



EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
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**Circular No. A-45 Revised**

**TO THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS**

**SUBJECT:** Rental and Construction of Government Housing

1. **PURPOSE.** This circular sets forth policies and administrative guidance to be used by executive agencies in establishing and administering rental rates and other charges for Government rental housing for Federal civilian personnel located within the fifty States, the District of Columbia, and the territories and possessions of the United States. It also sets forth policies and administrative guidance to be used by executive agencies regarding construction of Federally-owned housing (excluding military housing) for civilian personnel and for employees of Government contractors.

This circular does not address:

- determinations of whether construction of housing is appropriate;
- rental rates for members of the uniformed military services, or for Federal employees stationed outside of the fifty States, the District of Columbia, and the territories and possessions of the United States;
- the use or rental of Federal property by non-employees or members of the general public. See Office of Management and Budget (OMB) Circular No. A-25, User Fees.

2. **BACKGROUND.** The policies and procedures of this circular have been updated and revised.

3. **RESCISSION.** This rescinds OMB Circular No. A-45, dated October 20, 1993.

4. **AUTHORITY.** This circular is issued by virtue of the authority vested in the President by 5 U.S.C. section 5911(f), and delegated to the Director of the Office of Management and Budget by section 9 of Executive Order 11609 of July 22, 1971; and by section 2(d) of Executive Order 8248 of September 8, 1939, as amended by Executive Order 12608 of September 9, 1987; and section 1 of Executive Order 11541 of July 1, 1970, as amended.

## 5. POLICY.

- a. Reliance on private housing market. It is the policy of the Federal Government to rely on the private housing market to provide housing for its civilian employees. If there is no requirement of service or protection or if there is adequate available private housing in the market, agencies must not acquire additional rental housing. Therefore, the Federal government, as the owner and manager of its housing, reserves the right to eliminate its housing, relocate employees, or terminate an employee lease at any time, with at least a 30-day advance written notice. Assignment to government housing is not a right or a benefit of government employment; assignment to housing is never guaranteed. At all times, the Government reserves the right to manage its housing in whatever way it deems necessary to meet mission requirements and to rely on the private market to meet employee housing needs to the maximum extent possible.
- b. Determination of rents. Agencies of the Federal Government must adhere to the following in determining rental rates for Government rental housing:
  1. Reasonable value to employee. Rental rates and charges for Government housing and related amenities will be based upon their "reasonable value . . . to the employee . . . in the circumstances under which the quarters and facilities are provided, occupied or made available." 5 U.S.C. section 5911.
  2. Subsidies, inducements prohibited. Federal employees whose pay and allowances are fixed by statute or regulation may not receive additional pay and allowances for any service or duty unless specifically authorized by law. 5 U.S.C. section 5536. Consequently, rents and other charges may not be set so as to provide a housing subsidy, serve as an inducement in the recruitment or retention of employees, or encourage occupancy of existing Government housing. Subsidies to living expenses are prohibited as an additional benefit not accorded to government employees living in the private market.
  3. Justifiability, consistency. When properly determined in accordance with the provisions of this circular, rental rates will be justified and consistent, and will provide a reasonable value to the employee under the circumstances under which the housing is provided.
- c. Employee responsibilities. Employees have a responsibility to inform themselves of all the conditions that prevail in and near the housing and duty stations to which they might be assigned before accepting transfer to or employment at such duty stations. Employees also have a responsibility to inform themselves of the provisions of this circular, and to understand that rental charges will be periodically adjusted to reflect rental changes in the private rental market. Therefore, future rental rates can be different than the charges at assignment. Employees are responsible for paying for all appliances, furnishings, utilities and services provided by the agency at the housing site. Rent payments from employee-tenants will be remitted via payroll deduction.

## 6. DEFINITIONS.

- a. Agency. As defined in 5 U.S.C. Sec. 105, the term "agency" means (1) each executive department of the Government; (2) each agency or independent establishment in the Executive Branch of the Government; (3) each corporation owned or controlled by the Government, except the Tennessee Valley Authority; and (4) the General Accounting Office (now known as the Government Accountability Office).
- b. Air conditioning. The process of cooling and distribution of air either through evaporation of water (evaporative cooling) or refrigeration (mechanical or absorption).
- c. Base rental rate. The base rental rate is the fair market rental value of the housing in the nearest established community, determined in accordance with the provisions of this circular, not including charges for related appliances, furnishings, utilities and services before applying any administrative adjustments specified in this circular.
- d. Comparable housing. Comparable housing is housing in the private sector that is generally equivalent in size to the government rental unit, with the same number of bedrooms, and with generally equivalent amenities and related facilities. Such housing is housing available on a "landlord-tenant" basis, with rental rates reflecting the fair market value of the accommodations. This is distinguished from housing rented on an "employer-employee" basis or between friends and relatives, for which personal considerations may have influenced the rental rates. In addition, other Government rental housing (Federal, State, or local government) Federally subsidized housing, and housing provided by churches or religious societies or non-profit organizations are excluded from this definition of comparable housing.
- e. Construction. Construction includes erection of new or renovation of existing structures for dwelling purposes.
- f. Dormitory. Also known as a barracks or bunkhouse, for rent setting purposes, such housing may only be classified as a Dormitory where there is either a one-bedroom unit with an open sleeping arrangement, no walls, and potential occupancy for at least four simultaneous tenants, or a minimum of four bedrooms and four simultaneous tenants for the majority of the season. Rental rates in Dormitories are based upon the privacy of the employee's sleeping room, and therefore may differ between employees living in the same Dormitory.
- g. Gross square feet. For rent determination purposes, the gross square feet for apartments will be determined by measuring the interior perimeter of the individual unit. It will encompass all interior finished space within the unit including all hallways, storage areas, etc. For all other housing types, the gross square feet will be determined by measuring the exterior building dimensions per floor. All finished areas should be used including all rooms, storage areas, staircases, etc. Garages, patios, and porches (screened/covered/uncovered) should not be included.

- h. Nearest established community. The nearest established community is the population center (Census Designated Place or an incorporated city or town) having a year-round population of 1,500 or more (5,000 or more in Alaska) located closest to the subject Government housing, provided that it has minimum essential medical facilities (i.e., at least one physician and one dentist where appointments can be scheduled) available to all occupants of Government housing on a nonemergency basis and a private rental market with housing available to the general public. Communities on a Native American Reservation or a military post or base in general do not meet this definition. Population determinations will be based upon the most recently published decennial census of the United States.
- i. Net rent. The net rent is the rental value of the housing, determined in accordance with the provisions of this circular, including any administrative adjustments and charges for related amenities.
- j. Reasonable value. Reasonable value for rental housing is to be measured by the test of equivalence i.e., what the employee would pay for comparable housing in the open market. Rental rates, will be based upon prevailing rates for comparable private housing located in the nearest established community, after taking into account those factors that reduce or increase the value of the housing to the tenant.
- k. Related amenities. Related amenities are utilities, appliances, services and furnishings provided by the Government in connection with the occupancy of housing.
- l. Rental housing. Except as specifically excluded herein or by statute, the term "rental housing," includes all furnished and unfurnished housing supplied under specific Government authority to Government employees in support of Government programs. It includes, but is not limited to, Government -owned or -leased houses (may be modular), apartments, bunkhouses, dormitories, manufactured (mobile) homes, and trailer pads. The term excludes tents, containers, guard stations and lookouts that are for short-term habitation only, and housing which (due to extreme deterioration) is unsuitable for occupancy except in exigent circumstances.
- m. Room. For the purpose of rent setting, a room is a finished living space such as a kitchen, living room, dining room, bedroom, enclosed porch, sunroom, finished attic, finished basement, or other suitable living space. To be considered a bedroom, the room must have a doorway entrance to the remainder of the interior, and at least one direct exit from the building, through either a door or window. If the exit is through a window, it must be unobstructed, operate from the inside, provide a clearing of no less than 20 inches in width, 24 inches in height and at least 5.7 square feet in area, and the bottom of the window must not be more than 44 inches off the floor. A small or unfinished space, such as a breakfast nook, bathroom, hallway, foyer, alcove, arctic entry, pantry, laundry area, closet, storage room, utility room, unfinished attic, unfinished basement, garage or carport, is not considered a room for these purposes.

## **7. PROCEDURES FOR DETERMINING RENTS AND OTHER CHARGES.**

a. Charges for housing. The determination of reasonable value of Government rental housing will be based upon an impartial study of comparable private rental housing. There are two methods that may be employed to determine the base rental rate. The first, an appraisal, involves direct comparison with individual private rental housing units in the nearest established community. The second, the regional survey, creates a series of economic models based upon a survey of comparable private rental housing in the nearest established communities throughout the survey region. While both methods are accurate, agencies should use the survey method, whenever possible, due to the costs and administrative burdens associated with conducting individual appraisals. Both methods are subject to the conditions and limitations set forth below.

1. Appraisals. Appraisals may be used in all locations where Government housing is located. The base rental rate may be determined by either a certified/licensed on staff or contracted appraiser, applying recognized real estate valuation principles within the confines of this Circular. To ensure a uniform approach to valuation when conducting an appraisal, the staff or contract appraiser will be limited to comparing the Government rental housing with housing in the nearest established community. Such comparisons will be limited to adjustments for the physical differences in the housing

None of the administrative adjustments provided in subsection 7c will be made for isolation, site amenities, space devoted to official use, or excessive heating or cooling costs when the appraisal method is used. These factors, if appropriate, will already have been considered by the appraiser in the appraisal process.

2. Regional surveys. Regional surveys may be used in all locations where Government housing is located.

To avoid duplication and inconsistent rates, all agencies with housing in a given location should coordinate their survey plans and conduct a single survey applicable to all. If the regional survey method is used, the base rental rates will be set by statistical analysis of typical rental rates for comparable private rental housing in the nearest established communities to Government housing. If a nearest established community is not surveyed, the rent may be based on the survey average or, if possible, on comparable rental units from the next closest established community. The actual analysis of rental data for the establishment of base rental rates will be accomplished by using appropriate statistical regression techniques.

The area selected for survey should be large enough to permit an adequate sampling of comparable rental properties in most of the established communities, and may encompass one or more States. Individual private rental housing samples reflecting unexplainably high or low rental rates (outliers) should be excluded from the data subjected to final analysis. Ideally, the survey would establish the rental rates for a large number of Government housing units and thereby reduce the cost per unit surveyed. The methods of analysis must be capable of recognizing both the physical characteristics of housing and

the rental market differences between communities, and reflecting such differences in the base rental rates.

To ameliorate housing costs in those nearest established communities that are uniquely influenced by economic circumstances, community housing costs that are over 30% higher than the latest regional average will be “capped” at the latest regional average plus 30%. Phased implementation of this requirement is permitted whereby the “cap” increases from the regional average by ten percent each survey cycle until the full average plus 30% is attained. It is understood that a new regional average is recalculated for each survey based upon the most current data collected for that region. Therefore, the communities with housing costs over 30% above the latest regional average may fluctuate from survey to survey.

3. Adjustments to sample units to obtain base rental rate. Where the rental charges for comparable housing includes the values of utilities, furnishings, or other services, downward adjustments to obtain the base rental rate will be based on the prevailing rates for such utilities, furnishings, and other services in the survey area where the survey method is used. The value of furnishings and other services may be based upon national average costs where such data are available.

Appropriate adjustments may be made to the base rental rates established for housing in accordance with the provisions of subsection 7c to determine net rental rates.

4. Agency review. Regardless of the method used, results of surveys and appraisals will be reviewed by the agency prior to implementation to assure that they are fair and reasonable, and that they were developed in accordance with the provisions of this Circular.

b. Charges for related amenities.

1. Utilities. It is Government policy to minimize energy consumption. Consumption has been found to decrease when occupants of Government rental housing are required to pay for the actual cost of utilities used (such as electricity, oil, natural gas, propane, telephone, cable television, water and sewer). Utilities should be furnished by a private company and billed directly to the occupant, wherever possible.

When utilities are provided by the Government, the utilities should be metered or measured, where practicable. The consumed amount of Government furnished utilities that are individually metered or measured will be determined by actual readings. Utilities are considered to be provided by the Government if: 1) they are physically produced by the Government or 2) they are provided by a private supplier but paid for by the Government installation and not billed separately to each individual unit.

Rates for utilities produced by the Government will be the same as residential rates for these utilities in the nearest established community (when the appraisal method is used) or the survey area average (when the survey method is used).

Actual rates for utilities paid by the Government to a private supplier can be charged to the tenant, including all taxes and related charges, as long as they are typical residential-level charges and are uninfluenced by Government contracts or preference. If the actual rates are not residential, but are established by or for the Government, then the rates applied will be the same as the residential rate for these utilities in the nearest established community (when the appraisal method is used) or the survey area average (when the survey method is used).

When Government furnished utilities are not individually metered or measured, consumption will be determined on the basis of an analysis of the average amounts of utilities used in comparable private rental housing in the nearest established community (when the appraisal method is used) or survey area (when the survey method is used). Such estimates are usually available from local utility companies. Alternatively, consumption may be calculated using engineering standards (such as ASHRAE Standard 90.2, Energy-Efficient Design of Low-Rise Residential Buildings by the American Society of Heating, Refrigerating and Air-Conditioning Engineers, Inc.). Utility charges will be clearly shown and separated from rent charges on the lease documentation.

2. Services and Furnishings. Charges for appliances and furnishings will be based upon national average replacement costs allocated over the useful life of the furnishings. Charges for all other services provided by the Government will be based upon the frequency of service and national average costs, and adjusted each year with a national Consumer Price Index adjustment as outlined in section 7d (4) of this Circular.
3. Trash Removal Service. Charges for trash removal will be based upon prevailing rates for such services in the nearest established community (when the appraisal method is used) or survey area (when the survey method is used). Trash removal does not have to be curbside pickup in order to be considered a service provided by the Government. Any device where a tenant can dispose of trash and the Government is paying to have it emptied and disposed is considered trash removal service and the tenant should be charged accordingly.
4. Excessive heating or cooling costs. An adjustment to the rental rate may be permissible if the occupant is required to pay an unreasonable additional expense for heating or cooling because the housing is poorly designed, lacks all-weather construction, or has inadequate or deficient weatherproofing or insulation. Such factors may be documented via condition assessments by the Government. For this adjustment to be permissible, heating and cooling costs must be metered and measurable, the occupant must be paying the actual heating and cooling costs, and the occupant or Government must provide 12 previous months of utility bills for the subject housing unit. If the rental housing in question requires expenses to the occupant in excess of 25 percent over the average heating or cooling for comparable housing in the survey area and similar climate zone, the excessive costs (i.e., those in excess of 25 percent over the average) may be deducted from the annual rental rates. Such an adjustment must be reevaluated annually, to take effect during the first full pay-period in March.

c. Administrative adjustments. Additional adjustments in the form of deductions from the base rental rate are appropriate in the specific situations described below. The resulting net rental rate after all adjustments may not be less than the reasonable value of the housing, since this would constitute a supplementation of salary in contravention of law. The net rental rate, after all adjustments, must not be less than 50 percent of the base rental rate, except in cases where an adjustment for isolation has been made. In such instances, the rental rate may be set at not less than 40 percent of the base rental rate.

1. Isolated locations. In some cases, the Government supplies housing in locations where minimal community services are available but only at some distance from the housing. In addition, travel conditions or mode of transportation may serve further to isolate some employees from minimal community services. In such situations, the agency will grant a reasonable adjustment to ameliorate the direct economic effects of the isolation, utilizing the procedure described below and in the appendix.

The nearest established community will be used as the community for calculating the adjustment, even though that community may not serve as the occupant's preferred destination for community services. The mileage used in computing the adjustment will be the shortest route usually traveled from the rental housing to the center of the nearest established community. The center of the community is the local government or business center as defined by web mapping services. For travel by road, such web mapping services will provide specific routes and distances of travel between the Government housing unit and the center of the nearest established community. For travel by air or water, mileage calculator web sites should be utilized. If that route is closed seasonally, a weighted average adjustment will be used for the entire year, based upon the number of months each route would ordinarily be used.

The adjustment is designed to recognize different categories of highways and modes of transportation. Because of the range of possible travel conditions and modes of transportation, point values have been assigned to each category of transportation. These point values represent differences in time, cost, or both, associated with each mile of each category of transportation from the housing to the nearest established community.

The point values are multiplied by the number of one-way miles from the housing to the nearest established community, to produce one-way points. When travel from the housing to the nearest established community involves more than one category of transportation, the one-way miles are distributed accordingly. When the category of travel is category 4 or 5 on the Isolation Adjustment Computation form in the appendix, 23 and 22 points are added, respectively, to the product of columns A and B. The one-way points in each category are then added to produce total one-way points, which must be 26 points or greater, or there is no adjustment. Based upon one-way points, the number of compensated trips is determined per the chart in the appendix. One-way points are multiplied by the compensated number of trips to determine the total adjusted points. Finally, the total adjusted points for all modes of transport are multiplied by an Isolation Adjustment Factor (based on the automobile mileage allowance determined by the General Services Administration) to produce the monthly dollar adjustment.



2. Site Amenities. Living conditions at the locations of some Government housing are not always the same as those found in or immediately adjacent to the survey or appraisal communities. In such communities, the amenities listed below are generally present and their contributory value included in the base rent. The lack of availability of any of these items at the Government housing location represents a generally less desirable condition than living conditions found in the nearest established community and compensation may be provided, via a negative percentage adjustment to the base rental rate, as shown below. If any of the amenities listed below are absent from both the Government housing and the nearest established community then it is determined no difference in living conditions exists, thus no negative adjustment will be made to the base rent. The availability of site amenities will be documented, reviewed, and updated annually, to take effect during the first full pay-period in March. Application of site amenity adjustments without Government documentation of eligibility would constitute a subsidy of employee living expenses, which are prohibited by this Circular.
- (a) Reliability and adequacy of water supply. The water supply system should provide potable water (free of significant discoloration or odor) at adequate pressure at usual outlets. (3 percent adjustment may be made for this category.) If the Government water system is similar to the nearest established community's water system, no adjustment will be made.
  - (b) Reliability and adequacy of electric service. Service must equal or exceed a 100-ampere power system capable of providing 24-hour service under normal conditions. Occasional temporary outages are considered normal. If an adequate backup generator is available, no adjustment may be made, regardless of the reliability of the primary power source. (3 percent adjustment may be made for this category.) If the availability and reliability of electricity at the Government housing is similar to the electricity service in the nearest established community, no adjustment will be made.
  - (c) Reliability and adequacy of fuel for heating, cooling and cooking. There should be sufficient fuel storage capacity to meet prevailing weather conditions and cooking needs. Where electricity is used to heat, cool, or cook, this adjustment is to be made only when the adjustment in (b), above, applies. (3 percent adjustment may be made for this category.)
  - (d) Reliability and adequacy of Police protection. Law enforcement personnel, including Government employees with law enforcement authority, should be available on a 24-hour basis. "Availability" is defined as the ability to respond to emergencies as quickly as any officer in the nearest established community. If the Police response to the Government housing is similar to the nearest established community's Police response, no adjustment may be made. Part-time Government officers are not necessarily unable to meet this test of availability. Gaps in availability due to temporary illness or injury, use of annual leave, temporary duties, training, or other short absences, do not render law enforcement personnel "unavailable" at the Government housing. (3 percent adjustment may be made for this category.)

- (e) Reliability and adequacy of fire protection. Adequate equipment, adequate water (or fire retardant chemical) supply, and trained personnel should be available on a 24-hour basis to meet emergencies. Volunteer firefighting personnel are considered trained and available to respond to an emergency. If adequate firefighting capability similar to the nearest established community is available, no adjustment may be made. (3 percent adjustment may be made for this category.)
  - (f) Reliability and adequacy of sanitation service. An adequately functioning sewage disposal system and a solid waste disposal system, whether community or individually provided, should be available. Individual sewage disposal systems (septic, cesspool, or other) will be considered adequate even though they may require periodic maintenance, as long as they are usable during periods of occupancy. (3 percent adjustment may be made for this category.)
  - (g) Reliability and adequacy of telephone service. Twenty-four-hour accessibility to commercial telephone facilities should be available. Telephone service is defined as the ability to make or receive a call regardless of the commercial provider or the technology used. The Government is not responsible for providing the equipment or service to the occupant. No adjustment may be made if telephone service is available, but is not acquired by the occupant. (3 percent adjustment may be made if telephone service is unavailable or unusable at the housing location.)
  - (h) Noise and odors. There should be an absence of significant, frequent disturbing noises or offensive odors. If the noise or odors at the Government site are similar to those at the nearest established community, no adjustment may be made. (3 percent adjustment may be made for this category.)
  - (i) Access. Paved roads, sidewalks, and street lights should be present. This adjustment is made only when all three of those elements are absent. (1 percent adjustment may be made for this category).
3. Impositions on privacy or living space. Administrative adjustments to the base rental rate are allowed if the living space or privacy of the occupant is restricted. In each case, the agency will make a special determination of the specific conditions making certain that the conditions have not already been reflected in establishing the base rental rate. Application of privacy and living space adjustments without Government documentation of eligibility would constitute a subsidy of employee living expenses, prohibited by this Circular.
- (a) Loss of privacy. If occupants are subject to loss of privacy during non-duty hours by virtue of repeated public visits (i.e., occurring several times daily) or inhibited from enjoying the full range of activities normally associated with rental occupancies (such as where restrictions are imposed on activities in housing by the Government), a negative adjustment not to exceed 10 percent of the base rental rate is allowable. It is understood that occasional disruptions during non-duty hours are expected at Government housing just as in the nearest established community and thus no adjustment will be made. Logs of the type and frequency of the disturbance during non-duty hours will be established and maintained as part of the Agency's required

documentation. Proportional adjustments will be made to reflect seasonal variations. Loss of privacy does not apply where official duties require public or employee contact during atypical hours, or where roommates share a rental unit. Loss of privacy adjustments will be revised as necessary, and at a minimum, will be reviewed and updated annually, to take effect the first full pay-period in March.

- (b) Space devoted to official use. When the agency determines that the use of a portion of the housing is required for official business (i.e., office, storage, museum space, etc.), and is unavailable for personal use, this loss of living space should be reflected by an adjustment to the base rental rate by deducting the square footage occupied for official use. Documentation of this official use space must be included in the lease documents and available for review. Since official use space is related to an occupant's position, at a minimum, it will be reviewed and updated for each new occupant.

#### 4. Transient and temporary use of housing.

- (a) Transient occupancy rate. The transient occupancy rate may apply when an employee occupies housing on a transient basis, that is, normally for 90 days or fewer, and will be assessed at rates equivalent to private transient housing of comparable type and quality. These rates assume (but do not require) the Government provides housekeeping items, such as cookware, linens, bedding and maid service. The rental rate will be established by using the extension of comparability outlined in subsection 7e (1), and adding to the base rent a charge for maid services and an additional charge of 20 percent to cover necessary administrative and service charges. The monthly rate will be divided by 30 days for the daily rate or 4-1/3 weeks for the weekly rate.
- (b) Temporary housing rate. This adjustment will apply in the rare situation when an employee occupies housing for the convenience of the Government on a temporary basis (normally more than 60 days, but less than 180 days) and does not receive additional compensation. Under these circumstances, if the employee maintains two residences (households), the agency is authorized to adjust the rental rate on the temporary housing unit so that the combined rent (or rent and mortgage payment) paid during the period of occupancy is not excessively burdensome. The adjustment may not exceed 20 percent of the base rental rate of the temporary housing unit. This adjustment does not apply where an employee is permanently assigned to the duty station.
- (c) Employees occupying structures not defined as rental housing units on a temporary basis will not be responsible for paying rent.

- 5. Housing of excessive or inadequate size. If there is a lack of housing of appropriate size, an employee may be provided Government housing of a size either excessive or inadequate to that which the prudent employee would have selected in the private community. In rare circumstances, the base rental rate will be reduced by up to 10 percent in direct proportion to the degree of the excess or deficiency. This reduction will not continue beyond one month after the availability of either an appropriate Government rental unit or private rental housing. The adjustment may not be used in situations where

bedrooms or bathrooms have been locked off in order to reduce rent to the employee – both adjustments may not be applied simultaneously.

6. Changes in administrative adjustments. Agencies should reflect changes in any of the factors contained in subsection 7c as soon as possible after learning of those changes, normally within 30 days. At a minimum, all administrative changes will be documented, reviewed and updated annually, to take effect the first pay-period of March.
- d. Cyclical and annual adjustments. Charges for rental housing and related amenities will be adjusted periodically in accordance with the following:
1. Adjustments based on surveys or appraisal. Base rental rates established for Governmental furnished rental units will be affirmed or adjusted by a survey or appraisal of the private rental market at least every fifth year.
  2. Adjustments based on changes in the Consumer Price Index (CPI) as determined by the Bureau of Labor Statistics. Annual adjustments in the base rental rate will be made for every Government housing unit by applying the percent change in the CPI Rent Series from the month and year that the last regional survey or reappraisal of the private rental market was conducted through the last day of September each year. The new rates will be effective at the beginning of the first pay-period that starts on or after March 1 of each year. Though effective in March, the adjustment will be based on the preceding September CPI data to provide the required lead time.
  3. Annual adjustments for isolation. The Isolation Adjustment Factor will be recomputed each year to reflect the Government mileage allowance for automobiles published by the General Services Administration as of the last day of September each year. Where appraisals are used, no isolation adjustment may be applied. The new isolation adjustment factor will be used to compute the monthly isolation adjustment applicable to rents being charged starting with the first full pay-period that starts on or after March 1 of each year. This is done to coincide with the implementation of rental rates adjusted by the CPI Rent Series each year, as required in section 7d.2. of this Circular.
  4. Annual adjustments of utilities, furnishings, and services. To ensure that rates for Government furnished utilities, furnishings, and services keep pace with current costs, they will be adjusted annually. Where appraisals are used, the rate will be the average residential rate for the utility, furnishings, and services in the nearest established community as of the last day of September. Where surveys are used, utility costs will be adjusted by amounts coinciding with the changes in the appropriate components of the September Consumer Price Index for Urban Wage Earners and Clerical Workers: Not Seasonally Adjusted, U.S. City Average. The adjusted value of furnishings and other services may be based upon national average costs. The new changes will be effective at the beginning of the first pay-period that starts on or after March 1 of each year in accordance with the procedure set forth in subparagraph 7.b. above.

5. One year incremental adjustments. If new appraisals, surveys, inventory changes or CPI adjustments result in increases in net rental rates of \$100 or more per month above the current tenant's net rental rate, such increases may be imposed incrementally over a period not to exceed one year, on the condition that they be applied only to permanent Federal employees that reside in the affected housing unit when the new rent takes effect. Seasonal employees, non-Federal tenants, and new Federal tenants will pay the full new rental rate upon occupying the affected units.
6. Two year incremental adjustments. If new appraisals, surveys, inventory changes or CPI adjustments result in net rental rates increases of \$200 or more per month above the current tenant's net rental rate, such increases may be imposed over a period not to exceed two years, on the condition that they be applied in equal installments on at least a quarterly basis and that any remaining increments be recalculated to include additional adjustments outlined in paragraphs 7.d.1-4 above set to take effect at the next annual adjustment. Approval to use this incremental adjustment must be received from the Chair of the National Housing Council. Incremental adjustments will apply only to permanent Federal employees who reside in affected housing units when the new rent takes effect. Seasonal employees, non-Federal tenants, and new Federal tenants will pay the full new rental rate upon occupying affected units.

The \$100/\$200 thresholds will be reviewed every five years to determine if they are still appropriate, or if they should increase based upon changes in the Consumer Price Index. The National Housing Council will perform this review and document any required change.

- e. Qualifications and extensions. The principle of comparability with private rental practice may be modified under the conditions described below:
  1. Extension of comparability. For lack of available alternative housing, employees must sometimes occupy space for use as housing that generally is not found in the commercial housing market. Such housing may be so identified, for example, because it was originally built for seasonal occupancy only, or because it was not originally built for use as housing. In other instances, housing may be suitable only for particular types of occupancy, such as dormitories, bunkhouses, and barracks-type structures.

In all such cases, if no comparable rental data can be obtained or professional appraisals are not made, Dormitory rental rates will be set across the survey area using a rate equivalent to one-half the average base rental rate of all 4-bedroom houses in the survey region, collected as part of the latest survey. When rent is established using the extension of comparability, none of the administrative adjustments provided in subparagraph 7.c. will be granted. The reduction to one-half of the average base rent is to compensate tenants for all location adjustments and the lack of privacy in shared common spaces and bathrooms. Additional adjustments for isolation, other administrative adjustments, and local market differences are not applied to Dormitory rates subsequently.

Additional charges for utilities will be based upon latest survey rates collected as part of the latest survey. Charges for all other related amenities and services will be based upon

desired capacity per sleeping room and will distinguish between private and shared sleeping rooms.

2. Instances of hardship. In certain hardship cases, continued occupancy of Government housing by employees and their dependents or by dependents of deceased employees is permitted. Occupancy of housing in such instances will normally not exceed 60 days. Such occupants, if not employed by the organization, will continue to pay the established rental rate for the housing through a bill of collection. If the dependent is an employee, a new agreement will be created and the dependent will pay by payroll deduction.
3. Housing provided during training. The provisions of this Circular will not apply when employees attend training programs at Federal or private facilities and the cost of housing is factored into the training program's charges. The valuation rules of this Circular need not be applied, so long as the per diem rate (or actual per diem expense rates) paid the employee is set to reflect the fact that the housing is provided at no cost to the employee. Under these circumstances, the Government program providing the employee's training, and receiving payment for the employee's training, will pay rent as specified by the Circular into the housing unit's operating fund.
4. Housing provided on travel duty. In other situations, when employees are receiving per diem (or actual per diem expense rates) and occupying Government housing, the per diem paid to employees must be set to reflect the fact that the housing is provided at no cost to the employee.

**8. CONSTRUCTION OF FEDERALLY-FUNDED HOUSING.** Unless otherwise provided by law (e.g., 10 U.S.C. 2826), the following provides guidance to agencies on determining housing construction needs and construction standards:

- a. Determination of number of families to be housed and pattern of housing required. The agency should determine the number of families to be housed under the particular circumstances and the probable pattern of family size and composition by a statistical study of families and numbers of dependents within the service or agency adjusted for agency experience, changes in staffing patterns, and national trends in family size. Most frequently, the agency will be adding a limited number of multiplexes, apartments or single family houses at a station where some housing already exists. Under these circumstances, the agency should first make certain that existing housing (owned, leased, or otherwise available to the agency) is properly assigned, accounting for affordability and family requirements.

If single-family dwellings are required, agencies are encouraged to use apartment or multiplex design configuration to enhance economy, speed of construction and energy efficiency. Apartment and multiplex design approaches allow for shared and redundant engineering systems that result in lower operations and maintenance (O&M) costs and enhance safety of employees, especially in remote areas where repair logistics are challenging.

In addition, housing units should be constructed with environmental considerations and particular attention to O&M issues, especially energy usage. Utility system selection should consider life cycle cost, and appropriate technology from an O&M perspective, especially in remote locations. Utility costs in single-family houses are normally higher than for apartments or multiplex units; consideration is required on utility costs when determining appropriate, right-sized housing.

Although agencies cannot always determine the grades of future occupants, there is a normal range of grades for the personnel who are required or permitted to occupy Government housing on the station. The determination of the size of quarters to be provided to an expected occupant should ensure that the quarters is of sufficient size to meet the average needs of such an occupant, while also ensuring that the total cost to the occupant is not more expensive than the occupant could be expected to pay to secure housing in the private rental market. Larger housing may be provided for progressively higher grades up to the maximums for personnel at and above general schedule grade 14. The “right-sizing” of housing, based upon an analysis of typical occupant pay grades, is crucial because rental rates are not based on pay grade or occupant ability to pay. Rental rates are based on the size of the unit and the market of the nearest established community.

(One general rule of thumb that could be utilized to relate affordability to housing size and suitability is to design and construct housing such that the resulting total housing cost, including utilities, taxes, and insurance, does not exceed 30% to 35% of gross income for the targeted position(s). This calculation does not provide a specific rent amount cap as rent is based upon the actual rental costs at the nearest established community and is only noted here as a possible planning tool.)

After ascertaining that there is a proper utilization of existing housing, the agency should determine what further construction, if any, is required to establish a proper pattern of housing (“right-sizing”) at the station. The determination must discount temporary and unusual peak numbers of employees at the station, but not necessarily recurring requirements for seasonal employees who must be housed. Four general situations with basically different housing requirements are likely to occur:

1. Small station. Where only one to five Government housing units are to be supplied at a station, it is likely that no stable family pattern can be predicted on a statistical basis. The most reasonable method of meeting the housing requirement under these circumstances is to supply two three-bedroom units, two two-bedroom units, and one one-bedroom unit. These stations are normally staffed by lower graded employees; providing multiplexes and apartments will lower the cost for the tenant versus a single family housing unit and should be given priority in construction decisions.
2. Medium station. Where five to 25 Government housing units are to be supplied, the group is probably still too small to expect a stable family pattern, but the group is too large to permit building all housing units the same size. Under these circumstances, the agency should seek to develop a flexible and diverse housing supply, if possible. However, in view of family size trends, it would be best to construct a mix of three-

bedroom units, with a smaller number of two-bedroom units, and a few one-bedroom units.

3. Large station. Where more than 25 Government housing units are to be supplied, it is reasonable to expect that a fairly stable family pattern exists. Under these circumstances, the agency should determine what this pattern is, as described above, and, utilizing Table 1, plan to provide the appropriate number and distribution of rooms. In the table of gross finished floor areas (Table 2), the normal construction limits will govern the maximum areas of units to be constructed, except that agencies may construct up to the statutory or maximum limitation for housing in unusual circumstances. The number of rooms will be governed by Table 1 below and total square footage by Table 2 below.
4. Seasonal stations. Where the housing requirement is for seasonal or short term single individuals (such as fire-fighting units) housing units provided should be dormitories, bunkhouses or barracks-style housing units. Multiplex, apartment and single family housing units should be avoided as the costs to a single employee are significant.

Persons in household	Rooms to be provided	Bedrooms	Baths One-story	Baths Two-story
2-3	4	2	1	1 or 1.5
4	5, 5.5, or 5	3	1 or 1.5	2 or 2.5
5	5.5, 6, or 7	3 or 4	1.5 or 2	2 or 2.5
6	7	4	2	2 or 2.5

	1 Bedroom <sup>2</sup>	2 Bedrooms	3 Bedrooms	4 or more Bedrooms
Minimum	550 (sq.ft.) <sup>3</sup>	750 <sup>4</sup>	960 <sup>4</sup>	1,190 <sup>4</sup>
Standard	730 <sup>5</sup>	1,000	1,415	1,670
Maximum	810	1,250 <sup>6</sup>	1,670 <sup>6</sup>	2,100 <sup>7</sup>

<sup>1</sup> Gross finished square feet is defined as the area that includes all enclosed space, as measured from the exterior face of the building walls, that is intended for human occupancy and is heated by a conventional heating system (no portable heaters) and is finished, with walls, floors, and ceilings of typical material used for interior construction (drywall, carpeting, paneling, etc.) and is directly accessible from other finished spaces.

<sup>2</sup> For multi-family or apartment construction only. No one-bedroom houses should be built.

<sup>3</sup> Applies to apartments or multi-family construction. Not for single or duplex houses.



<sup>4</sup> Budget estimates will not be considered for construction beyond these normal limits unless accompanied by a specific determination of the agency that up to the specified maximums are necessary.

<sup>5</sup> Applies to single-family houses without basements for higher salaried personnel only.

<sup>6</sup> Applies to single-family houses without basements for higher salaried personnel only.

- b. Types of family dwellings to be constructed. Family dwellings similar in type to dwellings normally built in the local area will be constructed whenever practicable, with full advantage being taken of the economy of construction and maintenance of multiple-family dwellings-apartment, or multiplex. The construction of single-family dwellings, balanced with a careful review of rental costs and pay grades of the employees to be housed, may receive special consideration in locations where remoteness of the station from other community facilities makes it undesirable from the standpoint of safety, employee morale, recruitment and retention of personnel, and satisfactory living conditions under adverse circumstances to house employees in multiple-family dwellings.
- c. Prospective rental levels and their effect on construction. The type of dwellings to be constructed will also be governed by the amount of rent that the expected occupants can afford to pay as determined in accordance with this circular. Additionally, the rent collected should cover the cost of operating and maintaining the unit over the life span of the structure. Hence, care must be taken to ensure that dwellings sizes are planned such that they would rent at rates within the reach of employees to be housed. Decisions relative to dwelling types should be based on life cycle cost and expected family patterns.
- d. Determination of the number of rooms to be provided in family housing. The number of rooms to be provided must be based on the size and average composition of families to be housed. Consideration should be given to the trends in family size. It is permissible to provide larger houses for higher salaried personnel who can afford to and will pay commercially comparable rents for larger housing. Table 2, above, indicates the total square footage and bedrooms that should normally be planned for families of varying sizes.
- e. Gross finished square feet of houses. The gross finished square feet shown in Table 2 may be increased 10 percent (a) if outside the continental United States, or (b) for civilian heads of large installations. The minimum areas represent the limit below which it is not advisable to build permanent housing; such minimum areas should be used only for multiple-family dwellings.

Maximum areas represent the limit above which Federal funds may not be invested to provide housing reasonably commensurate with income for all but the highest income groups.

- f. Special features. Special features may be provided to meet special work or isolation conditions. These include: extra rooms with outside doors for the employee whose home is also his or her work headquarters; special access to bath or shower rooms without going through the house where appropriate shower facilities are not provided in work buildings;

fireplaces with inserts (for energy efficiency) in remote areas where wood is readily available and the fireplaces would serve a practical purpose; extra storage space, freezers and facilities where distances to market are such as to necessitate purchasing food and other supplies in quantity; and some space for recreation purposes where families may be confined to the house for long periods of time during bad weather conditions.

Air conditioning should be installed in housing in locations where during the six warmest months of the year the dry bulb temperature is 80° F or higher for over 650 hours or the wet bulb temperature is 67° F or higher for over 800 hours.

Air conditioning otherwise permitted by the standards described above, should employ evaporative cooling when applicable to the local climate and engineering studies indicate it is feasible and more economical to install and operate than refrigeration systems.

Where feasible, electric, water and propane gas meters must be installed in all new constructed housing to measure consumption of utilities at each individual rental unit.

- g. Design standards. Agencies should consult the latest editions of the International Building Code, the International Residential Code for One and Two Family Dwellings, and ASHRAE Standard 90.2 (Energy-Efficient Design of Low-Rise Residential Buildings) for guidance in planning construction of permanent family housing that is livable, durable, safe, and sanitary.
- h. Compliance with design standards. Agencies will plan new construction of family housing in accordance with this Circular and nationally recognized design standards, such as those noted in subparagraph g. above. Budget requests and apportionment requests for this purpose will be based upon compliance with the approved design standards and the provisions of this Circular. The square foot construction cost should not exceed that generally recognized as prevailing in the area for non-Federal dwellings of similar size and type of occupancy. Exceptions may be made by those agencies constructing housing outside the continental United States where climatic conditions or local building codes and restrictions prevent compliance. Any other exceptions should be plainly set forth in the budget or apportionment request.
- i. Budget and apportionment requests. Consult OMB Circular No. A-11, Preparation and Submission of Budget Estimates, for guidance respecting budget and apportionment requests.

**9. AGENCY POLICY.** Agencies with employee housing should develop agency policies and procedures to manage employee housing within 180 days of publication of this Circular.

The following guidelines must be observed and included in agency policies and procedures to implement this Circular:

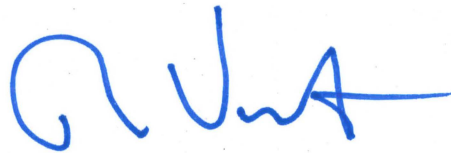
- a. Conflicts of interest. To avoid potential conflicts of interest, agencies will not assign employee occupants of government housing or their subordinates to perform appraisals or to recommend housing inventories, rents and other charges. If the occupant is responsible for or involved in rent-setting activities, the occupant's rental rate must be reviewed and approved in writing by an individual no lower than a level above their supervisor.
- b. Consistent local patterns; Interagency Committees. Where several different Federal agencies provide rental housing in the same area, those agencies will take necessary steps to ensure a consistent local pattern in rents and utility rates. A National Housing Council has been established for this purpose. Agencies that utilize the survey method for rental rate establishment have membership on this council.
- c. Agency records regarding recommendations and adjustments. A full record of the findings and recommendations of the appraiser or area survey, as well as documentation to justify administrative adjustments, will be kept by the agency concerned.
- d. Agency central records and supervision. Sufficient information will be maintained centrally by the agency to allow agency management to be informed of, and to monitor, the status of administration of the requirements of this Circular.
- e. Reconsiderations and Appeals. Agencies will develop and implement formal processes for employees to request a reconsideration of their rental rates and to request an appeal of a denial of a reconsideration request.
  1. All tenants must be notified of their rights to request reconsideration of their rental rates, or file an appeal of a denial of a reconsideration request, and the processes for filing.
  2. Agencies will designate an approving official for all requests for reconsideration of rental rates, and an approving official for all appeals. These officials cannot be the same individual.
  3. Occupant requests for reconsideration of rental rates must be filed in writing within a specific time period from receipt of the rent change notice. The approving official must respond in writing within a specific time period of receipt of the request for reconsideration. Before responding, all requests for reconsideration will be submitted to the office that originally determined the rental rate, whether that be a contract appraiser or the office that performed the survey, for evaluation. Their input will be included in the response to the occupant.
  4. Occupant appeals may only be filed if a request for reconsideration has first been submitted and denied. Appeals may not raise any issues not already raised in the original request for reconsideration. Appeals must be filed in writing within a specific time period from receipt of the response to the request for reconsideration. Before providing a ruling, all appeals will be submitted to the office that originally determined the rental rate, whether that be a contract appraiser or the office that performed the survey, for

evaluation. If appropriate, their input will be included as part of the appeal's documented ruling.

5. Decisions on appeal are final. Filing of requests for reconsideration and appeals will be standardized throughout the agency and the process made available to all tenants.
- f. Vacancies. Employees on annual leave, travel duty, or temporary work assignments will continue to be charged for rent and related facility costs, unless the housing unit is vacated and made available for reassignment.
- g. Landlord-tenant relationship. To aid all agency administrative officials and employees in understanding how the Circular is to be applied, agencies will make clear that they assume the customary responsibilities of the landlord and that those who occupy rental housing assume the customary responsibilities of tenants.
- h. Required lease agreements. No person will be permitted entrance to, or be assigned to, Government housing without signing an agreement, including a document specifying the method of payment and responsible party. Federal requirements for rental properties, and agency procedures for implementing them, must be included.
- i. Required rent payment. No Federal employee may be assigned to Government housing without payment of rent through payroll deduction. No non-Federal person may be assigned to Government housing without payment of rent by bill of collection or by the benefitting account. Agency regulations will specify how rent will be recorded.
- j. Required occupancy. Agency regulations will specify the conditions under which the agency head, or his or her designee, will require occupancy of Government rental housing units, in accordance with the limitations cited in 5 U.S.C. section 5911(e), which provides that employee or member occupancy of rental housing may not be required unless the agency head determines that necessary service cannot be rendered, or that property of the Government cannot adequately be protected without such occupancy.
- k. Safe and sanitary housing. Agency heads will ensure that Government rental housing units are safe and sanitary. Although adjustments to the basic rental rate are permitted for such circumstances as excessive heating and cooling costs, poor condition, and lack of potable water, such conditions should not be permitted to continue any longer than absolutely necessary. If emergency or exigent circumstances require occupants to relocate for safety purposes, or for the Government to effect necessary repairs, alternate temporary or permanent housing must be furnished by the Government. Relocated occupants will continue to pay rent for up to 14 days in alternative housing at the same rate as at their uninhabitable unit. After 14 days, relocated occupants will pay rental rates in accordance with this circular for the replacement housing unit.
- l. Agency housing officers. Each Federal agency that provides rental housing will appoint a principal housing officer with responsibility to supervise the agency's implementation of the policies of this Circular.

- m. Each agency should periodically audit its housing program or contract for a third party to perform such audits.
- n. Procedures for Underpayment or Overpayment of Rent. Agency regulations will specify the time limitations and procedures for refunding overpayment of rent to occupants, and for collecting underpayment of rent. Agencies will specify procedures for rental rate or payment errors that are due to government oversight.
- o. Compliance. Annually each Federal agency using the survey method for setting rents will certify compliance with the policies of this Circular. The National Housing Council will review housing inventory data from all participants to ensure compliance with these policies.

10. **INQUIRIES.** For information concerning this Circular, contact the Office of Management and Budget, Office of Federal Financial Management, 725 17th Street, NW, Washington, DC 20503, telephone (202)395-3993.



Russell T. Vought  
Acting Director

## APPENDIX

### Isolation Adjustment Computation

The monthly adjustment for isolation, as described in section 7c (1), is computed as follows:

Step 1. Determine the one-way distance in miles (from the housing to the nearest established community) by typical mode of transportation for each category of transportation listed in Figure 1. Use a web based mapping service where physical addresses of government housing exist. If no address exists, use actual on the ground mileage. Enter one-way mileages in the appropriate block(s) under Column B.

Step 2. Multiply the figures entered in Column B by point values listed in Column A for each category of transportation to produce one-way points for each category. Add 23 points to the category 4 subtotal and 22 points to the category 5 subtotal to reflect relative differences in cost or time by use of these modes of travel.

Step 3. Add all categories of one-way points in Column C to produce total one-way points. (There will be no adjustment for isolation if the total is less than 26.)

<b>Figure 1: Calculation of One-Way Points</b>					
Category of Travel	Column A: Point Value		Column B: One-way Miles		Column C: One-way Points
(1) Paved road or trail	1.0	X		=	
(2) Unpaved but improved road	1.5	X		=	
(3) Unimproved road	2.0	X		=	
(4) Water, snowmobile, back animal, foot, or other special purpose conveyance	2.5	X		=	
(5) Air	4.0	X		=	
<b>TOTAL ONE-WAY POINTS</b>				=	

Step 4. Calculate the Isolation Adjustment using the following formula:

Total One-Way Points (Step 3)	Compensated One-Way Trips per Month
0 to 25	0
26 to 35	2
36 to 45	4
46 to 55	6
56+	8

Multiply the One-Way Points by the Compensated One-Way Trips per Month, then multiply by GSA's automobile mileage allowance in effect on the previous September 30. Round the result to the nearest dollar. This is the monthly isolation adjustment.

Example:

Category of Travel	Column A: Point Value		Column B: One-way Miles		Column C: One-way Points
(1) Paved road or trail	1.0	X	40	=	40
(2) Unpaved but improved road	1.5	X	4	=	6
(3) Unimproved road	2.0	X	2	=	4
(4) Water, snowmobile, back animal, foot, or other special purpose conveyance	2.5	X	0	=	0
(5) Air	4.0	X	0	=	0
TOTAL ONE-WAY POINTS				=	50

Total One-Way Points are 50. Based upon the chart, 6 One-Way Trips per Month are compensated.

Multiply 50 One-Way Points by 6 One-Way Trips: **50 x 6 = 300** Total Points.

Multiply Total Points (300) by the GSA automobile mileage allowance in effect on the previous September 30 (\$0.55 for example): **300 x \$0.55 = \$165.00**.

Round to the nearest dollar. **\$165** is the monthly isolation adjustment.