

Appendix H

DoD Manual on Housing Management

The CD placed in the back inside cover contains DoD 4165.63-M, “DoD Housing Management”, issued 28 October 2010

It is also available on the DoD Issuances website:

<http://www.dtic.mil/whs/directives/corres/pdf/416563m.pdf>



Department of Defense MANUAL

NUMBER 4165.63-M
October 28, 2010

USD(AT&L)

SUBJECT: DoD Housing Management

References: See Enclosure 1

1. **PURPOSE.** This Manual reissues DoD 4165.63-M (Reference (a)) in accordance with the guidance in DoD Instruction (DoDI) 4165.63 (Reference (b)) and the authority in DoD Directive (DoDD) 5134.01 (Reference (c)) to implement policy, assign responsibilities, and provide procedures on all matters associated with military housing. It also addresses DoD responsibilities for privatized lodging.

2. **APPLICABILITY.** This Manual applies to OSD, the Military Departments, the Office of the Chairman of the Joint Chiefs of Staff and the Joint Staff, the Combatant Commands, the Office of the Inspector General of the Department of Defense, the Defense Agencies, the DoD Field Activities, and all other organizational entities within the Department of Defense (hereafter referred to collectively as the “DoD Components”).

3. **DEFINITIONS.** See Glossary.

4. **POLICY.** It is DoD policy according to Reference (b) to:
 - a. Ensure that eligible personnel and their families have access to affordable, quality housing facilities and services consistent with grade and dependent status and generally reflecting contemporary community living standards.

 - b. Rely on the private sector as the primary source of housing for accompanied and unaccompanied personnel normally eligible to draw a housing allowance.

 - c. Use a consistent DoD-wide analytical methodology for calculating the need to provide housing.

d. Ensure installation commanders have responsibility for their military housing programs with broad authority to decide the best use of resources to provide access to housing for eligible personnel and their families.

5. RESPONSIBILITIES. See Enclosure 2.

6. PROCEDURES. See Enclosure 3 for procedures on housing requirements determination, DoD housing, housing privatization, and member support services.

7. RELEASABILITY. UNLIMITED. This Manual is approved for public release and is available on the Internet from the DoD Issuances Website at <http://www.dtic.mil/whs/directives>.

8. EFFECTIVE DATE. This Manual is effective upon its publication to the DoD Issuances Website.



Ashton B. Carter
Under Secretary of Defense
for Acquisition, Technology and Logistics

Enclosures

1. References
 2. Responsibilities
 3. Procedures
- Glossary

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ENCLOSURE 1

REFERENCES

- (a) DoD 4165.63-M, "DoD Housing Management," September 1993 (hereby cancelled)
- (b) DoD Instruction 4165.63, "DoD Housing," July 21, 2008
- (c) DoD Directive 5134.01, "Under Secretary of Defense for Acquisition, Technology, and Logistics (USD(AT&L))," December 9, 2005
- (d) DoD Directive 5118.03, "Under Secretary of Defense (Comptroller) (USD(C))/Chief Financial Officer (CFO), Department of Defense," January 6, 1997
- (e) DoD Instruction 1015.11, "Lodging Policy," October 6, 2006
- (f) DoD Instruction 1015.12, "Lodging Program Resource Management," October 30, 1996
- (g) DoD Directive 5124.02, "Under Secretary of Defense for Personnel and Readiness (USD(P&R))," June 23, 2008
- (h) DoD Directive 1020.1, "Nondiscrimination on the Basis of Handicap in Programs and Activities Assisted or Conducted by the Department of Defense," March 31, 1982
- (i) Deputy Secretary of Defense Memorandum, "Access for People with Disabilities," October 31, 2008
- (j) Sections 3601-3631 and 4154 of title 42, United States Code
- (k) DoD Instruction 4001.01, "Installation Support," January 10, 2008
- (l) DoD Directive 4270.5, "Military Construction," February 12, 2005
- (m) Unified Facilities Criteria 4-711-01, "Family Housing," July 13, 2006
- (n) DoD Directive 1400.6, "DoD Civilian Employees In Overseas Areas," February 15, 1980
- (o) Office of Management and Budget Circular No. A-45, "Rental and Construction of Government Quarters," October 20, 1993, as amended
- (p) Sections 902-907 of title 20, United States Code
- (q) DoD Instruction 1000.15, "Procedures and Support for Non-Federal Entities Authorized to Operate on DoD Installations," October 24, 2008
- (r) Sections 504 and 794 of title 29, United States Code
- (s) Sections 401 and 403 of title 37, United States Code
- (t) Title 10, United States Code
- (u) DoD Instruction 4165.65, "Shelter for the Homeless Program," October 30, 1987
- (v) National Association of Home Builders Research Center, "Military Family Housing Standards Study," August 2001
- (w) Deputy Secretary of Defense Memorandum, "DoD Housing Inspection Standards for Medical Hold and Holdover Personnel," September 18, 2007
- (x) DoD Instruction 1344.07, "Personal Commercial Solicitation on DoD Installations," March 30, 2006
- (y) DoD Instruction 4715.16, "Cultural Resources Management," September 18, 2008
- (z) Sections 470-470x-6 of title 16, United States Code (also known as "The National Historic Preservation Act of 1966, as amended")
- (aa) DoD Directive 5105.53, "Director of Administration and Management (DA&M)," February 26, 2008
- (ab) Office of Management and Budget Circular No. A-94, "Guidelines and Discount Rates for Benefit-Cost Analysis of Federal Programs," October 29, 1992

- (ac) DoD Instruction 7041.3, "Economic Analysis for Decision Making," November 7, 1995
- (ad) Under Secretary of Defense (Comptroller)/Chief Information Officer, Department of Defense, Memorandum, "Family Housing Improvement Fund Financial Management Policies and Procedures," July 15, 1996¹
- (ae) Office of Management and Budget Circular No. A-129, "Policies for Federal Credit Programs and Non-Tax Receivables," November 2000
- (af) DoD Instruction 1338.19, "Relocation Assistance Programs," June 15, 1990
- (ag) DoD Instruction 1100.16, "Equal Opportunity in Off-Base Housing," August 14, 1989
- (ah) DoD Directive 4165.50E, "Homeowners Assistance Program (HAP)," October 25, 2004
- (ai) Joint Publication 1-02, "Department of Defense Dictionary of Military and Associated Terms," current edition
- (aj) Defense Base Closure and Realignment Commission Final Report, "2005 Defense Base Closure and Realignment Commission Report," September 8, 2005

¹ Available from the DoD Office of Housing and Competitive Sourcing, (703) 607-3207

ENCLOSURE 2

RESPONSIBILITIES

1. DEPUTY UNDER SECRETARY OF DEFENSE FOR INSTALLATIONS AND ENVIRONMENT (DUSD(I&E)). The DUSD(I&E), under the authority, direction, and control of the Under Secretary of Defense for Acquisition, Technology, and Logistics, shall:

a. Provide guidance and general procedures relating to community housing, housing-related relocation and referral services, DoD housing, and housing privatization.

b. Oversee Military Department implementation of the housing privatization authority, which includes lodging privatization.

c. Keep the DoD Components informed of all congressional restrictions concerning the housing programs. Provide support for housing legislative proposals, appeals, etc.

d. Allocate leasing authority annually for each DoD Component, as appropriate, to include allocating the number of high-cost leases so as not to exceed the statutory limitation.

e. Review and submit to the Office of Management and Budget (OMB) requests for exceptions to the rule of equivalence with private rents, utilities, and services in determining rental rates and charges.

f. Review and submit to OMB scoring reports for initial awards of housing privatization projects as well as any significant changes that may require scoring consideration and/or OMB notification. Provide privatization program reporting as outlined in paragraph 3.e. of Enclosure 3.

g. Provide guidance and general procedures relating to lodging privatization for official travel (temporary duty (TDY) and permanent change of station (PCS)), unofficial travel (recreational), and medical treatment facilities.

h. Communicate and coordinate with the Military Departments through regular meetings such as meetings of the:

(1) Housing Policy Panel. (Held periodically with the housing directors). Military Departments representatives discuss housing policy, annual budgets, and global housing issues.

(2) Annual Military Housing Privatization Initiative (MHPI) Portfolio Review. (Held with the housing directors and privatization directors). Military Department representatives review the performance of executed MHPI projects.

2. UNDER SECRETARY OF DEFENSE (COMPTROLLER) (USD(C))/CHIEF FINANCIAL OFFICER (CFO), DEPARTMENT OF DEFENSE. The USD(C)/CFO shall provide guidance and procedures to the DoD Components regarding financing, budgeting, and accounting for DoD housing programs in accordance with DoDD 5118.03 (Reference (d)).

3. UNDER SECRETARY OF DEFENSE FOR PERSONNEL AND READINESS (USD(P&R)). The USD(P&R) shall:

- a. Oversee the determination of military housing allowances.
- b. Provide policy, guidance, and general procedures relating to housing relocation assistance.
- c. Provide policy, guidance, and general procedures relating to lodging (excluding privatized lodging) for official travel (TDY and PCS), unofficial travel (recreational), and medical treatment facilities. Establish policy and guidance regarding the DoD lodging program pursuant to DoDIs 1015.11 and 1015.12 (References (e) and (f)).
- d. Monitor the morale and welfare aspects of the housing programs.
- e. Establish policy and guidance for the Equal Opportunity in Off-Base Housing Program (EOOBH) pursuant to DoDD 5124.02 (Reference (g)).
- f. Establish policy and guidance for accessibility of housing to persons with disabilities in accordance with DoDD 1020.1 and Deputy Secretary of Defense Memorandum, "Access for People with Disabilities" (References (h) and (i)).
- g. In consultation with the DUSD(I&E), grant waivers for or modifications to housing pursuant to section 4154 of title 42, United States Code (U.S.C.) (Reference (j)).

4. HEADS OF THE DoD COMPONENTS. The Heads of the DoD Components shall:

- a. Pursuant to law and DoD issuances, establish criteria to determine which Service members are required to live in military housing and which are authorized to receive a housing allowance and may choose where to live.
- b. Establish adequacy and construction standards for DoD housing pursuant to law and based on guidance from OSD. While adequacy and construction standards for DoD family housing generally should be similar to private-sector housing, the Heads of the DoD Components have more flexibility to establish adequacy and construction standards for DoD unaccompanied housing (UH) (permanent party and trainees or students).
- c. Delegate to installation commanders broad authority, responsibility, and accountability for providing housing facilities and services in accordance with DoDI 4001.01 (Reference (k)). Administrative restrictions should be rare.

d. Provide management oversight of DoD housing as outlined in section 2 of Enclosure 3 and portfolio management of privatized housing as outlined in section 3 of Enclosure 3.

e. Keep installation commanders informed of all policy guidance and congressional restrictions and notify appropriate congressional committees on matters pertaining to housing, with copies provided to the DUSD(I&E).

f. Develop privatization concepts, solicitations, and project business documents consistent with DoD policy and guidance. Provide post-award monitoring and project updates to the DUSD(I&E) as identified in section 3 of Enclosure 3.

g. In foreign countries where the applicable DoD Component has construction agent responsibility according to DoDD 4270.5 (Reference (1)), ensure that no Service member or DoD civilian is without appropriate housing program support. This responsibility encompasses individuals who are without access to installation housing services and whose assignments do not place them under the acknowledged purview of any other DoD Component housing program.

h. Determine military housing requirements based on evaluation of the local market area as outlined in section 1 of Enclosure 3.

5. INSTALLATION COMMANDERS. Pursuant to the authority and direction of their respective DoD Components, installation commanders shall:

a. Ensure all Service members, their families, and eligible civilians have access to suitable military housing and services.

b. Provide housing referral services to help DoD personnel and their dependents locate suitable, affordable, and nondiscriminatory housing in privatized housing or the local community. Provide an orientation to the local community.

c. Monitor unit occupancy to ensure it is consistent with identified housing requirements by grade and dependent status for Government-sponsored housing.

d. Provide support to and coordinate with privatized housing business entities as outlined in section 3 of Enclosure 3.

e. Manage, operate, and maintain DoD-owned housing units as outlined in section 2 of Enclosure 3. Provide assessment of privatized housing as outlined in section 3 of Enclosure 3.

f. Provide DoD housing consistent with Federal and State laws to impose registered sex offender residency restrictions.

g. Determine occupant liability for damages or loss to DoD-owned housing.

ENCLOSURE 3

PROCEDURES

1. HOUSING REQUIREMENTS DETERMINATION

a. General. Pursuant to Reference (b), it is DoD policy to rely on the private sector as the primary source for housing accompanied DoD personnel stationed at locations within the United States. For installations located outside of the United States, refer to paragraph 1.f. of this enclosure.

(1) The lack of suitable, available housing in the community, coupled with a minimum housing requirement determined by Military Service policy, constitutes the need for military housing at an installation. A minimum housing requirement refers to the on-base military community presence needed to effectively accomplish base missions. To determine whether the adjacent community can accommodate the needs of the military at an installation, the Military Services are required to perform a housing requirements and market analysis (HRMA). HRMA is a structured analytical process that assesses both the suitability and availability of the private sector's rental market, assuming specific standards related to affordability, location, features, and physical condition, and the housing requirements of the installation's total military population. HRMA is required at any installation worldwide where Service members have the opportunity to live in the private off-base rental market, and when there is no antiterrorism or force protection restriction barring Service members from participating in that market.

(2) In accordance with Reference (b), the installation commander is chiefly responsible for the housing program, with broad authority to decide the best use of resources to provide access to housing for military personnel. Installation commanders are encouraged to work proactively with community leaders, especially during periods of increased military movements. When HRMA determines that the local community cannot adequately meet the needs of the military community, the Military Service may elect to pursue a housing privatization program, DoD-owned military construction (MILCON) housing, and/or leasing.

(3) DD Form 1523, "Military Family Housing Justification," shall be used to justify family housing construction and acquisition programs to OSD and Congress. (DD Form 1523 is available on the Internet at <http://www.dtic.mil/whs/directives/infomgt/forms/eforms/dd1523.pdf>.)

b. Military Housing Requirements Determination

(1) Population Estimates. Installation commanders are responsible for identifying the eligible Service members and civilian personnel for whom they have responsibility for providing housing. Transients, hospital patients from other installations, and trainees or students not on PCS orders (less than 20 weeks) are excluded from the housing requirement. Manpower estimates must be coordinated and validated by the Military Service.

(2) Homeownership Estimates. All Service personnel who reside in owner-occupied housing (homeowners) at the location to which they are currently assigned are considered suitably housed and therefore not included in the housing analysis process. The Military Services are responsible for collecting current information regarding homeownership estimates.

(3) Eligible Military Personnel. In determining the number of Service members and, in some cases, eligible civilians, who will be competing for housing in the community, the installation's total authorized manpower is divided between personnel who are eligible for military family housing (accompanied personnel) and UH (unaccompanied personnel).

(a) Accompanied Military Personnel. Total accompanied personnel who constitute a housing requirement include all Service members, regardless of grade, who are on PCS orders for 20 weeks or more and those essential civilian employees, with dependents, who must reside on the installation for reasons of military necessity. The effective military family housing requirement is the total requirement adjusted for Service members married to Service members, Service members who are voluntarily separated from their dependents, and families retaining military housing while their sponsors are on dependent-restricted tours. Service members and civilians who, for reasons other than no availability of housing at the permanent duty location, elect not to be accompanied (e.g., are voluntarily separated) shall not be considered in the housing requirements analysis.

(b) Unaccompanied Military Personnel. Each Military Service may determine which segments of the unaccompanied population will be required to live in military housing. This requirement may include Service members of a certain pay grade and/or Service members defined as key and essential.

(4) Minimum Military Housing Requirement. The Military Services may consider maintaining a minimum housing requirement (floor housing requirement) to satisfy these needs:

(a) Key and Essential Personnel. Notwithstanding the overall policy in Reference (b) to look first to the private sector for housing military families, the Military Services may include quarters to house key and essential personnel, as determined by the installation commander, as a military housing requirement.

(b) Historic Housing. If the installation has any historic housing units that it is obligated to retain in Government ownership by agreement, regulation, or other requirement, the Military Services may include those housing units as a housing requirement.

(c) Military On-Base Community. Military installations may maintain a minimum number of military housing assets for purposes of maintaining a core military community for military families. The Military Services may include up to 10 percent of the projected military families for each pay grade as a DoD housing requirement to establish a minimum housing community. When exercising this rule, the military installations should, to the maximum extent possible, assign this housing to those personnel within each pay grade for which this housing requirement is defined.

(5) Total Military Housing Requirement. The total DoD housing requirement will be determined based on the minimum on-base housing requirement and the number of members unable to find suitable housing as determined by the housing market analysis.

c. Housing Market Analysis

(1) General. A housing market analysis is required for all domestic military housing projects. In compliance with the Reference (b) requirement to rely first on the private sector for housing accompanied military personnel, this analysis shall determine the availability of suitable housing within a defined market area to meet current and projected military housing requirements for eligible accompanied and unaccompanied military personnel. The Military Services have primary responsibility for approving the sources of information and assumptions used in performing HRMA.

(2) Market Area. The market area used to determine the supply of available housing during the HRMA process should be consistent with the market area used to evaluate housing costs for determining the Basic Allowance for Housing (BAH). Market area boundaries may be based on a 20-mile or 1-hour commute during peak traffic; however, additional information may be obtained from both military and public sources to ensure appropriate adjustments are made to satisfy local needs as recommended by the installation commander.

(3) Housing Types. Housing in the market area includes homes, apartments, and manufactured housing within the defined market area. For HRMA purposes, mobile homes are not considered suitable housing.

(4) Housing Suitability Standards. For housing units to be considered suitable for Service members, the market area's housing stock must meet minimum suitability standards based on affordability, location, features, and physical conditions. Housing units that do not meet these minimum suitability standards shall not be considered assets that meet the military need. At foreign locations, installation commanders have greater input in determining the features and criteria that may deem housing units suitable or unsuitable, within the reasonable expectations of the local and military communities. Subparagraphs 1.c.(4)(a) through (c) of this enclosure provide guidance for determining minimum suitability.

(a) Housing Affordability. Housing is considered to be affordable if rent does not exceed the maximum acceptable housing cost (MAHC). MAHC for each pay grade is equal to BAH for the installation for that pay grade.

(b) Housing Location. The availability of suitable housing in the defined market area shall be based on information collected through a variety of military and public sources. Relevant information may be obtained from market area surveys as part of the BAH and HRMA processes, census data, local Government agencies, local real estate professionals, and residents within the market area. Military housing offices are strongly encouraged to actively participate in the collection and review of information about the availability and condition of the housing within the market area. The installation commander shall recommend housing identified as

suitable or unsuitable for the purpose of market analysis based on location, condition, health, and safety reasons.

(c) Housing Features and Physical Conditions. Suitable housing units shall have room patterns, floor areas, and amenities that are consistent with housing in the market area. In addition, housing units shall:

1. Be well maintained and structurally sound (shall not pose a health, safety, or fire hazard).
2. Have a private entrance and at least one full bathroom (with bathtub or shower) and kitchen that are for the sole use of its occupants. At least one full bathroom and all the bedrooms shall be accessible from a hallway. The kitchen shall have range and refrigerator connections and adequate space for food preparation.
3. Have an adequate number of bedrooms. (See subparagraph d.(4) of this section for bedroom requirements.)
4. If required due to climate conditions defined by Unified Facilities Criteria 4-711-01 (Reference (m)), have air conditioning or a similar cooling system and a permanently installed, adequately vented heating system.
5. Have adequate utility systems and services (e.g. electrical, gas, potable water, sewer, trash collection, television, Internet, and telephone).

(5) Unsuitable Housing. If more than 20 percent of the local area available rental housing supply is considered to be unsuitable and significantly limits the military's ability to satisfy military housing needs, the Military Services may require the installation to clearly detail a rationale for recommending suitability or unsuitability of units.

(6) Multiple Geographic Areas or Joint HRMA. In geographic areas having multiple military installations, market analyses shall be coordinated among those installations, or be prepared jointly under the sponsorship of one Military Service. If only one Military Service in a multi-Service area has a program to justify, then the market analysis should be coordinated under the sponsorship of that Military Service. If two or more Military Services have programs to justify, then the market analysis should be prepared jointly under the sponsorship of the Military Service that has the larger number of eligible personnel living in the area. Military Service sponsorship may vary from this guidance if all affected installations agree.

d. The HRMA Analytical Framework

(1) General. The HRMA assumes that the installation will transition from its current military housing inventory to a minimum inventory, as determined by the applicable Military Service, over a defined transition period, currently set at 5 years. The number for minimum inventory correlates to the floor requirement and varies by installation depending on the outcome of the market analysis.

(2) Local Market Supply and Demand. HRMA should provide a market analysis that includes an assessment of current and projected economic trends that could affect housing supply and demand in the market area. This takes into consideration trends in population, employment, and housing.

(3) Market Segmentation. The analysis will establish the supply of suitable rental housing in the market area based on rental cost and the number of bedrooms in the housing unit, by pay grade.

(a) The price-bedroom segmentation approach will apply to both military and civilian populations. This approach shall group military families by pay grade and bedroom requirement into price-bedroom segments based on upper and lower housing cost bands. The upper-cost limit, or affordability, shall be based on the annual BAH schedule, by pay grade, for each locale. For modeling purposes, a lower-cost limit may be used assuming an amount of no more than 25 percent less than the lowest BAH rate for that pay grade. If suitable housing units exist below this specified cost limit, the analysis should make appropriate adjustments to include those units.

(b) The military share of suitable housing in each market segment is equal to the proportion of the military requirement in the total competing housing demand within that market segment. The competing market includes military families, unaccompanied personnel, and civilians who rent in the segment.

(4) Bedroom Requirements. For purposes of determining the price-bedroom segments, the installation commander shall provide the HRMA contractor with bedroom requirement estimates for military personnel. For purposes of the analysis, accompanied personnel are estimated to have requirements for two-, three-, or four-bedroom units based on the number of family members and grade of the Service member. The guidelines in subparagraphs 1.d.(4)(a) through (e) of this enclosure may be applied for estimating military housing requirements:

(a) In determining the suitability of locally available housing and when assigning to on-base quarters, installation commanders should make a reasonable attempt to assign one bedroom for each dependent. However, where family size and existing inventory preclude this option, no more than two persons should share a bedroom unless the installation commander determines the bedroom is large enough to accommodate more.

(b) Any child over 10 years of age is authorized a bedroom.

(c) Two children of the same sex under the age of 10 years may share a bedroom.

(d) When there are two children of the opposite sex (boy and girl) under the age of 6 years, the oldest child will be eligible for a bedroom when he or she turns 6 years old.

(e) Unaccompanied personnel are assumed to have a minimum requirement for one bedroom.

(5) Dynamic Market Response. The HRMA methodology should simulate a dynamic process of adjustment between market area housing demand and supply. The analysis should incorporate changes in military manpower, competing civilian demand, and rental housing supply over a 5-year period, estimating the military market share for each year of the analysis. The military market share is the allocation of the suitable housing to the military family households and the unaccompanied households based on their separate proportion of the total demand.

(a) The projected total requirement for DoD family housing shall be determined by adding the total estimated minimum on-base (floor) housing requirement, if any, to any shortfall in projected availability of private-sector housing (community housing shortfall).

(b) The total requirement for DoD UH shall be determined in similar fashion as the requirement for DoD family housing.

(c) The dynamic process applies these major assumptions:

1. The DoD-controlled housing inventory is hypothetically adjusted to the minimum on-base (floor) housing requirement within 5 years. The number of military families occupying DoD housing will change each year until by the fifth year of the analysis only the floor housing will be occupied.

2. Market competition only occurs for rental housing units that become available for rent during the year. Rental housing becomes available when current occupants terminate their occupancy for whatever purpose or additional housing units enter the rental market through new construction or net conversions from owner-occupancy. Estimated changes, if any, in the rental housing supply are based on the potential rental market response to any assumed increase in demand (e.g., civilian population growth, military families moving from DoD-controlled housing to the private sector, or any increases in military personnel authorizations). Current military residents, other than those included in the floor requirements, are assumed to compete for rental housing during the transition period.

a. HRMA should include a minimum market supply response estimate to reflect the impact that increased military demand has on the local market. This estimate, determined by the Military Service, may vary depending on market conditions and the time it takes to realize a response. The response may be an extrapolation based on historical market trends (e.g., historical multi-family housing construction trends) or from knowledge acquired by the Military Service while investigating the market's ability to accommodate Service members in the local community.

b. Housing demand each year consists of competing households, both military and civilian, who actively seek rental housing during the year. These include households occupying suitable housing that choose to seek different rental housing; households currently occupying unsuitable housing; and new households entering the housing market. The new households include military households newly authorized to the installation; military families who are part of the simulated transition from military housing to the community

housing; and civilian households new to the housing market. Current military residents, other than those included in the floor requirement, are assumed to compete for rental housing during the transition period.

3. The shortfall or surplus in the private-sector housing market is determined in the projected year of the analysis as the difference between the military's share of adequate quality housing and the military rental housing requirement.

e. HRMA Submittals. Leadership from each Military Service shall verify data reported in the installations' HRMAs and shall make available analyses supporting housing privatization projects available for OSD review.

(1) HRMA must be performed within a minimum 4-year interval and must be updated as necessary to reflect major changes in military force structure or changes to the local community that could significantly alter the interaction of supply and demand forces.

(2) In cases in which DoD housing has been fully privatized and/or additional phases have been planned or are now required due to changes in force structure, project occupancy in conjunction with HRMA should be considered a useful tool for estimating future housing needs.

(3) As necessary, additional information and tools may be utilized to improve the analytical process and to ensure the base planning and programming decisions are based on the most reasonable and defensible information available.

f. Overseas Housing Market Analysis. For installations located outside the United States, the Military Services may determine the need and applicability of HRMA. If the Military Services elect to perform a housing market analysis, the same methodology detailed in subparagraph 1.d. of this enclosure may be used. However, in overseas locations where overseas housing allowance is provided as reimbursement for housing cost, off-base first is not mandatory, but should be encouraged where appropriate. It is assumed the Military Services will have greater involvement in determining housing market suitability standards based on the differences between U.S. housing markets and overseas housing markets. The requirement for a full market analysis shall not apply when the proponent of a project can demonstrate that it is inappropriate; e.g., at locations where there is no local housing market or projects for key positions that cannot be accommodated within existing inventory.

g. Housing Surveys. The Military Services should periodically evaluate housing-related questions on Service-wide or installation-specific surveys to assess the housing choices being made by Service members; how satisfied they are with their choices; and the significance of housing in their decision to enlist or re-enlist. Results from these surveys should be used as another tool to assess the reasonableness of projected housing requirements estimates determined by the HRMA process and to serve as additional data inputs required for conducting future HRMAs.

h. Sensitivity Analysis. The Military Services should periodically evaluate and assess the impact of housing requirements worst-case scenarios through sensitivity analysis.

2. DoD HOUSING

a. General. DoD housing – family and unaccompanied – shall be operated and maintained to a standard that protects the facilities from deterioration and provides safe and comfortable living places for Service members and their dependents. The housing program shall be evaluated by installation commanders to ensure that the operation, maintenance, and repair of DoD housing and major building components are being performed to provide excellent facilities in the most cost-effective manner. To ensure that Service members, their families, and eligible civilians have access to suitable military housing and services, DD Form 1746, “Application for Assignment to Housing,” may be used for that purpose. (DD Form 1746 is available on the Internet at <http://www.dtic.mil/whs/directives/informgt/forms/eforms/dd1746.pdf>).

b. Housing Program Management

(1) The Heads of the DoD Components shall:

(a) Provide managerial oversight of their respective Component DoD housing programs to ensure that required inventory is being provided and maintained in good condition, the program is being operated in an effective and cost-efficient manner, and Service members and their families have adequate housing choices.

(b) Prepare master plans for family housing and UH and submit them to the DUSD(I&E) with Program Objective Memorandums (even budget years). The Military Services are also encouraged to update their master plans to be consistent with the biennial President’s Military Construction Budget Requests (even budget years). The grade and family composition of personnel residing in family housing must be consistent with the housing requirements identified by HRMA. Master plans should address these areas over the Future Years Defense Plan:

1. Type, quantity, and condition of the housing inventory (consistent with the real property inventory database).

2. Military housing requirements.

3. Occupancy data and trends.

4. Construction and renovation plans, including scope and costs.

5. Description and cost of property management.

(2) The installation commander shall be responsible for managing the housing program, which includes but is not limited to:

(a) Planning, programming, and budgeting for the acquisition, replacement, improvement, furnishing, operation, maintenance, repair, disposal, and leasing of DoD housing.

(b) Operating and maintaining DoD housing facilities to a standard that protects the facilities from deterioration; provides safe and comfortable places for Service members to live; and provides necessary support to privatized housing as required by specific partnership agreements, lease deals, etc.

(c) Ensuring that housing accommodations, storage spaces, and furnishings provided to unaccompanied personnel provide the space and privacy required by applicable DoD standards.

(d) Incorporating utility conservation measures in DoD-owned or -leased housing.

(e) Ensuring compliance with Federal law that prohibits discrimination in housing according to sections 3601-3631 of Reference (j).

(3) For housing at joint bases:

(a) Property and management of DoD housing shall transfer to the supporting (lead) Service; however, the supported Service can retain some management responsibilities for DoD housing (e.g., assignment of UH) with concurrence from the supporting Service.

(b) Management of the ground lease and responsibility for providing municipal services for privatized housing (e.g., utilities, refuse removal, fire, and police) shall transfer to the supporting Service. Project management and oversight shall remain with the Service that executed the privatization project; however, the supporting Service may acquire some oversight responsibilities (e.g., asset management at the installation level) with concurrence from the supported Service. The amounts that a privatization entity must reimburse the supporting Service for municipal services shall be calculated using the methodology employed by the Service that entered into the privatization project. The amount owed shall be based on a privatized housing project's legal instruments, accepted pro formas, and the historical practice of calculating such costs by the supported Service. Reimbursement calculations shall not be based on the methodology of a supporting Service if the calculations conflict with the original deal terms. The only exception is when the Services and project developer/owner enter into a mutually agreed adjustment that is determined to be in the best interest of all parties.

c. Assignment Guidance and Adequacy Standards

(1) DoD Family Housing Assignments. The Department of Defense shall determine assignment priority categories for housing Service members and eligible civilians. The assignment guidance in subparagraphs 2.c.(1)(a) through (g) of this enclosure applies to DoD Government-controlled family housing and is not applicable to privatized military housing.

(a) Assignment Composition. Assignment to family housing shall be consistent with the requirements for housing by grade and family composition. The grade and family composition of personnel residing in family housing must be consistent with the housing requirements identified by HRMA.

(b) Assignment Priorities. The installation commander is responsible for assigning priority for DoD family housing units and has authority to deviate from the guidelines in subparagraphs 2.c.(1)1. through 3. of this enclosure, on a case-by-case basis, when the guidelines would cause undue hardship. The priorities for assignment of Service members and civilian employees to DoD family housing units are:

1. Priority 1. Key and essential Service members and civilians, including special command positions.

2. Priority 2.

a. Service members and equivalent civilians who are assigned to, or attached for duty at, the installation (including sea duty), or who are assigned to other installations that are served by the housing complex.

b. Independent duty personnel of any Service working within suitable commuting distances as prescribed in subparagraph 1.c.(2) of this enclosure.

3. Priority 3. All Service members and civilians not included in Priority 1 or 2.

(c) Non-DoD Personnel. The installation commander shall determine the order of priority of assignment for foreign military personnel; nonmilitary uniformed personnel of the U.S. Public Health Service and the National Oceanic and Atmospheric Administration; and those personnel under host-tenant agreements, unless otherwise stipulated in the agreement.

(d) Civilian Eligibility. DoD civilian personnel may be provided Government quarters in foreign countries where DoD employees cannot enjoy the facilities of the civilian community without restriction or where appropriate and adequate facilities do not exist or are not readily available. (See paragraph 3.5. of DoDD 1400.6 (Reference (n))). Assignment of civilian employees to DoD housing shall be based on the military and civilian schedule of equivalent grades contained in Table 1. Occupancy by nonappropriated fund employees shall be on a reimbursable basis.

(e) DoD-Sponsored Civilian Personnel. When DoD-sponsored civilian personnel (see Glossary for definition) serving DoD military installations at foreign locations cannot obtain suitable housing in the vicinity of an installation, they and their families may occupy DoD housing on a rental basis. The Military Service shall determine the priority of such leasing actions. These civilians shall be required to pay the established rental rate in accordance with OMB Circular No. A-45 (Reference (o)) and the Military Service.

(f) Bedroom Eligibility. Bedroom requirements for assignment to family housing units shall be consistent with those prescribed in subparagraph 1.d.(4) of this enclosure; however, the installation commander maintains the authority to determine the number of dependents assigned to a bedroom based on availability of housing inventory.

Table 1. Military and Civilian Schedule of Equivalent Grades for Housing Assignment

HOUSING CATEGORY	NATIONAL SECURITY PERSONNEL SYSTEM GRADE	GENERAL SCHEDULE (GS)	SENIOR EXECUTIVE SERVICE (SES)	TEACHER ⁵	AMERICAN RED CROSS ⁶ (ARC)	NON-APPROPRIATED FUNDS EMPLOYEE	WAGE GRADE SYSTEM
General Officer	No equivalent (*)	*	SES 1-6	*	Senior Director, Field Operations	NF 6	*
Senior Officer	YG3, ¹ YJ4	GS 15	*	*	Regional Manager	NF 5 (GS-15)	
	YA3, YC3, YD3, YF3, YG2, YH3, YJ3, YK3, YN3						
Field Grade Officer	YA3, YC2, YC3, YD3, YE4, YF3, YG2, YH3, YJ2, YJ4, YJ3, YK3, YL4, YN2, YN3	GS 12-14	*	Schedule K; Teaching Principal, Schedule L	Senior Station Manager; Station Manager; Assistant Station Manager	NF 5 (GS 13-14) NF 4 (GS-12)	WS14-19 WL15 and Production Support Equivalent
	² YA1, YA2, YB3, YC1, YD1, YD2, YE3, YF1, YF2, YH1, YH2, YI3, YJ1, K1, YK2, YL3, YM2, YN1, YP1						
Company Grade Officer	YA2, YB2, YB3, YC1, YD2, YE2, YE3, YE4, YF1, YF2, YH2, YI2, YI3, YJ1, YK2, YL2, YL3, YM2, YN1	GS 09-11	*	*		NF 4 (GS 09-11)	WS8 - WS13 WL6 - WS14 WG12-WS15 and Production Support Equivalent
	³ YA1, YB1, YD1, YE1, YF1, YH1, YI1, YK1, YL1, YM1, YP1	GS 07-09				NF 4 (GS 09) NF 3 (GS 07-08)	
Senior Non-commissioned Officer (NCO)	⁴ YA1, YB1, YD1, YE1, YF1, YH1, YI1, YK1, YL1, YM1, YP1	GS 06	*	*		NF 3 (GS 06)	WS1 - WS7 WL1 - WL5 WG9-WG11
NCO	YA1, YB1, YD1, YE1, YH1, YI1, YK1, YL1, YM1, YP1	GS 01-05	*	*		NF 3 (GS 05) NF 2 (GS 04) NF 1 (GS 01-03)	WG1 - WG8

Table 1. Military and Civilian Schedule of Equivalent Grades for Housing Assignment, Continued

NOTES:

1. Only if base salary is a minimum of GS-15, Step 1. If base salary is included in any GS-14 step category, request Civilian Personnel confirm position is a GS-15 equivalent. If not confirmed, use field grade housing.
2. Only if base salary is a minimum of GS-12, Step 1. If base salary is included in any GS-11 step category, request Civilian Personnel confirm position is GS-12 equivalent. If not confirmed, use company grade housing.
3. Only if base salary is a minimum of GS-7, Step 1. If base salary is included in any GS-6 step category, request Civilian Personnel confirm position is minimum GS-7 equivalent. If not confirmed, use senior NCO housing.
4. Only if base salary is a minimum of GS 6, Step 1. If base salary is included in any GS-5 step category, request Civilian Personnel confirm position is minimum GS-6 equivalent. If not confirmed, use junior NCO housing.
5. Teachers will be housed in accordance with sections 902-907 of title 20, U.S.C. (Reference (p)).
6. ARC will be housed in accordance with established memorandum of understanding pursuant to DoDI 1000.15 (Reference (q)).

(g) Special Needs. No family shall be discriminated against in the assignment of DoD family housing because of disability requirements. At least 5 percent of the total military family housing inventory (no less than one house) at an installation shall be accessible or readily and easily modified for use by persons with disabilities. When needs exist, modifications to housing shall be accomplished on a high-priority basis (regardless of the inventory of accessible units in use) to ensure assignment of housing at least as soon as it would have been otherwise available. In addition, persons with disabilities must have access to programs and activities conducted in public entertainment areas of DoD family housing and in support facilities provided for DoD family housing occupants, in accordance with section 794 of title 29, U.S.C. (Reference (r)). In locations with more than one installation (e.g., joint bases), provisions should be made, where possible, to provide increased access to housing and related services to families with special needs.

(h) Other Situations

1. Dependents of deceased military sponsors who die in the line of duty may be permitted to remain in assigned adequate housing without charge for a period of 365 days after the sponsor's death according to section 403(l)(1) of title 37, U.S.C. (Reference (s)).

2. In hardship cases, former Service members and their dependents, former Federal employees (or other occupants) and dependents, or dependents of deceased Federal employees (or other occupants) may be permitted to remain in assigned housing for a period normally not to exceed 60 days, and will be charged rent in accordance with Reference (o).

3. Dependents of sponsors assigned to an unaccompanied short tour outside the United States who occupy public quarters (including leased units) in the continental United States (CONUS), Alaska, or Hawaii at the time of departure of the sponsor should be assured continued occupancy until the sponsor returns or reports to the next permanent duty station not considered an unaccompanied short tour. Assurance of continued occupancy does not apply to Service members who voluntarily extend their assignments.

4. An unmarried pregnant Service member without dependents may apply for family housing and, at the discretion of the installation commander, may occupy excess (no eligible Service member waiting on applicable waiting list) family housing before the birth of the expected child.

5. Upon receiving a report of domestic violence, a commander shall secure safe housing for the alleged victim, as needed, within a reasonable geographic proximity to the installation. The preference is to remove the alleged offender from the home when the parties must be separated to safeguard the victim. The alleged offender shall be directed to alternative housing as needed.

6. The Department of Defense may provide housing support for non-Federal entities, such as ARC and the United Service Organization, authorized to operate on DoD installations in accordance with Reference (q). This applies to personnel of non-Federal entities and their authorized family members stationed in or traveling for official business in locations

outside of the United States. In accordance with Reference (o) and to the extent that such provisions do not displace authorized active duty Service members, when personnel of non-Federal entities are performing services in accordance with Reference (q), they may be provided DoD housing (permanent or temporary) on a reimbursable basis at a rental rate based upon comparability of the quarters furnished with other private rental housing in the adjacent area.

7. In accordance with section 2556 of title 10, U.S.C. (Reference (t)) and DoDI 4165.65 (Reference (u)), the Military Departments may make military installations available as shelter to persons without adequate shelter if it is determined that it will not interfere with military preparedness or ongoing military functions.

(2) Adequacy of DoD Family Housing

(a) General. For DoD family housing to be considered adequate overall, it must meet minimum standards for configuration, privacy, condition, health, and safety. Any housing unit requiring whole-house repair, improvement, or replacement, as identified by Military Service condition assessments, does not meet the minimum standards of adequacy. Existing DoD family housing that is inadequate is not necessarily uninhabitable (i.e., not permitted to be assigned) unless it has serious health and safety deficiencies. Military Service condition assessments shall utilize private-sector housing industry and DoD standards and/or codes as a basis for assessing inventory adequacy.

(b) Minimum Configuration and Privacy Standards. DoD family housing should at least meet the same standards that community rental housing is required to meet to be suitable for rental by a Service member. (See subparagraph 1.c.(4)(c) of this enclosure.) The number of bedrooms should be based on privacy standards described in subparagraphs 1.d.(4)(a) through (d) of this enclosure. Based on the number of bedrooms, the minimum adequate gross areas for family housing units are shown in the “Renovation Minimum Adequacy” column of Table H-1 of National Association of Home Builders Research Center study (Reference (v)). Although these minimums in some cases exceed the minimum and normal area thresholds in Table 2 of Reference (o), the Department of Defense has authority to exceed these area thresholds in accordance with section 2826 of Reference (t).

(c) Minimum Condition Standards. For DoD family housing to be considered in adequate condition, the construction cost for all needed repairs and improvements cannot exceed 20 percent of the replacement cost.

(3) DoD UH Assignments

(a) Permanent Party Personnel (General). The installation commander has authority to designate as key and essential unaccompanied personnel of any pay grade. Pursuant to section 403 of Reference (s), the Secretary of a Military Department determines the pay grade of members normally required to live in UH and not be authorized a housing allowance. Factors that impact what pay grades are required to live in UH include militarization and/or mentoring, team building, operational and/or mission requirements, and location (if outside the United States). Nevertheless, in the interest of quality of life, changing expectations of junior Service

members, fiscal prudence, and minimizing UH requirements, the Military Services are encouraged to establish the pay grade threshold at the lowest reasonable level based, to the extent practical, on a systematic, objective analysis, including input from the unit leaders.

(b) Assignment Priorities. The priorities for assignment of Service members and civilian employees to DoD UH are shown in subparagraphs 3.c.(3)(b)1. through 3. of this enclosure. The Military Services may determine lower priority categories, including economic hardship.

1. Priority 1. Unaccompanied key and essential Service members and civilians, including special command positions.

2. Priority 2. Unaccompanied permanent party personnel in specific pay grade categories required to reside in Government-provided housing; PCS students with no dependents; and involuntarily separated personnel.

3. Priority 3. All other unaccompanied personnel, including voluntarily separated personnel, with occupancy on a space-available basis.

(c) Occupancy. The Military Services shall have policies in place that maximize use of adequate UH. These policies shall be based on this guidance:

1. Since unit integrity is naturally at odds with maximizing occupancy, the Military Services are strongly encouraged to decide if unit integrity is a military necessity (for a particular unit and location) and, if deemed necessary, that it be targeted at the highest organizational level.

2. Installation commanders may authorize Priority 2 members to receive a housing allowance and obtain housing outside the installation:

a. When adequate housing is not available and military necessity is not a factor.

b. For other reasons as determined by the Secretary of the Military Department.

(4) Adequacy of DoD UH

(a) General. For DoD UH to be considered adequate overall, it must meet minimum standards for configuration, privacy, condition, and health-safety. The configuration and privacy standards are described in subparagraphs c.(4)(b) through (c) of this section. For DoD UH to be considered in adequate condition, the construction cost for all needed repairs and improvements cannot exceed 20 percent of the replacement cost. To be suitable for assignment or occupancy, it should also have no serious health-safety hazards, be furnished, have food service options, be structurally sound, and have adequate utility systems and services (electrical, gas, potable water,

sewer, trash collection, television, Internet, telephone, and where required by climate conditions, heating, ventilation and air-conditioning).

(b) Permanent Party UH – Minimum Configuration and Privacy Standards. Table 2 provides configuration and privacy minimum adequacy standards for DoD unaccompanied permanent party housing suitable for assignment or occupancy. Mandatory assignment to inadequate UH housing solely to limit payment of a housing allowance is not authorized.

Table 2. DoD UH Minimum Configuration and Privacy Standards for Assignment – Permanent Party

PAY GRADES	MINIMUM ADEQUACY STANDARDS FOR PERMANENT PARTY PERSONNEL
O1 and above, WO and above, and E7 to E9	Private unit with living room, bedroom, kitchen, and bathroom
E5 to E6	Shared unit with a living room: Private bedroom with 118 net square feet (NSF), bathroom shared with not more than one other, and a kitchen
	Shared unit without a living room: Private bedroom with 135 NSF, bathroom shared with not more than one other, and a kitchenette
E1 to E4	Shared unit with a living room: Shared bedroom with not more than one other and with a minimum of 72 NSF for each occupant, bathroom shared with not more than one other, and a kitchen
	Shared unit without a living room: Private bedroom with 90 NSF, bathroom shared with not more than one other, and a kitchenette
<p>NOTES:</p> <ol style="list-style-type: none"> 1. NSF minimums for units can be established by the Military Departments. 2. The minimum standards can be waived on a temporary basis (for no more than 1 year) due to military necessity. However, exceptions for longer periods of time can only be approved by the Secretary of a Military Department. This includes realigning pay grades as warranted by similarity of responsibilities. 3. See Glossary for definition of “NSF.” 	

(c) Training UH – Minimum Configuration and Privacy Standards. For Service members in basic training, the minimum adequate housing standard is open bay with a central bath and with at least 72 NSF for each Service member. This area includes space for a bed, locker, and circulation. Although this threshold can be reduced by the Military Services due to military necessity, reduced net living areas can create unhealthy conditions. Service members undergoing training subsequent to basic training should have housing that provides more space, privacy, and amenities, with the Secretaries of the Military Departments determining appropriate standards based on the type and length of training and the status of the trainee or student occupants.

(5) Housing for Medical-Hold and Holdover Personnel. Housing for Service members who are assigned to a medical-hold or holdover unit while they are receiving out-patient treatment for a medical condition shall be in compliance with Deputy Secretary of Defense Memorandum (Reference (w)). An authorized non-medical attendant of a medical holdover Service member is considered a dependent for housing purposes.

d. Occupant Responsibility

(1) General. At the time of assignment and upon setting termination of Government housing occupancy, all housing occupants shall be informed and shall acknowledge in writing their responsibilities and liability as described in section 2775 of Reference (t). The condition of the housing unit shall be validated at both assignment and pre-termination or final inspection.

(2) Home Enterprises. Service members and their families residing in DoD family housing may conduct a home enterprise as determined by the installation commander in accordance with DoDI 1344.07 (Reference (x)). When practicable and feasible, occupants should be allowed to make minor modifications to housing units at the occupant's expense. If the installation commander determines it to be necessary, occupants shall remove the modifications at termination of occupancy and return the unit to the condition provided when accepted. Enterprises shall be consistent with Federal, State, and local laws, as well as any status of forces agreement.

e. Construction and Renovation of DoD Housing

(1) General

(a) The Military Departments shall ensure that DoD housing inventories are in balance with justified requirements. Family and UH that is surplus to requirements shall be either demolished or converted to another use to avoid unnecessary facility sustainment and operating costs.

(b) The Military Services shall use innovative design and acquisition procedures, including increased use of private-sector standards (materials and methods), to minimize the life-cycle cost for DoD housing, effectively balancing investments and life-cycle costs. Long-term maintenance and repair contracts (such as installation-wide roofing service contracts), either a part of or separate from the construction contract, should also be explored for cost efficiencies.

(c) New construction may be used to satisfy a clearly defined need for housing identified in a housing market analysis. The acquisition of military facilities, including housing construction and renovation, shall be accomplished in accordance with Reference (l).

(2) DoD Family Housing. DoD family housing shall be constructed and renovated in accordance with Reference (m), which includes guidance on size standards and amenities. The gross area thresholds for renovation minimum, construction minimum, programming benchmark, and construction maximum for DoD family housing units are shown in Table 4-1 of Reference (m) and Table H-1 of Reference (v). Although these values in some cases exceed the thresholds in Table 2 of Reference (o), the Department of Defense has the authority to exceed these area thresholds in accordance with section 2826 of Reference (t).

(3) DoD UH for Permanent Party. New or renovated military UH shall have room patterns and floor areas comparable to similar rental housing in the private sector in that locality. Increased emphasis shall be placed on improving the living environment for unaccompanied

personnel because of cultural changes, increasing Service member expectations, and impact on recruitment, retention, and readiness.

(a) Junior Enlisted

1. Construction Standards. The DoD standard for new or renovated UH for junior enlisted members who are required to live on the installation is a market-style unit. (See Glossary for definition.) The Secretary of a Military Department has the authority to approve a lesser construction standard with the constraint that a bathroom cannot be shared by more than two members on a permanent basis.

2. Area Limit. Section 2856 of Reference (t), as amended, established the area limits for UH as the size of similar private-sector housing in the locality of the installation. Since this is similar to the benchmark used to size family housing, the Department’s area limits for newly constructed UH were based on the same approach used to set family housing area benchmarks. Table 3 provides the maximum and minimum gross area limits for junior enlisted UH. These gross area limits were based on results of the DoD study (Reference (v)) of private-sector housing, apartment research data (<http://www.mpfresearch.com>), and necessary adjustments to reflect unique features of UH. (See Glossary for definition of “gross area.”)

Table 3. DoD UH Construction Standards – Junior Enlisted Permanent Party

APARTMENT TYPE	CONSTRUCTION MAXIMUM (Gross Square Feet)	CONSTRUCTION MINIMUM (Gross Square Feet)
Studio	750	600
One-bedroom	1,050	750
Two-bedroom	1,290	850
Three-bedroom	1,530	1,100
Four-bedroom	1,760	1,420
NOTES: 1. Maximum based on a market-style unit. 2. The gross area limits above include circulation space and common areas such as lounges, fitness rooms, activity rooms, storage rooms, and building management offices. 3. Maximum area may be increased up to 10 percent to meet the accessibility requirements for wounded, ill, or injured personnel, or other unique situations such as cold climate, chemical-biological-radiological antiterrorism features, or high-rise construction (seven or more stories).		

(b) Non-Commissioned Officers, Warrant Officers, and Officers (O-5 and below).

New or renovated UH constructed for unaccompanied members in this category who are generally allowed to receive BAH and live in the community, but for military necessity are required to live on the installation, should generally be one-bedroom units comparable to similar rental housing in the private sector in that locality. Specific standards may be established by the Secretary of the Military Department.

(4) DoD UH for Trainees and Students. The Secretaries of the Military Departments may approve construction standards appropriate for the type and length of training and the status of the trainee or student occupants.

(5) Elimination of Excess UH. The Military Departments shall determine the disposition of excess UH, including demolition or conversion to another use, to reduce facility sustainment and operating costs.

f. General and Flag Officer Quarters (GFOQ)

(1) Controls. Appropriate management controls shall be established to ensure GFOQs are operated and maintained in a prudent manner. For each GFOQ, the DoD Components shall maintain annual information on obligations for operations, maintenance and repair, and improvements as well as any additional information needed for reports required by Congress.

(2) Funding

(a) All operating costs and any repair or maintenance of GFOQs and historic houses shall be funded solely from the family housing appropriation.

(b) Repair and maintenance shall apply to any work performed on housing structures or areas, including security and antiterrorism measures, but excluding communication equipment required by the occupant to perform his or her mission.

(c) GFOQs costs shall not be split for the purpose of funding part of the house with regular operation and maintenance funds provided in DoD appropriations acts.

(d) Furnishings may be provided in accordance with the guidelines described in section 4 of this enclosure. When GFOQs are privatized, appropriated funds shall be used to purchase furnishings, except when furnishings are provided by the privatization partner. Expenditures shall be reported as required by Congress.

g. Historic Quarters. The maintenance, improvement, rehabilitation, or demolition of quarters that are listed on or considered eligible for listing on the National Register of Historic Places shall comply with DoDI 4715.16 (Reference (y)) and sections 470-470x-6 of title 16, U.S.C. (also known and hereafter referred to as "The National Historic Preservation Act of 1966 (NHPA), as amended" (Reference (z))). Consultation with the State Historic Preservation Officer in accordance with Reference (y) and NHPA, as amended, is required prior to the expenditure of Federal funds for the alteration or demolition of historic quarters. Because certain types of historic housing has been categorically excluded from further review under NHPA, as amended, all installations should consult their cultural resource manager prior to the commencement of an action to ensure legal requirements are met.

h. Leasing. Leasing is used for requirements of short-range or uncertain duration or for special situations as authorized by section 2828 of Reference (t). Leased family housing units shall be designated public quarters, and occupants shall forfeit their housing allowance. The authority to approve all leases or renewals shall not exceed the total number allocated and dollars appropriated annually.

(1) Domestic Leasing

(a) Individual family housing units in the United States, Puerto Rico, and Guam may be leased if there is a shortage of suitable housing at or near a military installation and one or more criteria in section 2828 of Reference (t) apply.

(b) The use of domestic leases is temporary and shall be:

1. Controlled to prevent an adverse impact on the local economy.
2. Used primarily to assist in providing housing for lower-ranking military personnel and their families.
3. Limited to areas with housing deficits for Service members.
4. Used only until Government housing programs or the local economy can provide sufficient housing at a reasonable cost.

(c) Leasing may be used when the lease cost to the prospective occupant will exceed MAHC; however, nothing precludes the Government leasing agent from negotiating a Government lease agreement below that amount.

(d) The cost limits of the maximum amount a year apply to the housing unit itself (including operations, maintenance, and utilities). Costs to be included within the statutory limitations are:

1. Basic shelter rent.
2. Maintenance when not provided by the lessor.
3. Utilities when not provided by the lessor and services (such as refuse collection) if separately contracted by the lessor.

(e) Costs excluded from the statutory lease cap limitations are:

1. Initial make-ready costs.
2. Costs of Government-owned furnishings.
3. Any pro rata share of the costs of installation services (refuse disposal, police and fire protection, etc.).
4. Administrative costs such as assignment, travel, and inspection by installation personnel.

5. Costs above installation level, such as costs attributable to engineer districts, public works offices, and other command levels as well as headquarters levels for personnel, travel, inspection, etc.

(f) Advance rental payments may be made within the criteria in section 2396 of Reference (t) when it is in the best interests of the U.S. Government.

(2) Foreign Leasing

(a) Individual family housing units in foreign countries may be leased if there is a shortage of suitable housing at or near a military installation and one or more criteria in section 2828 of Reference (t) apply, and, for incumbents of special command positions, as determined by the Director of Administration and Management in accordance with DoDD 5105.53 (Reference (aa)).

(b) If an economic analysis is necessary, it shall be accomplished in accordance with OMB Circular No. A-94 (Reference (ab)), DoDI 7041.3 (Reference (ac)), and appropriate Military Service regulations.

(c) Leasing of housing units in foreign countries for assignment as family housing may be for any period not in excess of 10 years, or 15 years in the case of leases in the Republic of Korea. The cost of such leases for any year may be paid out of annual appropriations for that year.

(d) A lease may not be entered into if the average estimated annual rental for family housing as described in section 2828(e) of Reference (t) exceeds the annual limit specified in section 2828(e) of Reference (t) during any year within the term of the lease.

(e) Any alterations, repairs, and/or additions to units leased in foreign countries shall be limited to work necessary to provide suitable living accommodations. The cost of such work shall not exceed 25 percent of the first year's annual rental without prior approval of the Head of the DoD Component concerned.

(f) As provided for in section 2834 of Reference (t), the Department of Defense may enter into an agreement with the Department of State (DoS) under which DoS agrees to provide housing and related services for personnel who are assigned to duty in a foreign country. The agreement will be implemented if there is a shortage of adequate housing in the area of the foreign country in which the DoD personnel are assigned to duty and participation in the DoS housing pool is the most cost-effective means of providing housing for such personnel. Units leased by virtue of participation in a DoS pool do not count against the high-cost lease authority allocated by the Department of Defense. The Department of Defense shall reimburse DoS, as provided in the agreement, for housing and related services furnished personnel under DoD jurisdiction.

(g) Section 2828(f) of Reference (t) provides procedures for prior notification to Congress when the average estimated annual rental for leased family housing, or for real property related to family housing, during the term of the lease exceeds the amount specified.

3. HOUSING PRIVATIZATION

a. General

(1) The housing privatization program was created to address the inadequate condition of military-owned family housing and the shortage of suitable community housing available to Service members and their families. Privatization allows the Military Services to team with the private sector to generate housing built to market standards. Market efficiencies and market quality standards reduce overall long-term costs to the Government.

(2) Section 3 of this enclosure provides guidance for executing, monitoring, and reporting housing privatization projects. Because privatization projects create a long-term governmental interest in privatized housing, it is essential that projects be monitored attentively. Privatization projects are executed by the Secretaries of the Military Departments.

(3) The guidance and procedures in this section must be used in conjunction with USD(C)/CFO Memorandum (Reference (ad)).

b. Guidance

(1) Valid Housing Requirements

(a) Projects must be supported by a valid HRMA in accordance with paragraph 1.d. of this enclosure.

(b) Housing privatization projects must specifically identify how the needs of junior enlisted personnel and their families are met at the particular installation. If a proposed project is not specifically targeted for junior enlisted personnel and their families, the Military Department must identify and explain how alternative housing addresses their needs.

(2) Leveraging of Appropriations. Leverage ratios measure the advantage of using privatization versus traditional MILCON techniques in terms of upfront budget costs. This leverage calculation requires estimating the cost of a MILCON project that is equivalent in scope and duration to the proposed privatization project. That MILCON cost is then divided by the scored cost of the privatization project. Housing privatization projects should leverage appropriations by at least two to one, meaning a project or project phase should generate twice the amount of housing construction as would be generated using MILCON.

(3) Economic Analysis (Life-Cycle Costs). Overall long-term costs should be less than or equal to MILCON. For the purposes of this program, this analysis compares the cost to the Government of a MILCON project that is equivalent in scope and duration to the cost of the

proposed privatization project. For more information regarding the calculation of operations and maintenance (O&M) costs, see Appendix 1 to this enclosure.

(4) Competition in Solicitations

(a) Project solicitations must promote competition to the maximum extent possible to take full advantage of private-sector expertise in providing quality housing for military families and unaccompanied personnel.

(b) Once standardized solicitation documents have been reviewed and approved by the DUSD(I&E) to determine their compliance with the competition policy, they are reviewed only by exception based upon specific modifications to the solicitation.

(5) Tenant Rents and Utilities. Tenants residing in privatized housing are responsible for paying both their rent and their utility bills. The housing owners may set rents at an amount equal to the tenants' BAH, reduced by an amount that allows the tenants to pay for their utility usage and renters' insurance. The rent reduction should be calculated based on a reasonable estimate of average consumption levels for the specific housing condition and type. For the purpose of this Manual, utilities include gas, electric, and/or heating oil.

(6) Budget Scoring. Budget scoring determines the cost that should be recognized and recorded as an obligation of DoD funding at the time housing is privatized. When a privatization project is executed, appropriated funds must be available to cover the scored amount. OSD obtains scoring approval from OMB for each privatization project. OMB approval of the final scoring report reflects the budget score of the selected proposal. Scoring reports must identify the source of appropriated funds to be used for the project.

(7) Project Taxes. The tax consequences of any project are the sole responsibility of the offerer and project documents may not contain language that makes the Government liable for future changes by tax authorities. Tax information and agreements should remain between tax authorities and prospective offerers.

(8) Privatization Authorities

(a) Direct Loans

1. Direct loans and loan guarantees constitute the extension of Government credit to an eligible developer. These financial tools require strong and consistent repayment policies and procedures in accordance with OMB Circular No. A-129 (Reference (ae)).

2. When direct Government loans are used to subsidize housing privatization projects, the Military Departments will commonly provide that direct Government loan secured by a second mortgage behind a private-sector first mortgage. In such cases, the amount of the Government loan may not exceed the amount of the private loan.

3. Risk and recovery rates and classifications are proposed by the OSD Office of Housing and Competitive Sourcing (OSD/H&CS) and approved by OMB on an annual basis. Military Services that anticipate using these authorities should contact OSD/H&CS for current approved classifications.

(b) Limited Guarantees. Government guarantees of private-sector loans may be provided as part of MHPI projects. Such guarantees shall be limited to defaults caused by governmental or military action that reduces tenant supply to such an extent that the housing owner cannot maintain the project and service the private debt.

(c) Investments in Eligible Entities (Partnerships). The Military Departments may make investments in an eligible entity carrying out an MHPI project. Such investments may include an acquisition of a limited partnership interest, a purchase of stock or other equity instruments, a purchase of bonds or other debt instruments, or any combination of these. The cash amount of the investment may not exceed 33.33 percent of the capital cost of the project. For projects involving the conveyance of land or facilities to the eligible entity, the amount of the total investment may not exceed 45 percent of the capital cost.

(d) Leases and Conveyances. The Military Departments may lease or convey property or facilities to eligible entities as part of MHPI projects, except for locations at or near an installation approved for closure under a base closure law. The lease or conveyance shall be for consideration and upon terms and conditions the Military Department determines is appropriate. However, the terms must include some provisions granting Service members right of first refusal to rent a reasonable number of the housing units concerned or others made available by the purchaser or lessee.

(e) Differential Lease Payments (DLP). The Military Departments are authorized to use DLPs as part of an MHPI project. If used, however, the stream of payments must be discounted to net present value for scoring purposes.

(f) Reimbursement for Services. In accordance with section 2872a of Reference (t), the Military Departments may furnish certain utilities and services in connection with a privatization project if the housing is located on a military installation. The Military Department shall be reimbursed for any utilities or services furnished, and any payment received shall be credited to the appropriation or working capital account from which the cost of furnishing the utilities or services concerned was paid.

(g) Local Standards. The Military Departments shall ensure that the room patterns and floor areas of family and UH units are generally comparable to those of similar housing units in the local area.

(h) Ancillary Supporting Facilities. In accordance with and subject to the restrictions of section 2881 of Reference (t), as part of an MHPI project the Military Departments may include the acquisition of construction of ancillary supporting facilities for the housing units concerned. Pursuant to section 2878(a) of Reference (t), conveyances and leases may include ancillary supporting facilities. (See Glossary for definition of “ancillary supporting facilities.”)

c. Procedures

(1) Concept Approval and Solicitation

(a) Concept Approval. The Military Departments identify project candidates and develop project concepts. Proposed projects are reviewed by the DUSD(I&E) for approval prior to solicitation to determine compliance with the policies in paragraph 3.b. above the signature and other sound business practices. Concept briefs must demonstrate a valid requirement, provide financial justification, and identify any installation-specific issues. Costs of project development, including consultant expenses, are the responsibility of the Military Departments. Oral briefings are required by exception, based on project-specific issues or concerns.

(b) Solicitation Development and Issuance. Upon DUSD(I&E) concept and solicitation approval, the Secretary of the Military Department concerned shall notify Congress of his or her intent to solicit proposals. Upon approval of the standardized solicitation documents, solicitations are reviewed by the DUSD(I&E) only by exception for new sections and approaches. After notification to Congress in accordance with section 2884 of Reference (t), a 30-day waiting period is required before issuing solicitations and publicly starting the acquisition process. For projects offering a limited loan guarantee, the waiting period is 60 days. The Military Departments make the solicitation notice and, upon expiration of the statutory waiting period, may issue the solicitation.

(2) Project Award Approval, Budget Scoring Approval, Notification of Award, and Notification of Transfer of Funds

(a) Project Award Approval. When the Military Service is prepared to execute the privatization project, it shall present the details of the project to the DUSD(I&E) for approval. Oral briefings are required only by exception. Written briefings should be accompanied by supporting project documentation, including the economic analysis and the final scoring report.

(b) OMB Budget Scoring Approval. Upon DUSD(I&E) approval of project award, the Military Service will submit draft scoring reports to DUSD(I&E), who submits final scoring reports to the OMB for budget scoring approval. DUSD(I&E) will provide budget scoring assistance by request. OMB provides scoring approval to DUSD(I&E), who forwards it to the appropriate Military Service and to OSD Comptroller in conjunction with the request to transfer of funds (see subparagraph 3.c.(2)(d) of this enclosure).

(c) Notification of Award. Upon DUSD(I&E) approval of the project to be awarded or the Community Development Management Plan (CDMP), Congressional award notification is required. The Military Service is responsible for making the notification. It must notify Congress, in writing, at least 30 days before award of any contract for a military housing project undertaken pursuant to MHPI in accordance with section 2884 of Reference (t). For projects where a developer is selected to prepare a CDMP, upon OSD concurrence, the Military Service will notify Congress of the approval of the CDMP and subsequent Notice to Transition.

DUSD(I&E) notifies OSD Comptroller of project approval and provides a copy of the award notification.

(d) Notification of Transfer of Funds. Congressional notification is the responsibility of the OSD Comptroller if funds transfer is involved and will include written notice of the terms of the anticipated project and details of the project funding. After this Congressional notification, a 30-day statutory waiting period is required by section 2883(f) of Reference (t) before the transfer of funds.

d. Post-Award Monitoring. The Military Departments execute projects and monitor their portfolio of projects. DUSD(I&E) regularly updates the Congress on implementation of the MHPI and on the status of individual MHPI projects. The Military Departments will provide DUSD(I&E) with semiannual updates on project completion status. Methods used to ensure private-sector performance are of particular interest and must be well defined early in the concept and solicitation development process. Updates are to include descriptions of deal structure and strategies for project monitoring. Additionally, use of the loan and loan guarantee authorities require specific credit management in accordance with various Federal laws, regulations, and requirements. The credit management requirement is a shared responsibility of OSD and the Military Departments.

4. MEMBER SUPPORT SERVICES

a. General. In providing member support services, the installation commander shall:

(1) Ensure all personnel and their families are provided housing relocation and referral services to assist in the location and attainment of housing that meets or exceeds the minimum standards of suitable housing as detailed in section 1 of this enclosure. These services should be at a time and location convenient and flexible to meet the needs of customers and be accessible to and usable by persons with disabilities.

(2) Serve as a member on the installation relocation assistance coordinating committee in accordance with DoDI 1338.19 (Reference (af)).

(3) Liaison with community and Government officials and organizations.

(4) Provide for the location and inspection of leased housing.

(5) Certify housing-related costs for temporary lodging allowance, overseas housing allowance, and move-in housing allowance in foreign areas.

(6) Undertake the preparation and analysis of housing surveys, management reports, and studies.

(7) Control the issue, repair, and procurement of DoD furnishings.

b. Relocation and Referral Services

(1) Housing-related relocation and referral services shall be provided to Service members at both the losing and gaining commands, in accordance with this Manual, Reference (af), and section 1056 of Reference (t).

(2) Service members shall obtain housing support services prior to agreeing to rent, lease, or purchase housing.

(3) Personnel shall have access to the DoD Automated Housing Referral Network (AHRN) (<http://www.ahrn.com>) or a list of local rental and sale properties at each location before arrival. Each listing shall include basic information for personnel to determine unit suitability such as housing type, cost, number of bedrooms, unit size, availability, and location.

(a) Listings shall be maintained of housing and agents against which restrictive sanctions have been imposed by the installation commander as a result of violating the EOOBH Program. All personnel reporting to the housing office for referral assistance shall be provided with a copy of the restrictive sanction list and shall acknowledge, by signature, receipt of the list. Restrictive sanctions shall be imposed for a minimum of 180 calendar days and shall continue until the agent for the facility has agreed in writing to a policy of nondiscrimination. (See subparagraph E4.2.4.3.1. of Enclosure 4 of DoDI 1100.16 (Reference (ag))). Restrictive sanctions are effective against the agent, the identified facility, and all other facilities owned or operated by the agent.

(b) Listings to share apartments and sublets and temporary duty housing should be handled in the same manner as rental and sale housing.

(4) In addition to electronic lists of available units, housing support services should include:

(a) Rental agreements in English and the national language in foreign areas.

(b) Transportation to show community housing, as required.

(c) Assistance with rental negotiations and review of leases.

(d) Counseling on the Rental Partnership Program (RPP) at locations where the program is in place. Under the RPP, the military housing offices negotiate with local landlords or property managers to obtain special reductions and benefits for Service members leasing a rental unit. The Service members, in turn, will pay rent through payroll allotment. The Military Service is under no obligation to compensate the landlord for breach of lease agreement or for damages to the rental unit by the Service members. The RPP may differ from installation to installation, depending on the local needs of the military housing area.

(e) Inspections of units for suitability based on environmental, health, and safety considerations prior to listing. Units should also be inspected if requested by the resident or if

there is a reason to question the suitability in response to resident's complaints. Housing units that do not meet minimum adequacy standards should be removed from the housing referral files, including databases, such as AHRN.

(f) Assistance with understanding procedures for and resolving problems with utility connections, fees, deposits, and billings.

(g) Assistance in resolving tenant and landlord disputes.

(h) Counseling for applicants on the EOOBH Program and the prohibitions against discrimination based on disability.

(i) Preliminary inquiries to validate housing discrimination complaints. A suspected discriminatory act, with or without the filing of a formal complaint, is a valid basis for investigation. After investigating housing discrimination complaints, the housing office shall report all circumstances (including any legal reviews) and validation to the appropriate command official for additional investigation in accordance with Reference (ag) and Reference (h). In foreign areas, the intent of the EOOBH Program and the prohibitions against discrimination on the basis of disabilities shall be carried out to the extent possible within the laws and customs of the foreign country.

(j) Information on the Homeowners Assistance Program, as applicable according to DoDD 4165.50E (Reference (ah)).

(5) If mutually agreed upon, a coordinated housing referral service or regional center may be established in an area where there is more than one military installation to provide services. The coordinated housing referral service or regional center should be designated the primary DoD contact with community and Government agency (local, State, and Federal) representatives.

c. Furnishings

(1) General. Unless constrained by law or Federal regulations, installation commanders shall purchase furnishings, equipment, supplies, and services wherever they can get the combination of quality and cost that best satisfies their requirements, in accordance with (Reference (k)). Commanding officers of tenant activities within the geographic jurisdiction of a military installation are not considered installation commanders for the purpose of the provision of furnishings.

(2) UH. Furnishings shall be provided in all DoD-owned or -controlled UH.

(3) Family Housing

(a) In CONUS. Furnishings may be provided in family housing occupied by personnel assigned to special command positions as described by Reference (z); student and short-tour personnel; foreign personnel who are in the United States under DoD Component-

sponsored agreements; and in the entertainment areas of military family housing occupied by an installation commander with the grade of O-6 as well as general and flag officers. Other commanders in the grade of O-6 and the senior enlisted member of a Military Service may be provided supplemental furnishings when deemed necessary by the Head of the DoD Component concerned, if these Service members are required to accommodate or entertain visitors frequently as part of their official duties. Except for authorized medical hold and holdover personnel, Government-owned furnishings shall not be provided for use in private or community housing, nor shall they be provided in private areas of military housing units where official entertainment is not required.

(b) Outside CONUS. Government-owned furnishings may be provided in DoD or private housing occupied by military personnel and DoD U.S. citizen civilians recruited in the United States upon a determination by the Head of the DoD Component that it is more advantageous for the Government to provide furnishings than to ship personally owned furnishings. Overseas loaner furnishings may be provided in DoD or private housing on a temporary loan basis pending receipt or after shipment of personally owned furnishings according to section 2251 of Reference (s).

(4) Special Command Positions and Senior Leadership

(a) Government-owned furnishings commensurate with the required level of official entertaining may be provided in the entertainment areas of DoD family housing and privatized family housing occupied by personnel assigned to special command positions as described by Reference (z); an installation commander with the grade of O-6 and flag officers; and foreign personnel who are in the United States under DoD Component-sponsored agreements. Other commanders in the grade of O-6 and the senior enlisted member of a Military Service (Sergeant Major of the Army, Master Chief Petty Officer of the Navy, Sergeant Major of the Marine Corps, Chief Master Sergeant of the Air Force) may be provided supplemental furnishings commensurate with the required level of official entertaining when deemed necessary by the Head of the DoD Component concerned if these personnel are required to accommodate or entertain visitors frequently as part of their official duties.

(b) The incumbents of special command positions, designated in accordance with Reference (z), may be provided additional amenities commensurate with the required level of official entertaining. The nature and extent of the amenities to be provided in DoD housing shall be determined within guidelines in subparagraphs 4.c.(4)(b)1 and 2 of this enclosure:

1. Furnishings may be provided for the entertainment areas and guest bedrooms if overnight accommodation of official visitors is required.

2. Special allowances of table linen, china, glassware, silver, and kitchen utensils are authorized by Reference (z) as an exception to section 2387 of Reference (t). The Secretary of the Military Department concerned may fund the initial procurement of tableware for principal military attachés assigned to U.S. embassies, consulates, or other diplomatic posts in foreign countries. Item replacement shall be according to procedures within the Military Departments.

(5) Medical Hold and Holdover Personnel. Housing furnishings for Service members, who are assigned to a medical hold or holdover unit while they are receiving out-patient treatment for a medical condition, shall be provided in accordance with Reference (w).

Appendixes

1. Housing Privatization Life-Cycle Cost Comparison
2. O&M and Utility Calculation Methodology

APPENDIX 1 TO ENCLOSURE 3

HOUSING PRIVATIZATION LIFE-CYCLE COST COMPARISON

1. INTRODUCTION. A life-cycle cost comparison is a required step in the MHPI project approval process. Preparation of a cost-benefit analysis in compliance with Reference (ae) and other applicable regulations is the responsibility of the Military Services. However, the OSD concept and award approvals are concerned solely with a life-cycle cost comparison of two alternatives, privatization and identical MILCON. Full cost-benefit analyses may be used to assist Military Service decision making. However, non-monetary benefits and sensitivity analyses are not required for OSD approval.

2. ALTERNATIVES CONSIDERED. Two specific alternatives must be presented for OSD concept approval: the proposed privatization project and a MILCON project of identical scope, quality, amenities, and duration to the privatization alternative. For example, if the privatization alternative analyzes the cost of improving 300 units and constructing 500 new units, the MILCON alternative must analyze the cost of the same number of improved and new units.

3. ASSUMPTIONS

a. Constant Dollar Analysis. All life-cycle cost analyses must be in constant (real) dollars, measuring life-cycle costs in units of stable purchasing power.

b. Discount Rate. Appendix C of Reference (ab) and Reference (ac) require the use of a discount rate based on the cost to the Department of the Treasury of borrowing funds. The discount rate is prepared annually by OMB and generally is provided to agencies in February or March.

c. Inflation. Nominal or inflated dollars should not be used for the life-cycle cost analysis. The life-cycle cost analysis should be accomplished using constant or real dollar values, i.e., by measuring costs in units of stable purchasing power.

d. Base Year of Analysis. The base year of the analysis should be the first year in which there would be a difference in expenditures between the two alternatives, generally the first year of the project. This may require an adjustment from the year in which the actual costs are based to the base year of the analysis.

e. Period of Analysis. The period of analysis must be identical to compare alternatives. Where alternatives have different economic lives, the longest is used as the basis for the comparison and an adjustment is made for the unequal life by extending the life of the other alternative.

f. Comparable Scopes. For the purpose of comparison, significant scope elements of the two alternatives must be made identical or as closely comparable as possible. This would apply to items such as gross and net building areas, type and size of living spaces, garages, carports, parking, storage areas, community spaces and facilities, and services. For example, the MILCON alternative must be adjusted to reflect amenities, like a community swimming pool, included in the privatization alternative.

g. Initiative to Increase Housing Allowances. The life-cycle cost analysis must reflect the anticipated increases in the basic allowance for housing.

4. COST ANALYSIS

a. Costs associated with each alternative must be quantified, supported, and sourced. All costs of the project that may be incurred over the life of both alternatives, except sunk costs, are included in the cost analysis. Sunk costs would not be recovered regardless of the alternative selected. Project planning and design costs are considered sunk if they are obligated or expended before selecting an alternative.

b. For the MILCON alternative, the total cost to the Government includes identifying costs and resources for such items as:

(1) Construction, Renovation, Demolition, and/or Design. Based on construction project data (e.g., DD Form 1391, "Military Construction Project Data," available at <http://www.dtic.mil/whs/directives/infomgt/forms/eforms/dd1391.pdf>), or if not available, parametric cost estimates based on similar previous projects or the Department's pricing guide for facilities.

(2) Capital Repair and Replacement and Out-year Revitalization. Based on the Government cost of the developer requirements in the Request for Proposal and/or the awarded proposal.

(3) O&M. Methodology, using market cost data from the Institute of Real Estate Management (IREM) provided in Appendix 2 to this enclosure.

(4) Utilities. Tenant utilities (gas, electric, and/or heating oil) from the Home Energy Saver Website (<http://hes.lbl.gov/consumer/>) and common area utilities (water, sewer, and trash) from local housing finance agency/Department of Housing and Urban Development (HUD) data, using the methodology in Appendix 2 to this enclosure.

(5) Reimbursed Government Services Provided. Based on actual costs (includes fire and police).

(6) Relocation (Drayage). Based on actual costs.

(7) School Impact Aid. Based on actual costs.

(8) Housing Management Personnel. Based on actual costs.

(9) BAH Paid to Members for Unoccupied Units. Based upon calculated BAH for average vacant MILCON. A small percentage of MILCON housing at any point in time is unoccupied, with the designated non-occupant member receiving a housing allowance.

c. For calculating the cost of the MILCON alternative for UH projects, this additional guidance applies:

(1) Capital Repair and Replacement and Out-year Revitalization. Costs may be used from the DoD facility modernization model, which is part of the Facility Program Requirements Suite maintained by the Office of the DUSD (I&E) (available on the Internet at <http://www.acq.osd.mil/ie/fprs.shtml>).

(2) O&M. Costs may be used from the DoD facilities sustainment model and facilities operations model, which are part of the Facility Program Requirements Suite maintained by the Office of the DUSD (I&E) (available on the Internet at <http://www.acq.osd.mil/ie/fprs.shtml>).

(3) Supporting Facilities Costs. Includes sustainment and modernization costs for the site work and utilities infrastructure for the project.

(4) UH Management. Includes costs for centralized UH management that provides services such as room assignment, in- and out-processing, furnishings management, oversight of maintenance and repair work orders, etc.

(5) Furnishings. Includes costs for the initial issue of furnishings and appliances for all living units and common areas, including clothes washers and dryers. Also includes costs for replacing furnishings and appliances over the life of the facility.

(6) Partial BAH. Includes the monthly cost to pay all occupants partial BAH because they are living in Government housing.

d. For the privatization alternative, the total cost to the Government includes identifying costs for such items as:

(1) Consultant Support (Through the Project Term). Based on planned and actual costs.

(2) Construction Inspection. Based on planned or actual inspection costs.

(3) BAH. Based on anticipated BAH for members living in privatized housing units.

(4) Credit Scored Amount. Based on modeled or final scored amount.

(5) School Impact Aid. Based on actual expected costs under privatization.

(6) Housing Management Personnel. Based on expected costs under privatization.

(7) Portfolio Management. Based on expected costs under privatization.

(8) Relocation (Drayage). Based on expected costs (if authorized).

e. Privatization costs should be offset by expected returns to the Government including:

(1) Rents or proceeds from the conveyance of property based on modeled or negotiated costs, including any Government returns from increases in housing allowances.

(2) Expected return on investments in nongovernmental entities based on modeled or negotiated costs, including Government returns from increases in housing allowances.

(3) Other Government returns.

APPENDIX 2 TO ENCLOSURE 3

O&M AND UTILITY CALCULATION METHODOLOGY

1. METHODOLOGY DESIGN. This appendix has been developed to provide the Military Services a standardized methodology for calculating MILCON O&M expenses and utilities (tenant and common area) for the housing privatization life-cycle cost analysis. The methodology is designed to provide consistent and reasonable numbers with minimal effort. The Military Services shall adhere to this methodology for all future OSD privatization concept and approval submissions.

2. O&M EXPENSE

a. Use the most recent annual IREM Conventional Apartment income and expense analysis publication as the basis for calculating O&M costs for MILCON units. (Copies of the publication can be purchased from IREM at 1-800-837-0706 or <http://www.irem.org>).

b. From the IREM publication table of contents, identify if your installation is located in a one of the Metropolitan Area Reports (MAR) provided. If the installation is located in a provided MAR, but the applicable MAR category has fewer than 10 buildings in its sample, proceed to paragraph 2.c. of this appendix. If the sample of buildings is 10 or greater, proceed to paragraph 2.d. of this appendix.

c. If the installation is not located in one of the MARs provided or has less than 10 buildings in the MAR, identify (from the map or income and expense analysis regions in the IREM publications) the IREM region in which the installation is located.

d. Select the most relevant major report in this priority order:

(1) Metropolitan area.

(2) Region.

e. Within these reports, select the most relevant property type in this priority order:

(1) Garden-type buildings.

(2) Low rise 12-24 units.

(3) Low rise over 24 units.

f. On the identified IREM page and under the most relevant category, to arrive at the annual O&M cost for the project, total the items in subparagraphs 2.f.(1) through (13) of this appendix, using the dollars-a-square-foot median cost. To provide an equivalent military housing expense

number, multiply the expense number by the unit adjustment factor of 1.14 as calculated by the OSD/H&CS. (The adjustment factor takes into account how the Military Family Housing Program differs from the IREM-collected information.) Multiply the number obtained by the total square footage of the units to be privatized to calculate the yearly MILCON O&M expense to be used in the installation's life-cycle cost comparison.

- (1) Management fees.
- (2) Other administrative expenses.
- (3) Supplies.
- (4) Building services.
- (5) Other operating expenses.
- (6) Security expenses.
- (7) Grounds maintenance.
- (8) Maintenance and repair costs.
- (9) Painting and decorating costs.
- (10) Other taxes, fees, and/or permits.
- (11) Insurance.
- (12) Recreational and amenities expenses.
- (13) Other payroll expenses.

3. TENANT UTILITY EXPENSE (GAS AND ELECTRIC). The tenant utility expense is the weighted average utility expense calculated using the Home Energy Saver Website (<http://hes.lbl.gov/consumer/>) for the area defined by the installation's zip code. The weighted average should be calculated using the "Energy Efficient House" costs for all new construction and the "Average House" costs for all renovated and adequate privatized housing.

4. COMMON AREA UTILITY EXPENSE (WATER, SEWER, AND TRASH). The common area utility expense is derived from local housing finance agency/HUD data (developed in 2003) and then summarized by IREM region. Use the cost associated with the IREM region for the specific installation and escalate as required.

- a. Add \$660 a year in Regions I, II, III, IV, and V.

- b. Add \$480 a year in Regions VI, VII, and VIII.
- c. Add \$840 a year in Regions IX and X.

5. METHODOLOGY SAMPLE. This section provides a brief example to demonstrate the methodology for an installation in Dallas, TX, in the 75201 Zip Code. There are 300 new units and 100 existing units with the weighted average size of the units equaling 1,600 SF.

a. O&M

(1) Most recent annual IREM conventional apartment income and expense analysis publication was acquired.

(2) Dallas, TX, was identified to have a separately listed MAR in the publication.

(3) Dallas MAR has more than 10 buildings in the IREM sample.

(4) Paragraph 2.c. of this appendix is skipped. (There is no need to identify a region if a relevant MAR is identified.)

(5) In the Dallas, TX, MAR, the most relevant property and occupancy type is “garden-type buildings.”

(6) The median annual costs a square foot to be totaled under “garden-type buildings” are:

- (a) Management Fee: 0.35.
- (b) Other Administrative: 0.85.
- (c) Supplies: 0.02.
- (d) Building Services: 0.10.
- (e) Other Operating: 0.04.
- (f) Security: 0.04.
- (g) Grounds Maintenance: 0.18.
- (h) Maintenance-Repairs: 0.26.
- (i) Painting and/or Decorating: 0.21.

(j) Other Tax, Fee, and/or Permit: 0.01.

(k) Insurance: 0.26.

(l) Recreational and/or Amenities: 0.02.

(m) Other Payroll: 0.47.

(7) The total IREM O&M dollars-an-SF expense is 2.81.

(8) The military unit adjustment factor provided by OSD/H&CS is 1.14. Multiplying 1.14 by \$2.81 an SF provides an adjusted total all-expense number for military housing in Dallas, TX, of \$3.20 an SF.

(9) The weighted average size of units is 1,600 SF. Multiplying \$3.20 an SF by 1,700 SF provides an adjusted total expense a unit for military housing in Dallas, TX, of \$5,125.

b. Utility Expense (Tenant and Common Area)

(1) From the Home Energy Saver Website (<http://hes.lbl.gov/consumer/>), for a home in Dallas, TX, zip code 75201, the estimated annual tenant expense (gas and electric) for an “average” home is \$1,789, and for an “energy efficient” home is \$1,019.

(2) To calculate the weighted average dollar-a-unit tenant cost: multiply the “energy efficient” expense (\$1,019) by 100 new construction units (\$101,900); multiply the “average” expense (\$1,789) by the 200 renovated or adequate units (\$357,800); add these two figures together and divide by 300 to get an average dollar-a-unit tenant cost of \$1,532.

(3) As the project is located in IREM Region VI, add \$480 for water, sewer, and trash (common area) to the dollar-a-unit total tenant expense of \$1,532 for a total utility expense of \$2,012 a unit.

(4) The total number of units to be privatized is 300. Multiply 300 units by the total utility expense of \$2,012 a unit for the installation’s yearly identical MILCON total utility expense of \$603,600.

c. Income and Expense Analysis Program. The IREM Income and Expense Analysis Program has been providing annual residential expense information to real estate professionals, Government agencies, private investors, and researchers across the country for over 40 years. The IREM in-depth regional and metropolitan area yearly expense information will not only save the Services valuable research time, but should eventually provide future data benchmarks for “should” cost information. The common area service (trash collection and sewer and water) information is a compilation of data provided by local housing finance agencies/HUD.

GLOSSARY

PART I. ABBREVIATIONS AND ACRONYMS

ARC	American Red Cross
AHRN	Automated Housing Referral Network
BAH	Basic Allowance for Housing
CDMP	Community Development Management Plan
CONUS	continental United States
DLP	differential lease payments
DoD	Department of Defense
DoDD	DoD Directive
DoDI	DoD Instruction
DoS	Department of State
DUSD(I&E)	Deputy Under Secretary of Defense for Installations and Environment
EOOBH	Equal Opportunity in Off-Base Housing
GFOQ	General and Flag Officers Quarters
GS	general schedule
H&CS	Housing and Competitive Sourcing
HRMA	housing requirements and market analysis
HUD	Department of Housing and Urban Development
IREM	Institute of Real Estate Management
MAHC	maximum acceptable housing cost
MAR	metropolitan area reports
MHPI	military housing privatization initiative
MILCON	military construction
NCO	non-commissioned officer
NHPA	National Historic Preservation Act
NSF	net square feet
O&M	operations and maintenance
OHA	Overseas Housing Allowance
OMB	Office of Management and Budget
PCS	permanent change of station
RPP	Rental Partnership Program

SES	Senior Executive Service
SF	square feet
TDY	temporary duty
UH	unaccompanied housing
U.S.C.	United States Code
USD(C)/CFO	Under Secretary of Defense (Comptroller)/Chief Financial Officer
USD(P&R)	Under Secretary of Defense for Personnel and Readiness

PART II. DEFINITIONS

Unless otherwise noted, these terms and their definitions are for the purpose of this Manual.

accessible. Buildings, facilities, programs, and activities that are accessible to and usable by persons with disabilities. Buildings and facilities that are accessible pursuant to Reference (j) are those that comply with Reference (j). Programs and activities that are accessible pursuant to section 504 of Reference (r) are those to which persons with disabilities have reasonable access, either because the program or activity is conducted in an architecturally accessible facility and no other barriers to participation exist, or because special arrangements are made to enable participation by persons with disabilities in spite of architectural barriers. Military family housing in which minimal architectural barriers exist may be considered accessible provided that such housing is easily modifiable to be accessible within 30 days upon request.

adequate DoD housing. Family and UH that meets DoD minimum standards for configuration, privacy, condition, and health-safety.

ancillary supporting facilities. Facilities related to military housing units including, but not limited to, facilities to provide or support elementary or secondary education, child-care centers, day-care centers, housing offices, dining facilities, unit offices, and other similar facilities for the support of military housing.

community housing. Private-sector housing located within a defined market area. This does not include housing privatized and used by the Military Services.

construction standard. Design and construction criteria for new or renovated housing.

CONUS. Defined in Joint Publication 1-02 (Reference (ai)) under “continental United States.”

conversion. Permanent change in use of Government facilities that will change the category code on the real property inventory or to combine Government housing.

dependent. A sponsor’s spouse, unmarried child, or parent who qualifies the sponsor for dependent-rate housing allowances. Section 401 of Reference (s) defines dependent, child, and parent for the purposes of allowances. For the purposes of housing management (except as

otherwise stated), dependent is further defined to exclude non-custodial dependents. (See also “family member.”) Dependent also includes the authorized non-medical attendants of medical hold or holdover Service members. The non-medical attendants can be the Service member’s parent, guardian, or another adult (18 years or older).

discrimination. An act, policy, or procedure that arbitrarily denies an individual or group equal treatment in housing because of race, color, religion, gender, national origin, handicap, or familial status.

DoD housing. Family and UH that the Department of Defense owns, leases, obtains by permit, or otherwise acquires. This is also referred to as “Government-controlled housing.” It does not include privatized housing.

DoD personnel. Military and DoD appropriated fund and non-appropriated fund personnel.

DoD-sponsored civilian personnel. Non-DoD civilians who are essential to mission accomplishment and are located at an installation as a result of direct or indirect sponsorship by a DoD Component (e.g., ARC personnel, contract technicians, bank managers, and others as determined by the installation commander).

domestic leasing. Temporary leased military family housing in the 50 States, District of Columbia, Puerto Rico, and Guam.

family. Comprised of a member of the Military Services (or DoD civilian or DoD-sponsored civilian) and dependents, or of a member married to a member. Families are eligible to occupy DoD family housing under guidelines in section 2 of Enclosure 3.

family members. Persons who make up a Service member’s “family” (i.e., dependents). See also “dependent,” which can be used as a preferred term when appropriate.

foreign. All areas outside the 50 States, the District of Columbia, and the U.S. possessions and territories.

foreign leasing. Temporary leased military family housing and UH in foreign countries.

furnishings. Furniture, household equipment, carpet (when not installed as part of the unit), draperies, and miscellaneous items procured under special authority. Includes special allowance household goods such as china, glassware, silver, table linen, cutlery, and kitchen utensils (excluding small powered appliances). In foreign areas, includes equipment or appliances normally provided as part of the housing unit in the United States, such as moveable kitchen cabinets, wardrobes, or light fixtures.

gross area, UH. The total slab area of each occupied floor, without any reduced-scope allowances (e.g., balconies, stairwells, elevator shafts, open corridors).

gross area, family housing. See Reference (m) for detailed definition.

improvements. Alterations, additions, expansions, and extensions including rehabilitation of a housing unit.

inadequate DoD housing. Family and UH that does not meet DoD minimum standards for configuration, privacy, condition, and health-safety. Inadequate housing is not necessarily uninhabitable unless it has a serious health or safety deficiency.

initial make-ready costs. Costs of any necessary alterations, repairs, and additions to foreign leased units to provide adequate living accommodations. Make-ready costs apply only when the unit is initially acquired.

installation commander. For the purpose of providing furnishings, the commanding officer of an installation having responsibility for that installation. The commander of a mobile or military unit or activity who does not otherwise have responsibility for land, buildings, and fixed improvements is not an installation commander.

involuntarily separated member

separated from family

Service member assigned to family housing. A Service member who is unaccompanied by dependents because of the lack of acceptable housing at the permanent duty location.

Service member assigned to UH. A Service member who is unaccompanied by dependents because housing is not programmable for the member and the member is assigned to a location outside CONUS.

separated from service. A former Service member who was involuntarily separated from active duty as defined in Chapter 58 of Reference (t).

joint base. A location designated in Defense Base Realignment and Closure Commission report (Reference (aj)) as having installation management functions transferred from one or more installations to another installation.

key and essential personnel. Military and civilian personnel required by an installation commander to reside on the installation because of military necessity and operational considerations.

market-style unit. A studio to four bedroom unit with a bathroom for each bedroom (or one shared by no more than two bedrooms), a living room, a full kitchen with a full-size refrigerator, sink with disposal, range (or oven and four-burner cook top), microwave oven, and a clothes washer and dryer. A balcony and/or patio is optional.

Military Departments. Defined in Reference (ai).

military housing. DoD housing and privatized housing.

military housing requirement. The number of military housing units required in addition to private-sector housing to adequately house Service members and eligible civilians.

Military Services. Defined in Reference (ai).

National Register of Historic Places. The listing maintained by the Secretary of the Interior of districts, sites, buildings, structures, and objects of national, State, or local significance in American history, architecture, archeology, and culture.

net SF, UH. The floor space in square feet within the interior face of full height walls of a room(s) with no deductions for furnishings, door swings, sinks, installed cabinets and countertops, heating and cooling system components, or exposed vertical pipes. Net SF of a bedroom does not include the area of a closet.

non-Federal entity. Generally a self-sustaining, non-Federal person or organization that is established, operated, and controlled by any individual(s) acting outside the scope of any official capacity as officers, employees, or agents of the Federal Government. Non-Federal entities may include elements of State, interstate, Indian tribal and local governments, as well as private organizations.

occupancy. The percentage of the housing inventory occupied or assigned to Service members for housing purposes. It takes into account units that are inactivated due to ongoing repair or renovation, but not because of routine cleaning and maintenance for change of occupancy. Also referred to as “utilization.”

outside CONUS. All domestic and foreign areas outside of CONUS.

outside of the United States. All foreign and non-foreign areas outside of the 50 states and the District of Columbia.

overseas loaner furnishings. Government-owned furnishings provided on a temporary basis to personnel pending receipt of personally-owned furnishings or when it is determined to be more advantageous to the Government over the shipment of personally-owned furnishings.

PCS. In general, the assignment, detail, or transfer of a member or unit to a new permanent duty station under a competent order that does not specify the duty as temporary, provide for further assignment to a new station, or direct return to the old station.

permanent party personnel. Active duty and Reserve Component military personnel who are assigned to or are attached to an installation in a PCS status. Also includes trainees or students who are attending a training course for 20 weeks or longer.

principal military attaché. The senior attaché from each Military Department at a foreign location.

privatized housing. Military family or military UH acquired or constructed by an eligible entity pursuant to the MHPI legislation at sections 2871-2884 of Reference (t). This housing may be located on Government property leased to the entity, typically for 50 years. This housing is not

DoD-owned, but is one of the housing choices available to Service members. Privatized housing can be located on or near military installations within the United States and its territories and possessions.

public entertainment area. That area in a set of quarters intended to accommodate public rather than private entertainment. Includes the entrance foyer, living room(s), dining room, and the stairways and hallways interconnecting these areas. Enclosed porches, dens, libraries, family rooms, upstairs hallways (unless there is no bathroom available for guests to use on the first floor), and other areas of the quarters normally are not considered as part of the public entertainment area. Guest bedrooms in quarters of special command positions may be included if overnight accommodation of official visitors is required.

repair. The restoration of a real property facility to such condition that it may be effectively utilized for its designated purposes.

restrictive sanction list. A list maintained by the installation commander to prevent military or eligible DoD civilian personnel from entering into a rental, lease, or purchase arrangement with, or occupying the housing of, an agent who has been found to have discriminated against military personnel and eligible DoD civilians or their dependents.

special command positions. Positions designated by the Director of Administration and Management. A list of these approved special positions is maintained and published by the Director of Administration and Management as governed by Reference (z).

suitable housing. Military and community housing that satisfies the criteria in subparagraph 1.c.(4) of Enclosure 3. It is assumed this housing meets minimum standards for housing units as determined in the BAH and HRMA processes.

sunk costs. Expenditures, including Government-owned land and improvements, incurred before project approval.

supplemental furnishings. Furnishings provided in the entertainment areas of family housing to supplement personally owned furnishings of occupants who are required to accommodate or entertain visitors frequently as part of their official duties.

sustainment, restoration, and maintenance. The recurrent, day-to-day, periodic or scheduled work required to preserve or restore a real property facility to such condition that it may be effectively utilized for its designated purpose. Includes work undertaken to prevent deterioration or damage to a facility without which the facility would be more costly to restore.

trainees and students. Personnel not considered in a permanent party status who are undergoing military training in the broad areas of:

basic training. Initial military training, also referred to as “basic military training,” recruit training, and boot camp.

specialty training. Training subsequent to basic training to learn an occupational (technical) skill. In certain situations, specialty training is part of basic training.

advanced skills training. Training subsequent to assignment at the first permanent duty station.

UH. Military housing for unaccompanied personnel, for both enlisted and officers, and for permanent party, trainees, and students.

unaccompanied personnel. Personnel who either have no dependents or who are geographically separated from all dependents.

United States. The 50 States, District of Columbia, and U.S. possessions and territories.

U.S. possessions and territories. Outlying areas of the United States, including the Commonwealth of Puerto Rico, U.S. Virgin Islands, Commonwealth of the Northern Mariana Islands, American Samoa, Wake and Midway Islands, and Guam.

voluntarily separated member

separated from family

Service member assigned to family housing. A Service member who, for reasons other than availability of housing at the permanent duty location, elected not to be accompanied by dependents. This is not considered a family housing requirement at CONUS or outside CONUS.

Service member assigned to UH. A Service member who, for reasons other than availability of housing at the permanent duty location, elected not to be accompanied by dependents. This is only considered a UH requirement at foreign locations.

separated from service. A former Service member who was voluntarily separated from service with benefits or incentives established in Chapter 59 of Reference (t).