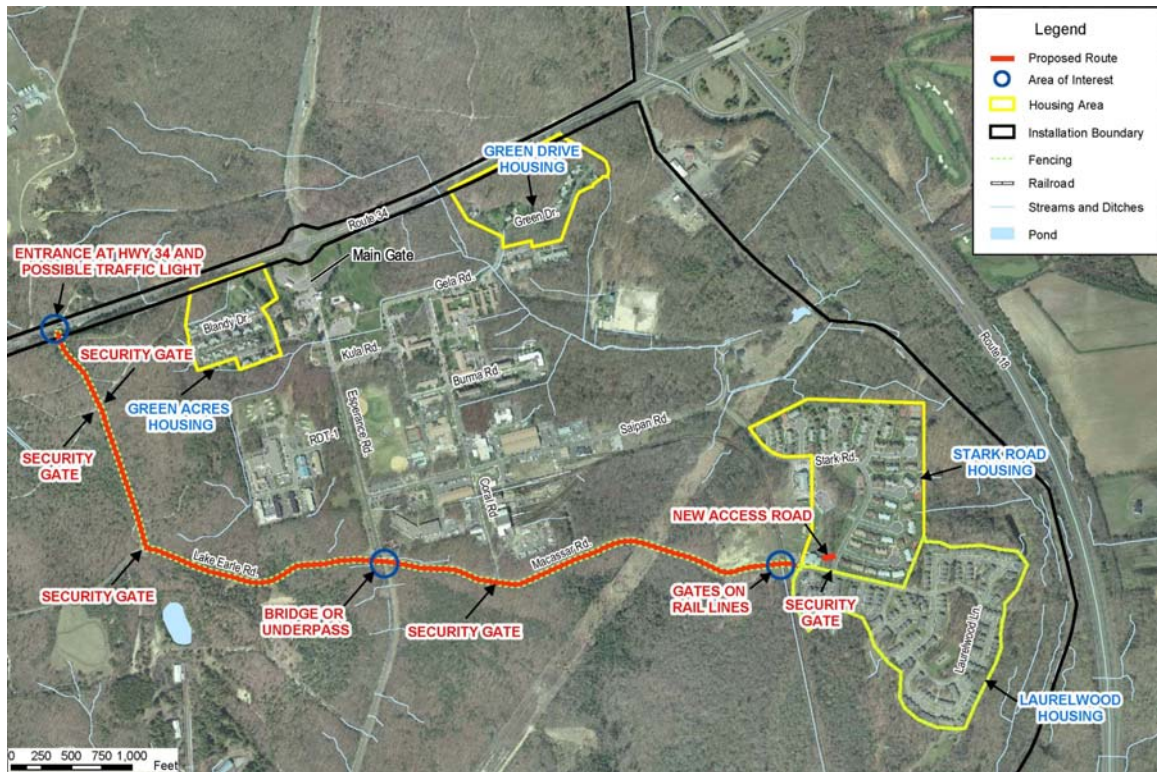


Figure 6. Proposed Alignment 4

Vetting Renters

NWS Earle security officials could conduct background checks on members of the general public renting the Section 801 on-base housing units. The NWS Earle Investigations Division would perform the background checks. The Navy could perform a wants and warrants background check on potential renters and would not be in violation of the Privacy Act of 1974 or The Fair Housing Act.

The Navy needs to collect and handle any personally identifiable information in accordance with the Privacy Act. The Navy would not violate the Privacy Act by collecting personally identifiable information. Section 552a(e), title 5, United States Code (5 U.S.C. 552a[e]) requires

administrative, technical, and physical safeguards to insure the security and confidentiality of records and to protect against any anticipated threats or

hazards to their security or integrity which could result in substantial harm, embarrassment, inconvenience, or unfairness to any individual on whom information is maintained.

The Navy would not violate the Fair Housing Act by conducting background checks. The Fair Housing Act (42 U.S.C. 3604[a]), prohibits refusing to rent to a potential tenant “because of race, color, religion, sex, familial status, or national origin.” Therefore, the Navy may conduct background checks, but it would have to completely document the security justification for any refusals based on those checks to demonstrate that the refusal was not based on “race, color, religion, sex, familial status, or national origin.”

Additional Security

The Navy retains Exclusive Federal Jurisdiction over the Section 801 housing units during the outlease phase because the housing units are located on Federal land; therefore, the Navy is obligated to provide law enforcement to the units. According to NWS Earle Security officials, they will provide extra law enforcement patrols of the Section 801 housing area, if needed, once the general public lives on base. The Government must use Federal attorneys, brigs, Federal magistrates, and Federal courts for criminal prosecutions of tenants.

Question 2

Has the Navy issued a contract to conduct an environmental analysis to comply with NEPA for NWS Earle and will security be covered in the EIS?

DoD IG Response

The Navy issued a contract to comply with NEPA for NWS Earle and the EIS will cover security, environmental, traffic, and education concerns. The Navy issued task order 21 from contract N62472-01-D-1390 on September 29, 2004, in the amount of \$399,903.00, and task order 27 from contract N62470-06-D-7106 on August 9, 2007, in the amount of \$599,592.00, to The Environmental Company for assistance to the Navy in the preparation of the EIS. The Navy anticipates the draft EIS will be issued in November 2008.

The Navy will complete its own study on security to be included in the EIS. In the EIS, the Navy will ensure it:

- meets the contractual obligations of the contract between the Navy and Laurelwood, Inc.;
- provides reasonable and safe access to adjacent public roads;
- does not compromise NWS Earle security; and
- does not affect the ability of NWS Earle to maintain acceptable operational and mission capability.

DoD Directives and Instructions establish the minimum requirements and standards for physical security, antiterrorism, and force protection at military installations. According to Navy Legal Counsel, the Navy is under a legal obligation to meet these minimum security requirements for NWS Earle. The Section 801 housing at NWS Earle will be affected by DoD Directives and Instructions because it is located on the base.

Risk Analysis Vulnerability Assessment

The Chief of Naval Operations tasked Naval Facilities Engineering Service Center (NFESC) Security Engineering Division, Antiterrorism Program personnel from Port Hueneme, California, to perform a security impact study using the Risk Analysis Vulnerability Assessment (RAVA) to determine the impact of four alignments on 10 critical assets on NWS Earle. NFESC performed the RAVA at NWS Earle in November 2003 to determine the impact of converting the Section 801 on-base housing into an unrestricted housing area where the developer may rent to the general public. NFESC did not include ammunition and explosives storage areas of NWS Earle in the RAVA because the four alignments do not affect the boundaries of the areas. The Navy is currently considering only one alignment that was considered in the RAVA (Figure 6, Alignment 4).

According to NFESC, RAVA “identifies current levels of vulnerability and risk and then identifies optimized levels with the implementation of specified countermeasures and improvements.” NFESC found that attempting to track specific movement of vehicles transporting explosives would be fairly difficult for people located outside of NWS Earle. NWS Earle sends multiple shipments to random and unknown destinations. The same general data could be compiled from locations either within or outside of NWS Earle.

In its conclusions, NFESC found that increased risk for that alignment (Figure 6, Alignment 4) will be minimal to the 10 critical assets the RAVA focuses on. However, NFESC noted that “additional security personnel will likely be required to patrol the additional 3.7 miles of perimeter fencing.”

Recurring Security Assessments

In addition to the EIS and RAVA, the Navy assesses installation security continuously through numerous security assessments.

The Installation Antiterrorism Officer completes a Risk Assessment annually at the beginning of each calendar year. The assessment includes:

- a criminal and terrorist threat assessment that identifies the local and global threats to the installation,
- a vulnerability assessment that identifies installation-specific vulnerabilities that could be exploited by criminals or terrorists, and

- a criticality assessment that identifies which installation assets are critical to mission accomplishment and could be considered vulnerable to a terrorist or criminal threat.

Following the conclusion of the assessment by the Installation Antiterrorism Officer, a risk assessment is completed that identifies all critical assets that are vulnerable to criminal and terrorist threats.

Every 3 years a comprehensive external, antiterrorism, integrated, vulnerability assessment must be conducted. The external assessment is to identify antiterrorism program deficiencies and vulnerabilities that could be exploited and provide realistic solutions aimed at improving antiterrorism program implementation and risk mitigation strategies. The assessment may be conducted by a Chief of Naval Operations Integrated Vulnerability Assessment Team or the Joint Service Integrated Vulnerability Assessment Team utilizing Defense Threat Reduction Agency benchmarks. A local assessment is required annually when there is no higher headquarters assessment.

The cycle of these assessments is generally every 3 years. In the continental United States, the rotation for the Joint Service Integrated Vulnerability Assessment review is every ninth year. These assessments ensure that tenant commands and units are included in all comprehensive antiterrorism program reviews. Housing areas are included in these assessments.

The Antiterrorism Program Review is required annually for all commands that includes a tri-annual requirement that must be conducted by a higher headquarters in the Commander's chain of command.

The last Joint Service Integrated Vulnerability Assessment on NWS Earle was conducted in July 2004 and the last Chief of Naval Operation Integrated Vulnerability Assessment was conducted in August 2007. A higher headquarters review is scheduled to be conducted in 2010.

Question 3

Has DoD rented Section 801 on-base housing to the general public at other DoD installations and what additional security measures are in place at those locations?

DoD IG Response

DoD officials rent Section 801 on-base housing units to the general public at one other DoD installation. Fort Wainwright, Alaska, is the only DoD installation with the general public living in Section 801 on-base housing units.

The Army entered into Section 801 housing contracts DACA85-1-86-71, DACA85-5-87-74, and DACA85-5-88-17 with North Star Alaska Housing Corporation to construct 400 housing units on Fort Wainwright. The 400 units consist of 28 five-bedroom units, 68 four-bedroom units, and 304 three-bedroom units. The inlease between the Army and the developer was in effect from November 1987 until May 5, 2007. During the inlease,

the developer was responsible for the maintenance of the units and only military personnel and their families lived in the units. Figure 7 shows a Section 801 housing unit on Fort Wainwright.



Figure 7. Fort Wainwright Section 801 Housing Unit

The Army turned the units over to North Star Alaska Housing Corporation upon the expiration of the inlease in May 2007. As of November 2007, the general public and military families reside in the Section 801 on-base housing units.

The Army implemented the following security measures to allow the general public to live on base. The measures include:

- erecting a security fence around the units,
- moving a security gate for accessing the main post, and
- constructing an access road to the units.

The Army erected a security fence around the Section 801 housing units, cordoning them off from the Fort Wainwright main post. The Section 801 housing units are located on the perimeter of Fort Wainwright, making it easier for the Army to isolate the housing units from the Fort Wainwright main post. Figure 8 shows the security fence around Fort Wainwright Section 801 housing units.



Figure 8. Fence Surrounding Fort Wainwright Section 801 On-Base Housing Units

The new security gate and access road allow the general public to access the Section 801 housing units without passing through a Fort Wainwright security gate. The Army moved a security gate back 808 feet, allowing unimpeded access to the Section 801 on-base housing area. In addition, the Army built a 98-foot-long access road to the Section 801 on-base housing area.

Generally, the Fort Wainwright security officials said the transition to allow the general public to live on base is going smoothly, and the units do not appear to have many problems. As of October 2007, Army security officials did not patrol the Section 801 on-base housing units. According to Fort Wainwright security officials, crime decreased on the base after the security fence was placed around the units. Fort Wainwright fire and emergency services continue to respond to the units if a fire or other emergency situation occurs in the units. However, the Fort Wainwright security officials do not aid the developer in vetting or performing background checks on potential renters.

Section 801 Housing Developments Located on Military Installations

Five other DoD installations, in addition to NWS Earle and Fort Wainwright, have six Section 801 on-base housing developments. The Army and Navy each have one additional development and the Air Force has four developments. The overall length of the lease agreement, the number of housing units, and the annual rental rate vary from contract to contract for the eight Section 801 developments.

Fort Hood, Texas

Fort Hood will become the second DoD installation to allow the general public to live on base unless the Army and Universal Services, Fort Hood extend the inlease or reach another agreement to exclusively house military personnel in the units. The Army entered into Section 801 housing contract DACA63-5-88-0372 with Universal Services, Fort Hood for the Army to lease 300 units of family housing from the developer. All 300 units have 2 bedrooms. The inlease between the Army and the developer is in effect

from August 1988 through July 2008. During the inlease, the developer is responsible for the maintenance of the units. The Section 801 housing units at Fort Hood are located on the perimeter of the base. Figure 9 shows a Section 801 housing unit on Fort Hood.



Figure 9. Fort Hood Section 801 Housing Unit

Fort Hood officials maintain a large waiting list for on-base two-bedroom units; therefore, the Army wants to continue its relationship with the developer. The Army and the developer engaged in talks to extend the inlease and continue the current relationship but have not reached an agreement yet. However, the Army and the developer continue to work to reach an acceptable agreement. The Army no longer places soldiers in the units unless the soldiers agree to pay rent to the developer when the inlease expires or move out before July 2008.

Generally, Fort Hood security officials believe threat levels will be increased and military families living in the units will forfeit some security if the general public lives in the Section 801 on-base housing units. Fort Hood security officials want to perform background checks on individuals living in the units and believe the residents will have to comply with Fort Hood regulations. For example, Fort Hood regulations currently require that all firearms on base be registered. Also, Fort Hood officials must modify Force Protection Conditions to allow the general public to live on base during a Force Protection Condition Delta. Fort Hood officials will also seek reimbursement from the developer for fire and emergency services.

Naval Base Ventura County Port Hueneme, California

The Navy entered into contracts N62474-91-RP-00E26 and N62474-91-RP-00P88 with John E. Sims to construct 300 two-bedroom Section 801 housing units on Naval Base Ventura County (NBVC) Port Hueneme. The Navy entered into the contract for the units upon completion by the developer and acceptance by the Navy. The inlease is in effect from September 1991 until March 2014. During the inlease, the Navy is responsible for maintenance of the units. Figure 10 shows Section 801 housing units on NBVC Port Hueneme.



Figure 10. NBVC Section 801 Housing Units

The Section 801 housing units are located near the perimeter of the base and are surrounded by other housing areas. The units are split into two housing sections. One section consists of 208 units and the other section consists of 92 units. The locations of the units will make it difficult for Navy officials to separate the units from the rest of NBVC Port Hueneme.

NBVC Port Hueneme security officials are opposed to allowing the general public to live on base. NBVC Port Hueneme security officials believe allowing the general public to live in the units would, at a minimum, indirectly affect the mission of the base. They cited a number of additional concerns with the prospect of the general public living in the units. For example, it would be especially troublesome to secure the housing areas as the Section 801 housing units are split into two separate areas. Furthermore, NBVC Port Hueneme security officials stated they believe they would need additional police officers and patrols, and an increased security budget if the general public lives in the units. In our meeting with Navy headquarters officials, they disagreed with some of the concerns cited by the NBVC Port Hueneme security officials. Finding B further discusses the Section 801 on-base housing at NBVC Port Hueneme.

Eielson Air Force Base, Alaska–Sprucewood

The Air Force entered into the first of two Section 801 on-base housing agreements with contracts F65501-85-L0003, F65501-85-L0004, F65501-86-L0001, and F65501-86-L0002 at Eielson Air Force Base (AFB) with Ben Lomond, Inc., to construct 300 family housing units on Eielson AFB. The developer constructed 300 housing units in the Sprucewood housing area, 150 two-bedrooms units and 150 three-bedroom units. Ben Lomond, Inc., with Air Force approval, transferred the contract to Polar Star Alaska Housing Corporation in May 1995. Figure 11 shows Sprucewood Section 801 housing units on Eielson AFB.



Figure 11. Eielson AFB Sprucewood Section 801 Housing Units

The inlease ran for 20 years, starting August 1986 and ending in August 2006. During this inlease, the Air Force paid the developer annual rent and annual housing maintenance rental. The housing maintenance rental increased or decreased each year by the percentage of the increase or decrease for the Anchorage Consumer Price Index for Urban Consumers. The developer operated and performed all maintenance, repairs, replacements, rehabilitation, and redecoration of housing units. The Air Force did not include an option in the contract allowing the developer to rent the units to the general public.

The Air Force leased land on Eielson AFB to Ben Lomond, Inc., for a term of 23 years, beginning January 1985, and ending 17 months after the expiration of the inlease, in January 2008. Ben Lomond, Inc., paid the Air Force rental in the amount of \$1.00 for the entire 22-year land lease term. The Air Force extended the inlease 1 year to August 2007.

The Eielson AFB Sprucewood housing area was unoccupied as of November 2007 due to ongoing litigation between the Air Force and Polar Star Alaska Housing Corporation. The litigation pertains to the disagreement on whether the developer should remove the units or the Air Force should purchase the units. Air Force officials state they do not intend to purchase the housing units. The developer argues that because the Air Force extended the land lease 1 year, the Air Force showed an interest in the units. As of October 2007, the Air Force maintained all 300 vacant units.

Eielson AFB, Alaska–French Creek and Moose Lake

The Air Force entered into the second Section 801 on-base housing agreement with contracts F65517-91-C-0002, F65503-95-L0001, F65503-95-L0002, and F65501-96-L0001 at Eielson AFB with Ben Lomond, Inc., to construct 366 family housing units in two areas on Eielson AFB. The developer constructed 151 units in the Moose Lake housing area and 215 units in the French Creek housing area. Ben Lomond, Inc., transferred the contracts to HEBL, Inc., in May 1993. Figure 12 shows the French Creek Section 801 housing units on Eielson AFB.



Figure 12. Eielson AFB French Creek Section 801 Housing Units

The Air Force and HEBL, Inc., entered into two contracts in February 1995 and September 1995 for the interim occupancy of a portion of the units. The Air Force used interim leases to accept portions of the units as they were completed. The inlease began and the interim leases expired once all 366 housing units were completed. The Air Force performed the operation and maintenance of the units until the interim lease expired in September 1996.

Upon completion of the units and acceptance of the units, the Air Force entered into a 20-year inlease effective October 1996. Air Force personnel maintain sole occupancy rights to the units for family housing during the lease ending in September 2016. The Government, at its sole expense, performs maintenance of the units throughout the inlease phase. Eielson AFB officials' preliminary plan is to explore the possibility of purchasing the units after the lease expiration in 2016.

Ellsworth AFB, South Dakota

Air Force officials entered into Section 801 housing contract F39601-89-L0002 with Hunt Building Corporation to construct 828 family housing units on Ellsworth AFB. The developer constructed 24 four-bedroom units, 352 three-bedroom units, and 452 two-bedroom units. Figure 13 shows Section 801 units on Ellsworth AFB.



Figure 13. Ellsworth AFB Section 801 Housing Units

Air Force officials entered into the inlease in December 1991 for a term of 20 years, commencing on December 1991 and ending December 2010 through July 2011, depending on date of acceptance. The Government pays the developer a fixed rental for the 20-year period, with the exception of property tax and insurance premium increases or decreases. The Air Force is responsible for the operation of the housing units and all maintenance, repairs, replacements, rehabilitation, and redecoration.

The Air Force leased to Hunt Building Corporation land on Ellsworth AFB. The contract is for a term of 40 years, beginning August 1989 and ending August 2029. At the expiration of the inlease, the developer pays rent in monthly installments at fair market rent. Fair market rent is calculated as a percentage of gross monthly income to include rentals from the units for the preceding month.

The Ellsworth AFB Section 801 housing units are located on the perimeter of the base; therefore, a separate access route to the units may be used for the general public to live on base. Ellsworth AFB officials may explore the option of including the Section 801 on-base units in another DoD privatized housing program at the conclusion of the inlease.

Hurlburt Field, Florida

The Air Force entered into Section 801 contract F08620-90-L0001 with Fort Walton Defense Housing for 300 housing units on Hurlburt Field. Fort Walton Defense Housing constructed 89 two-bedroom units, 131 three-bedroom units, and 80 four-bedroom units. The sole purpose of the leased premises is for the use of military personnel and their dependents assigned to Hurlburt Field. The developer is not required to use the housing units exclusively for military personnel and their dependents after expiration of the inlease. Figure 14 shows Section 801 housing units on Hurlburt Field.



Figure 14. Hurlburt Field Section 801 Housing Units

Air Force officials entered into an inlease in June 1992 for a term of 20 years, commencing in June 1992 and ending June 2012. The Air Force pays the developer a fixed rental rate for the 20 years, with the exception of property tax and insurance premium increases or decreases. The Air Force is responsible for the operation of the housing units and all maintenance, repairs, replacements, rehabilitation, and redecoration.

The Air Force leased to Fort Walton Defense Housing land at Hurlburt Field. The lease is for a term of 40 years, beginning in January 1991 and ending in January 2031. At the expiration of the inlease, the developer pays rent in monthly installments at fair market rent. Fair market rent is calculated as a percent of gross monthly income to include rentals from the dwellings for the preceding month.

The Hurlburt Field Section 801 housing units are located on the perimeter of the base; therefore, a separate access route may be constructed to the units for the general public to live on base. Hurlburt Field officials are still undecided whether they will allow the units to be rented to the general public.

Conclusion

We recognize that the presence of civilian personnel on NWS Earle with its sensitive operations presents a complication for base operations; we believe that officials at NWS Earle are taking all the steps necessary for the general public to live in the Section 801 on-base housing units under the terms of the contract. However, the terms of the contract do not specify what additional security measures will be needed for the general public to live on base. Six other DoD installations have Section 801 on-base housing units; however, as of May 2008, Fort Wainwright is the only installation with the general public living in the Section 801 on-base housing units. NWS Earle officials plan to implement security measures similar to those implemented at Fort Wainwright, including erecting a security fence around the units and obtaining easements for the construction of a dedicated access road to the units. The Navy issued a contract to comply with NEPA for NWS Earle. The draft EIS, which covers security, environmental, traffic, and education concerns, is expected to be issued in November 2008. The Navy will need to factor in

the impact of the EIS results into its decision making process on whether to convert the contract from the inlease period to the outlease period or buy out the remainder of the contract. We believe that if the Navy seriously considers issues arising from the EIS and community concerns, the Navy will be in a better position to determine the appropriate course of action at the end of the inlease period.

Finding B. Improved Planning Needed for On-Base Housing Contracts

DoD entered into lengthy Section 801 on-base housing agreement contracts with fixed rental rates regardless of occupancy level that did not include early termination provisions* without substantial monetary penalties. DoD officials did not adequately plan Section 801 on-base housing agreement contracts for the following reasons.

- When they initiated the contracts, DoD officials did not envision the need for closed bases. They also did not consider the potential losses of personnel due to Base Realignment and Closure or mission changes.
- DoD officials did not include provisions in the contracts for alternate uses of family housing when the requirement changed.

As a result of DoD officials entering into lengthy Section 801 on-base housing contracts, it may cost DoD a substantial amount of money, on top of millions of dollars already paid, to compensate the contractor for loss of revenue during the remainder of the contract. If DoD officials choose not to terminate or renegotiate the existing 801 housing contracts, the general public will potentially be residing in on-base housing, thereby placing an increased security monitoring burden on the installation. In addition, Navy officials are not using vacant Section 801 on-base family housing units when other possible housing requirements exist. As of April 2008, the Navy Section 801 on-base housing units at NVBC Port Hueneme were about 40 percent occupied and as of October 2007, the Navy Section 801 on-base housing units at NWS Earle were less than 3 percent occupied. The Navy is paying about \$444,303 per year per occupied unit at Naval Weapons Station Earle and about \$25,943 per year per occupied unit at Naval Base Ventura County, Port Hueneme. Additionally, the Navy paid about \$16.9 million for vacant housing at NWS Earle over the last 6 years.

Long-Term Family Housing Agreements

DoD officials entered into long-term agreements with private developers for on-base family housing without adequate consideration of the location of the Section 801 on-base housing units. In order for developers to secure financing to construct the family housing units, DoD officials agreed to lengthy contracts. We reviewed contract terms

* Other than in the case of a national emergency declared by Congress or the President pursuant to Title II of the National Emergencies Act of September 14, 1976, whereby the Government has the right to suspend or terminate the outlease, at any time, without prior notice. If the contract was cancelled due to a national emergency declaration by the President, the Navy would be held accountable for substantial termination costs to compensate the developer for lost revenue during the outlease. Additional standard contract clauses for termination for default and termination for casualty are also included in the contract, each of which includes costly monetary penalties.

ranging from 23 years to 52 years for eight DoD Section 801 on-base housing developments. See Table 2 for the term length of each Section 801 on-base housing agreement.

Table 2. On-Base Section 801 Contract Terms

Installation	Number of Units	Outlease Start	Inlease End	Outlease End
Fort Wainwright	400	6/27/1986	5/5/2007	6/26/2008
Fort Hood	300	6/1/1987	7/31/2008	5/30/2019
NWS Earle	300	9/1/1988	8/31/2010	8/31/2040
NBVC Port Hueneme	300	9/30/1991	3/1/2014	9/29/2033
Eielson AFB–Sprucewood	300	1/7/1985	8/5/2006	1/6/2008
Eielson AFB–Moose Lake and French Creek	366	4/15/1991	9/30/2016	9/30/2016
Ellsworth AFB	828	8/1/1989	7/31/2011	8/1/2029
Hurlburt Field	300	1/31/1991	6/4/2012	1/30/2032

DoD officials entered into long-term Section 801 on-base agreements without adequately planning for access to the Section 801 units during the outlease period when deciding on the location of the on-base units. For the developer to rent the Section 801 on-base housing units to the general public, DoD and the developer must agree to install a perimeter fence and dedicated access road to the units. DoD officials included a provision in NWS Earle Supplemental Lease Agreement 43 to accelerate the transition of the units. However, DoD officials were unable to provide a dedicated access road in a timely manner to take advantage of this provision. DoD officials should have considered the access roads and perimeter fencing needed for the general public to live on base when deciding on the location of on-base Section 801 units. Because they could not easily fence off and provide a dedicated access road to the units, DoD officials were forced to pay for unneeded units.

Changes in DoD Security and Missions

DoD officials did not adequately plan for changing security and mission requirements during the formulation of the Section 801 on-base housing contracts. Since September 11, 2001, security requirements on DoD installations have tightened. Additionally, installation missions have changed over the last 20 years. DoD officials entered into lengthy contracts and did not include provisions for such changes in security

and housing requirements in the terms and conditions of the Section 801 contracts. In addition to the standard contract termination clauses for default and termination for casualty, termination provisions are included in Section 801 contracts only in the event of a declared national emergency. DoD is now faced with the possibility of either allowing the general public to reside in on-base housing or terminate the contract by paying a substantial amount to compensate the developer for lost revenue.

Increased Security at DoD Installations

DoD installations face increased security concerns in today's environment. Prior to September 11, 2001, many DoD installations were open and allowed the general public access with very little security monitoring. Following the terrorist attacks of 2001, DoD actively engaged in the implementation of various antiterrorism and force protection measures designed to limit public access to sensitive military information.

DoD Regulation 5200.08-R, "Physical Security Program," April 9, 2007, implemented DoD policies and minimum standards for the physical protection of DoD personnel, installations, operations, and related resources. The Physical Security Program is the part of security concerned with the active and passive measures designed to prevent unauthorized access to personnel, equipment, installations, information, and to safeguard them against espionage, sabotage, terrorism, damage, and criminal activity. DoD Regulation 5200.08-R, Chapter 3, "Installation Access and Emergency Planning," implemented general procedures that meet minimum Federal standards for controlling entry onto and exit from military installations and the facilities within military installations. Access control measures include:

- implementing DoD Antiterrorism Standards and DoD Antiterrorism Program-specific security measures based on the level of threat;
- designating restricted or controlled areas to safeguard property or resources for which the commander is responsible; and
- enforcing the removal of, or denying access to, persons who threaten security, order, and the discipline of the installation.

Increased Security Monitoring Burden

DoD officials did not foresee an increased threat on DoD installations when formulating the Section 801 on-base housing contracts in the 1980s and 1990s. Under the conditions of the Section 801 on-base contracts, the developer may rent units to the general public during the outlease phase unless a military exclusivity rental agreement is in place. DoD is required to provide the developer with unimpeded access to the units. In most cases, DoD officials plan to build a dedicated fenced access road to the Section 801 housing units on base.

DoD security officials face an increased security monitoring burden during the outlease phase with the general public living on base in the Section 801 housing units. Increased security patrols around the Section 801 housing unit perimeter, access road, and fencing

area by DoD security personnel will be required to ensure residents do not obtain access to sensitive military areas. DoD security personnel also must monitor the actions of any visitors to the housing area including guests, delivery vehicles, and maintenance workers. The amount of additional funding needed has not been determined for increased security personnel and monitoring of the Section 801 on-base housing area.

Changes in Installation Mission

DoD officials did not foresee a reduction in housing needs due to mission changes and Base Realignment and Closure recommendations when formulating the Section 801 housing contracts. DoD is constantly evolving and the mission of an installation changes over time. In addition, DoD experienced numerous Base Realignment and Closure rounds over the past 20 years realigning mission functions at many installations. DoD recommended, in its 1993 Base Realignment and Closure recommendations, to realign NBVC Port Hueneme. A change in mission directly affects the requirements for family housing. DoD officials did not include provisions for reductions in family housing requirements related to installation mission changes or Base Realignment and Closure recommendations in the terms and conditions of the Section 801 contracts. Therefore, DoD is held accountable for rent payments for units no longer needed by the installations.

Section 801 Contract Termination or Renegotiation

The developer is permitted to rent Section 801 on-base housing units to the general public during the outlease phase of the Section 801 housing contracts. DoD officials considering termination or renegotiation of Section 801 housing contracts to avoid such a situation have limited options.

Terminating Section 801 housing contracts will be very costly. DoD paid millions of dollars in rental fees for Section 801 housing units over the last 20 years. For example, NWS Earle officials paid about \$59.8 million in rental fees to the developer from 1990 through April 2008. Table 3 below shows the current total cost per year and per unit for each Section 801 on-base housing agreement.

Table 3. Section 801 Housing Contract Costs

Installation	Cost Per Year	Cost Per Unit
Fort Wainwright	\$8,211,129 ¹	\$20,528
Fort Hood	\$4,205,016	\$14,017
NWS Earle	\$3,554,424	\$11,848
NBVC Port Hueneme	\$3,113,196	\$10,377
Eielson AFB–Sprucewood	\$3,600,000 ²	\$12,000
Eielson AFB–Moose Lake / French Creek	\$8,688,150	\$23,738
Ellsworth AFB	\$8,186,000	\$9,886
Hurlburt Field	\$2,848,746	\$9,496

¹Last amount paid in May 2007 due to expiration of the inlease.

²Last amount paid in August 2006.

To terminate the Section 801 housing contract at the conclusion of the inlease, the Government must compensate the developer for all revenues lost during the outlease phase. For example, if NWS Earle terminates the Section 801 contract at the conclusion of the inlease, DoD owes the developer lost revenue for 300 units over 30 years. In addition, installation officials and the developer would have to agree on the fair market value of the developer’s improvements on the land to calculate the lost revenue. The fair market value will be determined closer to the end of the inlease. Termination of the contract would prove to be costly for DoD.

DoD officials may also elect to renegotiate the terms and conditions of the housing contracts to maintain exclusive use of housing for military personnel and their dependents during the outlease. Fort Hood officials continue to explore this option to continue the current relationship with the developer.

Provisions for Alternate Uses of On-Base Family Housing

DoD officials did not incorporate provisions for alternative uses of family housing in the event the requirement for family housing no longer existed. Under the conditions of Section 801 housing contracts, the developer is entitled to use the leased property for the sole purpose of the construction, operation, and leasing of residential family housing. During the inlease phase, DoD is required to pay rent for all Section 801 housing units,

regardless of the current need for family housing. DoD officials failed to include any additional provisions in Section 801 contracts for instances in which the family housing requirement diminished during the inlease phase. Therefore, DoD is forced to pay rent for units no longer needed for family housing.

Navy Inefficient Use of Vacant Units

Navy officials are inefficiently using vacant Section 801 on-base family housing units when other housing requirements exist. The occupancy rate at NBVC Port Hueneme fell from 97 percent in 2002 to about 40 percent in April 2008. Therefore, as of April 2008, the Navy is paying about \$25,943 per year per occupied unit. Table 4 shows the approximate costs and occupancy rates at NBVC Port Hueneme for 2008.

Table 4. NBVC Port Hueneme Section 801 Costs and Occupancy Rates for 2008

Installation	Cost Per Year¹	Approximate Percent Occupied²	Cost Per Unit	Approximate Cost Per Occupied Unit Per Year
NBVC Port Hueneme	\$3,113,196	40	\$10,377	\$25,943

¹ Yearly amount paid for the units starting in December 2007.

² As of April 2008.

Under the terms of the contract, the Navy pays a flat rate for the units regardless of the occupancy level. According to NBVC Port Hueneme officials, the reasons for low occupancy include a reduced requirement for two-bedroom units and the availability of larger, less expensive, privately owned off-base units. NBVC Port Hueneme officials explored the possibility of placing unaccompanied military members in the units in order to renovate existing unaccompanied military housing facilities. In addition, the Navy considered adding additional commands at NBVC Port Hueneme. NBVC Port Hueneme maintains a high unaccompanied military member housing occupancy rate and would be unable to accommodate additional unaccompanied military members without constructing new housing facilities. According to NBVC Port Hueneme officials, allowing unaccompanied military members to occupy the units would provide more flexibility with the units and decrease the cost per occupied unit. However, Navy legal counsel informed NBVC Port Hueneme officials that unaccompanied military members are prohibited from occupying the Section 801 housing units.

Chief of Naval Operations Instruction 11101.13J, “Assignment and Utilization of Navy-Managed Military Family Housing,” December 16, 1992, limits the assignment of family housing to military personnel with accompanying dependents. “An individual military member who is unmarried, divorced, separated, or widowed and who is accompanied by dependents is eligible for military family housing even if deployed.” However, under paragraph 7(b) of Naval Operations Instruction 11101.13J, “a permanent deviation from this policy may be approved by the Chief of Navy Personnel, the major claimant, and the Commander, Naval Facilities Engineering Command.” Under the

conditions of Naval Operations Instruction 11101.13J, Navy officials at installations with low family housing occupancy rates may request a waiver for an alternative use of the units, provided an additional housing requirement exists. However, Naval Operations Instruction 11101.13J contradicts 10 U.S.C. 2835, “Long-Term Leasing of Military Family Housing to be Constructed.”

That section of the United States Code authorizes the build and leasing of family housing units for members of the armed forces who are eligible for assignment to military family housing only. Therefore, the Navy cannot simply grant a waiver under Chief of Naval Operation Instruction 11101.13J to allow unaccompanied military members to occupy the Section 801 on-base housing units. The Navy has proposed an FY 2009 legislative amendment to 10 U.S.C. 2835 to allow the Services to assign military members without dependents to excess family housing constructed under the statutory “build-to-lease” authority. The Secretary of a Military Department must approve the conversion of the family housing lease to a military unaccompanied housing lease and the lease must not exceed the original term of the existing family housing lease. If enacted, the amendment will allow the Services to use existing family housing structures for other housing requirements.

The Navy is paying about \$444,303 per year per occupied unit at NWS Earle, which is more than 3700 percent higher than the cost for full occupancy. NWS Earle lost homeported ships and personnel in the mid to late 1990s. As a result, the housing requirements at NWS Earle decreased significantly. The Section 801 housing units at NWS Earle went from 95 percent occupied in 2000 to less than 3 percent occupied in 2007. Table 5 shows the Section 801 approximate costs and occupancy rate for 2007.

Table 5. NWS Earle Section 801 Costs and Occupancy Rates for 2007

Installation	Cost Per Year¹	Percent Occupied²	Cost Per Unit	Approximate Cost Per Occupied Unit Per Year
NWS Earle	\$3,554,424	<3	\$11,848	\$444,303

¹The amount per unit is calculated on a rental year starting May 1 and ending April 30 of the following year.

² As of October 2007.

Unlike NBVC Port Hueneme, NWS Earle does not need additional units for unaccompanied military member housing or any other housing needs. If an escape clause or an agreed-upon termination clause existed in the Section 801 contract at NWS Earle, the Navy could have reduced the costs per occupied units instead of paying for units that are almost entirely unoccupied. As a result, the Navy paid about \$16.9 million since 2002 for unoccupied Section 801 housing units at NWS Earle. Table 6 shows the approximate percentage and costs of unoccupied Section 801 housing units.

Table 6. NWS Earle Percentage and Costs of Unoccupied Section 801 Housing Units

Year	Percentage of Unoccupied Units¹	Approximate Number of Unoccupied Units	Amount Per Unit²	Approximate Amount Paid for Unoccupied Units
2002	57	171	\$11,274	\$1,927,890
2003	75	225	\$11,374	\$2,559,124
2004	78	234	\$11,477	\$2,685,565
2005	86	258	\$11,596	\$2,991,744
2006	93	279	\$11,744	\$3,276,476
2007	97	291	\$11,848	\$3,447,791
Total				\$16,888,590

¹The percentage of unoccupied units is calculated on a calendar year.

²The amount per unit is calculated on a rental year starting May 1 and ending April 30 of the following year.

Conclusion

DoD officials entered into long-term Section 801 on-base housing contracts without properly planning for the outlease period or a changing environment with increased installation security and changing missions. DoD officials did not fully consider measures needed to allow the general public access to the Section 801 on-base units during the outlease when deciding on the location of the units. If access roads and perimeter fencing had been considered when deciding on the location of on-base Section 801 units, DoD officials would have been able to more easily section off unneeded units from the rest of the base.

Physical security of DoD installations has increased in today's environment. DoD security personnel face an additional security monitoring burden when the general public occupy on-base housing during the outlease. DoD officials have limited and costly options to alleviate the security monitoring burden.

DoD officials did not include provisions to easily terminate Section 801 contracts in the event the installation mission changed either by DoD or a Base Realignment and Closure recommendation without costly monetary penalties. DoD installation officials are forced to pay for units that are no longer required. The Navy Section 801 housing units at

NBVC Port Hueneme are more than half vacant when other possible uses exist. Navy officials should take the necessary steps to allow NBVC Port Hueneme to use vacant Section 801 housing units for other purposes.

Client Comments on the Findings and Our Response

Navy Comments on the Results in Brief

The Commander, Navy Region Southwest stated that the exclusion of the phrase “if Congress enacts the Navy FY 2009 proposed amendments to section 2835, title 10, United States Code” from the bullet concerning Naval Base Ventura County Port Hueneme does not give the reader the proper context of the recommendation.

Audit Response

We agree with the Navy comments and revised the Results in Brief to indicate the proposed legislation must be enacted before a waiver is requested.

Navy Comments on Cost per Occupied Unit

The Deputy Assistant Secretary of the Navy (Installations and Facilities) stated that the cost per occupied unit would decrease by allowing unaccompanied military members to occupy vacant Section 801 housing units; however, the overall cost to the Navy would remain unchanged because the Navy pays a flat rate regardless of the occupancy level.

Audit Response

We agree with the Navy comments and previously stated on page 28 that “the Navy pays a flat rate for the units regardless of the occupancy level.”

Navy Comments on its Legislative Proposal

The Deputy Assistant Secretary of the Navy (Installations and Facilities) indicated that the FY 2009 legislative proposal allowing the Services to “assign military members without dependents to excess housing,” only applies to housing constructed under the statutory “build-to-lease” authority.

Audit Response

We agree with the Navy comments and revised page 29 to indicate the FY 2009 legislative proposal is only applicable for housing constructed under the statutory “build-to-lease” authority.

Recommendations, Client Comments, and Our Response

1. We recommend that the Deputy Under Secretary of Defense (Installations and Environment) consider an exit strategy and the location of on-base units in future contracts for build-to-lease housing.

Office of the Under Secretary of Defense Comments

The Director, Housing and Competitive Sourcing partially concurred with Recommendation B.1. and stated that the Section 801 authority is no longer used. Current on-base Military Housing Privatization Initiatives do not include the lease provisions that generated the concerns addressed in the report; however, the lessons learned will be conveyed to the DoD Housing Policy Panel.

Audit Response

The comments were responsive to the recommendation, and no additional comments are required.

Navy Comments

The Deputy Assistant Secretary of the Navy (Installations and Facilities) concurred with Recommendation B.1. and indicated that there are no future plans to award build-to-lease housing projects.

Audit Response

The comments were responsive to the recommendation, and no additional comments are required.

2. We recommend that the Assistant Secretary of the Navy (Installations and Environment) continue to pursue the FY 2009 proposed amendments to section 2835, title 10, United States Code, “Long-Term Leasing of Military Family Housing to be Constructed,” in order to allow for alternative uses of excess family housing.

Navy Comments

The Deputy Assistant Secretary of the Navy (Installations and Facilities) concurred with Recommendation B.2. and stated the Navy has submitted a legislative proposal to the Office of the Secretary of Defense for FY 2009. The legislative proposal entitled “Modifications of Long-Term Leasing Authority for Military Family Housing” would allow alternative uses of excess Section 801 housing.

Audit Response

The comments were responsive to the recommendation, and no additional comments are required.

3. We recommend that the Commanding Officer, Naval Base Ventura County Port Hueneme apply for a waiver to permit unaccompanied military members to occupy vacant Section 801 housing units for the remainder of the contract if Congress enacts the Navy FY 2009 proposed amendments to section 2835, title 10, United States Code, “Long-Term Leasing of Military Family Housing to be Constructed.”

Navy Comments

The Deputy Assistant Secretary of the Navy (Installations and Facilities) concurred with Recommendation B.3. and indicated that if Congress enacts the legislative proposal the Navy would implement it wherever feasible.

Audit Response

The comments were responsive to the recommendation, and no additional comments are required.

Navy Comments

The Commander, Navy Region Southwest concurred with Recommendation B.3. and indicated that if Congress enacts the legislative proposal NBVC Port Hueneme would request a waiver within 30 days of the enactment.

Audit Response

The comments were responsive to the recommendation, and no additional comments are required

Appendix A. Scope and Methodology

We conducted this audit from September 2007 through August 2008 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our audit findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our finding and conclusions based on our audit objectives.

We conducted this audit at the request of Congressman Christopher H. Smith to review the terms and conditions of the Section 801 housing agreements contract between the Navy and Laurelwood, Inc., for housing privatization at Naval Weapons Station (NWS) Earle, New Jersey.

Specifically, we reviewed the security measures the Navy will implement in order for the general public to live on base. However, we did not review the sufficiency of the security measures the Navy plans to implement nor did we perform a comprehensive security threat assessment. We also determined whether the Navy issued a contract to comply with the National Environmental Policy Act for NWS Earle and whether the assessment covered security. In addition, we determined whether DoD has rented on-base housing to the general public at other DoD installations and whether additional security measures are in place at those locations. In particular, we limited our review to DoD installations with Section 801 on-base housing.

We reviewed section 2828, title 10, United States Code (10 U.S.C. 2828), “Leasing of Military Family Housing”; 10 U.S.C. 2667, “Leases: Non-Excess Property of Military Departments”; 10 U.S.C. 2835, “Long-Term Leasing of Military Family Housing to be Constructed”; 10 United States Code Service (USCS) 2872a, “Utilities and Services”; 5 USCS 552a, “Records Maintained on Individuals”; Fair Housing Act 42 U.S.C. 3604(a), “Discrimination in the Sale or Rental of Housing and Other Prohibited Practices”; DoD Instruction 5200.08-R, “Physical Security Program”; Office of the Chief of Naval Operations Instruction 11101.13J, “Assignment and Utilization of Navy-Managed Military Family Housing”; task order 21 from contract N62472-01-D-1390; task order 27 from contract N62470-06-D-7106; and Security Impact Study Using the Risk Analysis Vulnerability Assessment Quantitative Methodology for Naval Weapons Station Earle, New Jersey.

We obtained and reviewed the contracts listed in the following three tables.

Table A-1. Army Section 801 Housing Leases

Installation	Contract Number	Developer
Fort Wainwright	DACA85-1-86-71 DACA85-5-87-74 DACA85-5-88-17	North Star Alaska Housing Corp.
Fort Hood	DACA63-5-88-0372	Universal Services Fort Hood, Inc.

Table A-2. Navy Section 801 Housing Leases

Installation	Contract Number	Developer
NWS Earle	N62472-86-RP-00209	Laurelwood, Inc.
NBVC Port Hueneme	N62474-91-RP-00E26 N62474-91-RP-00P88	John E. Sims

Table A-3. Air Force Section 801 Housing Leases

Installation	Contract Number	Developer
Eielson AFB	F65501-85-L0003 F65501-85-L0004 F65501-86-L0001 F65501-86-L0002	Polar Star Alaska Housing Corp.
	F65517-91-C-0002 F65503-95-L0001 F65503-95-L0002 F65501-96-L0001	HEBL, Inc.
Ellsworth AFB	F39601-89-L0002	Hunt Building Corp.
Hurlburt Field	F08620-90-L0001	Fort Walton Defense Housing

We also obtained occupancy levels and rental rates at the following locations.

Table A-4. Dates of Occupancy Level and Rental Rates Obtained

Installation	Occupancy Rate	Rental Rate
Fort Wainwright	In Outlease Phase	May 2007
Fort Hood	January 2008	August 2007
NWS Earle	October 2007	April 2008
NBVC Port Hueneme	January 2008	December 2007
Eielson AFB–Moose Lake/French Creek	February 2008	October 2008
Eielson AFB–Sprucewood	November 2007	August 2006
Ellsworth AFB	December 2007	February 2008
Hurlburt Field	January 2008	December 2007

We met with representatives from Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics (Installations and Environment); Office of the Assistant Secretary of the Navy (Installations and Environment); Commander, Navy Region Middle Atlantic; Headquarters, Department of the Army Housing; and the Air Force Housing Department. We also met with Congressman Smith, his staff, state and local officials, and the citizens group Neighbors Opposed to Privatization at Earle.

We met with contracting officials at U.S. Army Corps of Engineers, Fort Worth, Texas, District; U.S. Army Corps of Engineers, Alaska District in Anchorage, Alaska; and Naval Facilities Engineering Command, San Diego, California.

We met with and interviewed housing and security personnel at the following locations:

- Fort Wainwright, Alaska;
- Fort Hood, Texas;
- NWS Earle, New Jersey; and
- NBVC Port Hueneme, California.

We met with and interviewed contracting, housing, and security personnel at the following locations:

- Eielson AFB, Alaska;
- Ellsworth AFB, South Dakota; and
- Hurlburt Field, Florida.

We obtained input from the Department of Defense Office of Inspector General Chief of Security regarding the security aspects of the audit.

For this report, the audit scope was limited to the congressional request. The audit scope was also limited to DoD installations with Section 801 Housing located on base.

Review of Internal Controls

The Navy internal controls over contract administration and management were adequate as they applied to the audit objectives.

Use of Computer-Processed Data

We did not rely on computer-processed data to perform this audit.

Prior Coverage

No prior coverage has been conducted on Section 801 Housing contracts during the last 5 years.

Appendix B. Congressman Christopher H. Smith Request

CHRISTOPHER H. SMITH
4TH DISTRICT, NEW JERSEY

CONSTITUENT SERVICE CENTERS:
1540 Kuser Road, Suite A9
Hamilton, NJ 08619-3828
(609) 585-7878
TTY (609) 585-3650

108 Lacey Road, Suite 38A
Whiting, NJ 08758-1331
(732) 350-2300

2373 Rayburn House Office Building
Washington, DC 20515-3004
(202) 225-3765

<http://www.house.gov/chris-smith>



Congress of the United States House of Representatives

May 2, 2007

COMMITTEES:

FOREIGN AFFAIRS

AFRICA AND GLOBAL HEALTH
SUBCOMMITTEE
RANKING MEMBER

WESTERN HEMISPHERE
SUBCOMMITTEE

COMMISSION ON SECURITY AND
COOPERATION IN EUROPE
RANKING MEMBER

DEAN, NEW JERSEY DELEGATION

The Honorable Claude M Kicklighter
Inspector General, The Department of Defense
400 Army Navy Dr.
Arlington, VA 22202

Dear Mr. Kicklighter:

I am writing to request a thorough investigation—including a comprehensive security threat assessment—of the Section 801 housing agreements the Navy has signed with private developer, Laurelwood Inc., regarding 300 units at Naval Weapons Station Earle in Colt's Neck, New Jersey.

Specifically, I urge you to determine how these faulty contracts were originated and agreed upon and how the Department of Defense can now meet comprehensive security needs and ensure the safety of the base and the surrounding communities if the base housing units are opened to the general public. Copies of both the 1988 and 2002 agreements are enclosed.

By way of background, on March 28, the Navy restated its intention to permit Laurelwood Inc. to lease these units—located inside the base parameter—to any civilian customer beginning in the year 2010. The base receives, stores, segregates and issues highly sophisticated ordinance for the Global War on Terror. Given Earle's significant and critical ordinance mission, it would appear to be the height of irresponsibility to give civilians unfettered access to housing units on the base.

When the provision to allow civilian renters on the base was first brought to my attention in 2004 (Earle was moved into my congressional district in 2003), I expressed my deep and grave concerns about the security implications of this ill-founded proposal. I also expressed strong misgivings about the Navy's original decision in 1988 to enter an agreement that required the Navy to pay nearly \$4 million annually in rent to Laurelwood regardless of the rate of occupation. It was obvious that the Navy did not properly anticipate or protect taxpayer interest when making the original leasing agreement. I remain deeply concerned that security interests have been trivialized in order to cut losses, revamp a bad deal and open base housing units to civilians who have not been vetted.

After meeting with the appropriate naval officials to discuss my objection to opening the base to civilian renters in 2004, it was my understanding that the Navy would not move forward unless all security, access, and environmental concerns were addressed and fully resolved. However, in the enclosed March 28, 2007 letter, Deputy Assistant Secretary Wayne Army indicates that his office is moving forward "to provide unimpeded public access to the housing units so that the developer can lease the units to the general public." In the same letter, Mr. Army states that his office will conduct an environmental analysis of access alternatives consistent with

the requirements of the National Environmental Policy Act and will comply with required notification and public involvement standards. And while he concedes that the Navy's contractual agreement with Laurelwood may "impact local communities" there is no discussion or reference to the grave security concerns local community leaders and I expressed in 2004.

Let me be clear, New Jersey is no stranger to terrorist threats. Our law enforcement agencies have been effective in investigating, anticipating and preempting terrorist activity in the past, but in a post 9/11 world we must be ever vigilant in working with the federal government to ensure that we do not create new vulnerabilities where they do not exist today. Opening housing at Earle to individuals that might include either domestic or foreign terrorists is absurd.

You may recall that thirteen of the nineteen September 11th hijackers passed through NJ prior to the attacks. Members of the terrorist cell that hijacked American Airlines Flight #77 resided—undetected and undeterred—in New Jersey for several months before the attacks. According to the FBI, a number of the hijackers obtained identification documentation in New Jersey, had bank accounts here, and held their planning meetings in our state.

Similarly, the plot to incinerate the World Trade Center in 1993 was hatched in New Jersey by terrorists who lived here and purchased their lethal chemicals here. The anthrax attacks, which terrorized the nation, were launched in New Jersey, in my congressional district less than 45 minutes away from Earle. I'm proud that my state took the lead and deployed medical, scientific and law enforcement officials to respond to the anthrax attacks mitigating the damage.

With the threats that America faces today, I believe that this specific Public-Private Venture (PPV) at Earle Naval Weapons Station compromises national security and places the people, especially those in close proximity to Earle, in unnecessary danger. Can the Department of Defense ensure that civilians who would live on the military base are not Al-Qaeda cells or other groups who seek to harm Americans? Are you planning on vetting all renters? The possibility of permitting potential terrorists to rent houses on a military installation where many sensitive munitions are stored is reckless and threatens the safety of both the military personnel, and those living in the surrounding communities.

While there may be no harm with some military PPV agreements, the situation at NWS Earle—especially the security situation—is unique and raises serious questions regarding the Navy's decision to lease this particular area. Unlike most PPV Housing projects on military bases, the Section 801 housing at NWS Earle will *not* service military personnel, DOD civilians, other base personnel and/or their families but rather will open up this sensitive military installation to any member of the general public.

I thank you in advance for your prompt and independent investigation of this matter and I look forward to working with you to ensure that the Navy addresses these critical security concerns in a timely and appropriate fashion. Should you require additional information, please contact me directly, or my legislative assistant Cate Benedetti at (202) 225-3765.

Sincerely,

CHRISTOPHER H SMITH
Member of Congress

Appendix C. Community Concerns

State and local officials from communities surrounding NWS Earle and the citizens group Neighbors Opposed to Privatization at Earle raised additional concerns regarding allowing the general public to reside in the Section 801 units at NWS Earle during the outlease phase of the contract. A partial list of the primary concerns raised by the community is provided below.

Additional Security Responsibilities

- The addition of 300 homes to the existing security concerns.
- Approximately 1200 civilians who will become the responsibility of security personnel.
- The additional security monitoring responsibility of guests, vendors, and contractors.
- The potential for increased criminal activity.

Environmental Impact

- NWS Earle listed as an Environmental Protection Agency Superfund site in 1990.
- Contaminants located in some areas of the base could expose residents to potential health risks.
- Contamination sites are above levels that allow for unrestricted use and unlimited exposure.

Traffic Impact

- Increased traffic congestion on Route 34 will require extra road maintenance and servicing.
- Additional traffic volume on Route 18 that will affect all of Monmouth County.
- The responsibility of maintenance and repair of the access road is yet to be determined.

School Impact

- The potential for 300–600 school-age children residing in the Section 801 units.
- School budgets will need to increase by millions of dollars to cover the additional \$10,000–\$12,000 cost to educate each pupil per school year.

Emergency Services

- Civilians requiring medical attention would be transported to the nearest civilian hospital or emergency facility.
- Traffic violations and criminal acts in the Section 801 housing area would be considered Federal offenses and transferred to a Federal magistrate.

Taxation of Units

- Federal property is tax exempt.
- Citizens residing in Section 801 housing units will not be taxed to offset the required expenditures of the surrounding local community.

Deputy Under Secretary of Defense (Installations and Environment) Comments



ACQUISITION,
TECHNOLOGY
AND LOGISTICS

OFFICE OF THE UNDER SECRETARY OF DEFENSE

3000 DEFENSE PENTAGON
WASHINGTON, DC 20301-3000

July 3, 2008

MEMORANDUM FOR ASSISTANT INSPECTOR GENERAL AND DIRECTOR,
DEFENSE FINANCIAL AUDITING SERVICE, DoDIG

THROUGH: DIRECTOR, ACQUISITION RESOURCES AND ANALYSIS 12/7/08

SUBJECT: Response to DoDIG Draft Report on Section 801 On-Base Housing (Project
No. D2007-D000CG-0220.000)

As requested, I am providing a response to the specific recommendation contained
in the subject report.

Recommendation B.1:

The DoDIG recommends that the Deputy Under Secretary of Defense (Installations and Environment) consider an exit strategy and the location of on-base units in future contracts for build to lease housing.

Response:

The Department partially concurs with the recommendation. The use of the Section 801 authority was rendered unexecutable in the early 1990's and has not been used for more than 15 years. On-base projects under the current Military Housing Privatization Initiative authorities do not include the extended lease provisions that generated the concerns discussed in this report. However, the lessons learned will be reiterated to the Military Services at the next DoD Housing Policy Panel meeting.

Please contact Ms. Phyllis Newton, (703) 602-4354, or email
phyllis.newton@osd.mil if additional information is required.

Joseph K. Sikes
Director, Housing and Competitive
Sourcing



Department of Navy Comments



DEPARTMENT OF THE NAVY
OFFICE OF THE ASSISTANT SECRETARY
(INSTALLATIONS AND ENVIRONMENT)
1000 NAVY PENTAGON
WASHINGTON, D.C. 20350-1000

JUN 30 2008

MEMORANDUM FOR THE INSPECTOR GENERAL, DEPARTMENT OF DEFENSE

SUBJ: Report on DoD Section 801 On-Base Housing (Project No. D2007-D000CG-0220.000)

This is in response to your memorandum of June 12, 2008 requesting comments on the subject draft report. Department of the Navy comments are provided in the attachment.

Thank you for the opportunity to comment on the subject draft report. My point of contact is Mr. Steve Keating, (703) 614-5468; steve.keating@navy.mil.

A handwritten signature in cursive script that reads "Howard E. Snow".

Howard E. Snow
Deputy Assistant Secretary
(Installations and Facilities)

Attachments
As stated

Copy to:
NAVINSGEN
CNIC
NAVFAC

**DoD IG Draft Report on DoD Section 801 On-Base Housing
(Project No. D2007-D000CG-0220.000)
Department of the Navy Comments**

DoD IG Recommendation 1. We recommend that the Deputy Under Secretary of Defense (Installations and Environment) consider an exit strategy and the location of on-base units in future contracts for build to lease housing.

Department of the Navy Response: Concur with recommendation but note there are no plans to award future build-to-lease housing projects.

DoD IG Recommendation 2. We recommend that the Assistant Secretary of the Navy (Installations and Environment) continue to pursue the FY 2009 proposed amendments to section 2835, title 10, United States Code, "Long-Term Leasing of Military Family Housing to be Constructed" in order to allow for alternative uses of excess family housing.

Department of the Navy Response: Concur. The Navy submitted a legislative proposal for FY 2009 entitled "Modification of Long-Term Leasing Authority for Military Family Housing" to OSD (LRS #143) that would allow for alternative uses of excess housing constructed and leased under the Section 801 program. The proposal was included in the Administration's submission to Congress.

DoD IG Recommendation 3. We recommend that the Commanding Officer, Naval Base Ventura County Port Hueneme apply for a waiver to permit unaccompanied military members to occupy vacant Section 801 housing units for the remainder of the contract if Congress enacts the Navy FY 2009 proposed amendments to section 2835, title 10, United States Code, "Long-Term Leasing of Military Family Housing to be Constructed."

Department of the Navy Response: Concur. If the proposed legislation is enacted, the Navy will implement wherever feasible.

Technical Comments

Page i ("What We Found"). The sixth bullet states that allowing unaccompanied members to occupy the Section 801 housing units would decrease the cost per occupied unit. While it is true that the cost per occupied unit would decrease, the overall cost to the Navy would remain unchanged because, as the report notes on page 28, the Navy pays a flat rate regardless of the occupancy level.

Page 29 ("Navy Inefficient Use of Vacant Units"). The third sentence of the first paragraph on page 29 refers to the Navy's FY 2009 legislative proposal as allowing the Services to "assign military members without dependents to excess housing." It should be noted that the proposal only applies to housing constructed under the statutory "build-to-lease" authority.

Attachment

Revised

Navy Region Southwest Comments

Final Report
Reference



DEPARTMENT OF THE NAVY
COMMANDER NAVY REGION SOUTHWEST
937 N. HARBOR DRIVE
SAN DIEGO, CA 92132-0058

IN REPLY REFER TO:
11103
Ser N04/418
10 Jul 08

From: Commander, Navy Region Southwest
To: Commander, Naval Installations Command
Subj: REPORT ON DOD SECTION 801 ON-BASE HOUSING (PROJECT NO.
D2007-DOOCCG-0220.000)

Ref: (a) Draft report on Project No. D2007-DOOCCG-0220.000 dtd 13
June 2008

1. As requested in reference (a), the following is provided:
Recommendation 3: Concur. Naval Base Ventura County will apply for a waiver to permit unaccompanied military members to occupy vacant Section 801 housing units for the remainder of the contract if Congress enacts the Navy FY 2009 proposed amendments to section 2835, title 10, United States Code, "Long-Term Leasing of Military Family Housing to be Constructed." Naval Base Ventura County will submit the waiver request to Commander, Naval Installations Command within 30 days of enactment of this proposal.

2. The report summary provided on page (i), Results in Brief: DoD Section 801 On-Base Housing, states in the third bullet under "What We Recommend" as "The Commanding Officer, Naval Base Ventura County Port Hueneme should apply for a waiver to permit unaccompanied military members to occupy vacant section 801 housing units for the remainder of the contract." The phrase "if Congress enacts the Navy FY 2009 proposed amendments to section 2835, title 10, United States Code" is left off. By omitting this phrase from the Results in Brief on page (i), the reader does not gain the proper context of the recommendation until page 31 of the report where the recommendation is given in complete form. Those reading the summary only would think the NEVC Commanding Officer should have already requested the waiver and that the Navy has the current authority to approve the waiver.
Recommendation: Add the phrase "if Congress enacts the Navy FY 2009 proposed amendments to section 2835, title 10, United States Code" to the recommendation as currently stated on page (i). This recommended change is for clarity and completeness:

3. My point of contact is Matt Jordan, (619) 556-7180.


M. R. ALLEN
By direction

Revised

Team Members

The Department of Defense Office of the Deputy Inspector General for Auditing, Acquisition and Contract Management prepared this report. Personnel of the Department of Defense Office of Inspector General who contributed to the report are listed below.

Richard B. Jolliffe

Bruce A. Burton

Deborah L. Culp

Gwynne M. Roberts

Rachel L. Herman

Jonathan M. Kistler

Jillisa H. Milner

Meredith H. Johnson



Inspector General Department of Defense

