

THE CURRENT CONDITION OF THE MILITARY HOUSING PRIVATIZATION INITIATIVE

HEARING

BEFORE THE

SUBCOMMITTEE ON PERSONNEL
AND
SUBCOMMITTEE ON READINESS AND
MANAGEMENT SUPPORT

OF THE

COMMITTEE ON ARMED SERVICES
UNITED STATES SENATE

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THE CURRENT CONDITION OF THE MILITARY HOUSING PRIVATIZATION INITIATIVE

WEDNESDAY, FEBRUARY 13, 2019

UNITED STATES SENATE,
SUBCOMMITTEE ON PERSONNEL AND
SUBCOMMITTEE ON READINESS AND
MANAGEMENT SUPPORT,
COMMITTEE ON ARMED SERVICES,
Washington, DC.

The Subcommittees met, pursuant to notice, at 2:04 p.m. in room SD-G50, Dirksen Senate Office Building, Senator James M. Inhofe (Chairman of the Committee) presiding.

Subcommittee Members present: Senators Inhofe, Wicker, Fischer, Rounds, Ernst, Tillis, Sullivan, McSally, Scott, Blackburn, Reed, Shaheen, Gillibrand, Blumenthal, Hirono, Kaine, Warren, Duckworth, and Jones.

OPENING STATEMENT OF SENATOR JAMES M. INHOFE

Senator INHOFE. Good afternoon.

The Subcommittees on Personnel and Readiness meet jointly today. This is kind of an unusual thing. This does not happen very often, but there is a very good reason that should be evident to everyone right now that this is the right way to handle this.

Today we are going to have three panels of witnesses. We will hear from the families, those who are seated at the table right now, of Active Duty servicemembers, representatives of privatized housing, and the military leaders responsible for overseeing military housing. I welcome all of our witnesses and thank them for being here today.

In the future, this will be conducted at the full committee level, but due to the scheduling conflicts that we have, we were unable to do that today. I believe that we needed to have this hearing as soon as possible.

It is important for everyone to understand why on-base housing is privatized. In the late 1990s, on-base housing, which was managed by the Department of Defense (DOD), was in disrepair. We privatized the system, putting our faith and trust in the private sector to give our families a better quality of life while the contractors received fair compensation. That was the goal.

Here is the fact. Our servicemembers and their families deserve high-quality, affordable housing. Period. One mistake is too many. We hear the argument that this is a rare thing, but even if it were, one is too many.

After hearing from the servicemembers and their families in Oklahoma and across the country, it is clear that is not happening everywhere. The Military Family Advisory Network (MFAN) received nearly 17,000 responses in just 7 days to a survey about privatized housing experiences. Of the close to 15,000 families who currently or recently lived in privatized family housing, almost 45 percent responded that they have a neutral or a favorable privatized housing experience. That leaves 55, however, or at least 8,000 residences, who are currently dissatisfied with where they are living.

There are some out there who try to minimize this problem by saying this only happens in 1 percent of privatized housing. Even if that is true, that would still be 2,000 military families having problems, and this survey shows otherwise.

Now, we are not going to be able to resolve this issue in one sitting. Today's hearing is just the beginning. We need necessary reforms to ensure accountability and excellence in privatized on-base housing so that we are going to keep on this issue. This is not going to be over with today.

We need to look at three things: the care for the servicemembers and their families, accountability in the contracting process, and examine what, if anything, the chain of command is doing to address the families' concerns.

You know, we were talking this morning, several of us who had been in the United States Army in this case. The chain of command was the final decision, and things actually were working pretty well at that time.

Ranking Member Reed and I will work with our Government Accountability Office (GAO), as well as the DOD Inspector General (IG), to thoroughly investigate and report back to the committee on steps, whether administrative or legislative, that can be taken to ensure our military families have housing they deserve. I remind both the industry and the Department to fully cooperate in these investigations.

I would also like to put on record today that our witness testimonies and other conversations that they have had with Members of this Committee are protected communications. That is very important. As such, any form of reprisal or threat thereof should be immediately reported to this Committee and will be immediately referred to the DOD Inspector General for swift action. Make no mistake about it. I will take any report of reprisals on our military families directly to the Secretary and Chief of that specific service.

We are going to get to the bottom of this, and today's hearing is the right first step to take.

Before I turn to Senator Reed, I would like to remind our Members that we have three panels today. So we will have 3-minute rounds for the first panel and 4-minute rounds for the others to ensure that we try to get everyone satisfied and who wants to participate.

Senator Reed?

STATEMENT OF SENATOR JACK REED

Senator REED. Thank you very much, Mr. Chairman.

First and foremost, I want to sincerely thank the panel of military families who are here today to speak up and speak out for their families and for the families of all military personnel. I extend that thanks to a dozen more families who are not here, but they have submitted written testimony that brings to life the painfully inadequate living conditions that some of our servicemembers and families are enduring as we speak.

I also want to thank the panels of housing companies and DOD witnesses for agreeing to appear today. We have a real problem here. Everyone needs to acknowledge that reality, and everyone here needs to work constructively and quickly to ensure our military families have the housing they deserve in the minds of the American people.

The Committee has received scores of heartbreaking testimonials with equally disturbing photos of rampant mold, poor water quality, contamination from lead-based paint, carbon monoxide, radon, faulty construction, infestations of kitchens and other living areas. The impact of these conditions leave residents fearful for their families' health and well-being.

Equally alarming is a recent survey from the Military Family Advisory Network, which found that more than half, 55.5 percent, of families had a negative or very negative experience with privatized military housing across 35 different companies. I think it is fair to say that generally military housing has improved upon where it was in the 1990s when this program began. However, here we are 20 years later. There is a clear disconnect between what has been promised by the companies as permitted by the DOD and the reality of what has been provided to military families.

I understand several families have traveled here today at their own expense. Would all the military families in the audience please stand up so we can recognize you and thank you?

[Applause.]

Senator REED. Thank you very much.

A servicemember's commitment extends beyond the missions they complete. They dedicated their entire families' lives to serving this country, serving this Nation. This Committee is similarly obligated to ensure it meets the needs of servicemembers and their families once they return home. It is our commitment today that this hearing will be the first step towards doing just that.

With that, Mr. Chairman, I thank you.

Chairman INHOFE. All right. We will now hear from the Chairs and ranking Members of the Personnel and Readiness Subcommittees. We will start with Senator Tillis.

STATEMENT OF SENATOR THOM TILLIS

Senator TILLIS. Thank you, Mr. Chair. I will be brief.

By the way, I noticed you all were talking when he said 3-minute rounds, and what he meant by that is multiply the number of Q&A [questions and answers] by the number of members up here. We will each have 3 minutes to ask you questions. It does not seem like a lot of time, but you need to understand that these committee hearings are kind of like the tip of the iceberg. This is where you get information to the members. I am from North Carolina. I have a vested interest in making sure that we get this right. But the

real work happens after the hearing when the staff and members get together.

What I am interested in—I am going to be brief so that we can get to your testimony—is just back to what Senator Reed said. When we did this in the mid-1990s, it was because the Department was doing a very poor job. We tended to improve, but we seemed to have back-slipped.

As we go through your personal testimonies—and I have spent a fair amount of time this week and I have seen the pictures that have come to me in different forms—I will be asking other members of the panel how did we get here. How did we not have the governance in place to identify this? How did we not have a safety valve for the military families to actually solve a problem?

I will leave you with this. There is a variety of reasons why we should all be concerned with this. Some of it is just at the human level. You see the pictures of children with respiratory problems. You see mushrooms growing out of upstairs bathrooms, all of these kinds of things. But think about it also as something that affects readiness because if you have a man or woman deployed and all of a sudden they are calling home and they have their spouse talking about these problems and worried about the health and well-being of their children, they are not as ready, they are not as focused, and they are not as capable as we want them to be to protect their lives and the lives of their colleagues.

I look forward to your testimony. Thank you.

Senator INHOFE. Thank you, Senator Tillis.

Senator Gillibrand?

STATEMENT OF SENATOR KIRSTEN GILLIBRAND

Senator GILLIBRAND. Thank you, Senator Inhofe and Senator Reed, for calling this very important hearing as quickly as possible so that we can start to address these issues and find solutions for our servicemembers and their families.

This hearing will rightly begin with the testimony from military families. We will hear the stories of toxic mold, lead paint, pest infestation, and other health risks present in their homes. We will hear how these terrible conditions are harming the health of our military families, and we will hear about the long-term consequences they are actually having on their children.

We will also hear about contractors and their military partners completely failing our military families and not responding to the crisis in an adequate or timely way. It is yet another example of corporate profits coming before the health of our military families.

The committee has received dozens of testimonies from families beyond what we will hear today on our first panel. The nonprofit Military Family Advisory Network has compiled the stories of many of these families and concluded that, “the concerns of families are ignored and families are expected to tolerate these conditions.” This is completely unacceptable.

In most cases, it is not just a single exposure to mold spores or lead-based paint that causes health issues or birth defects, but rather the sustained exposure over many weeks and months. There should have been a prompt and professional response to the initial call for help. We should have been able to avoid the situation.

For example, the Committee received testimony from a family in Oklahoma with five children that not only suffered long-term health problems because of black mold, but put themselves in tens of thousands of dollars of personal debt trying to remediate their situation. Yet, the company apparently tried to hide the problems from the family.

A family in Texas called their management company when they found mold following the mother's hospitalization. The company sent an unqualified technician who failed to diagnose the problem. The company refused to send an expert to test for mold. When the family paid out of pocket for their own inspection, which confirmed the presence of mold at dangerous levels, the company denied their request for reimbursement. That family continues to experience health issues today.

When a family in my home State of New York noticed the uninhabited house connected to theirs flooding from a water leak, their management company shut off the water and told them not to worry. When their walls started to buckle from water damage, the company told them, quote, the house was settling. When bubbles formed on their ceilings, they were told it was just humidity. In order to move from the residence, the management company required a letter from a doctor attesting to the family's health issues. Adding insult to injury, the company ultimately denied their claim for all the personal items and furniture that had to be destroyed due to mold.

When a family from New Orleans detected mold in their house after experiencing health issues, the management company did not believe them and did not test or remediate. When the pregnant mother's Ob-Gyn [obstetrician-gynecologist] requested mold testing and duct cleaning after becoming concerned that the mother could lose her child, the management company scheduled the work and then canceled it. They said they were not responsible for resident health. The family paid for their own test, which revealed six types of mold in the house. That family and that baby continue to experience health issues today.

Thank you, Mr. Chairman, for the time.

Senator INHOFE. Thank you.

Senator Sullivan?

STATEMENT OF SENATOR DAN SULLIVAN

Senator SULLIVAN. Thank you, Mr. Chairman, for calling this important hearing today.

I want to make sure that as we listen to the families and recognize their service and courage, that we have our other witnesses, the DOD witnesses, the contractors, who are intently taking notes and thinking about how they will fix this problem.

As I have dug into this issue, I am hopeful that we can all agree, everybody here, all the Senators, all the witnesses, on three things. We should have the best possible housing for our military families. Period. There is a lot of talk about the 1 percent in America. Well, guess what. We are looking at a lot of the 1 percent in America. It is the less than 1 percent that actually raise their right hand to support and defend the Constitution of the United States and die

for this country and their families. They should have the best housing. Period. That should not be in dispute.

Second, we need to fix the lack of accountability and oversight that has come from this, whether it is DOD or chain of command or contractors. What to me is so appalling as I have dug through a lot of these issues is how people, families, military families, were not being listened to either within the chain of command, the Department of Defense, or the contractors. We have to understand why and fix it.

Finally, we need to fix the program for today and for the future. There are things in this hearing that I think are going to likely shock many Americans, that we are going to hear about military families who are living with things like black mold and rodent infestations and raw sewage. We need to look at this program, not scrap this program. There are a lot of good homes, including in my State in Alaska, that provide quality and affordable housing for our servicemembers. But something has gone terribly wrong with the system and how to fix it.

I think if we can agree on these three things, Mr. Chairman, it will be an important start.

I do want to thank the servicemembers and their families. It takes a lot of courage for you to be here, those who have traveled to be here, and we are looking forward to hearing your testimony.

Thank you.

Senator INHOFE. Thank you, Senator Sullivan.

Senator Kaine?

STATEMENT OF SENATOR TIM KAINE

Senator KAINE. Thank you, Mr. Chair, and thanks to all the witnesses who will appear and everybody who is with us today.

I am proud to be on this Committee. I am proud to represent a State that has such a proud military history and has so many current Active, Guard, Reserve, DOD civilian, military families, military contractors. I am proud to have a child in the United States Marine Corps.

I am not proud to be here today. This is the kind of hearing we should never have to have. One of the occupational hazards of being in the line of work that many of us are in is it gets harder and harder to shock me. We all see a lot of stuff, and our standards of what will shock or outrage us kind of change over time. This is shocking. I look forward to the questions.

I want to offer two sets of thanks to people who are not going to be at the witness table today. First, to the Military Family Advisory Network for doing this survey. Everyone in this room should read the survey. You should read the summary of what has happened, but you should especially read the narratives of the families and the photos that they submitted that are at the end of the survey. It is very, very important work that you have done, and you have been very, very helpful in encouraging action by the Committee.

Second, I want to thank Reuters. This first came to our attention in our office by Reuters reports. There is a school of thought sadly expressed from people even in high offices these days that the press is the enemy of the people. The press does what they need

to do in this country. We put it in the First Amendment for a reason. The reason that freedom of the press is in the First Amendment is because of hearings like this one. It has been accelerated and brought to more attention more quickly than it would have because of the diligent efforts of journalists to interact with families and tell their stories. I want to thank the press for doing a good job on this.

Thank you, Mr. Chair.

Senator INHOFE. Thank you, Senator Kaine.

What we are going to do now is hear from the three young ladies who are representing many, many families. We are going to ask you to try to keep your opening comments down to 5 minutes. However, your entire statement that you have submitted will be made part of the record. Then our questions from the panel here.

We will start with you, Ms. Cornwall. You are recognized.

STATEMENT OF CRYSTAL CORNWALL

Ms. CORNWALL. Mr. Chairman and members of the committee, thank you for the invitation to participate in today's hearing.

I am Crystal Cornwall, the proud spouse of a marine of 11 years, a passionate military family advocate, and founder of the nonprofit Safe Military Housing Initiative. I am currently a finance professional, a former police officer, and have a bachelor's in public administration and am working towards a master's degree.

In many ways, I am like every other military spouse. We are at our fourth duty station and are anticipating a geo-batch tour in the fall. For the next 3 years, my husband will serve away from our family. Our three children have only known their father preparing for or deploying to war, a war that has endured 18 long years.

I am here today on behalf of military families of every branch and rank. We ask that you act on our testimony and ensure military families receive safe, habitable, and functional housing and a better, more accountable way to resolve problems that arise.

I first became aware of the crisis-level military housing issues at Keesler Air Force Base where termites fell out of light fixtures into our beds. Later, at Camp Pendleton, we lived with pervasive mold issues and unjustifiable move-out charges. At Keesler, the housing office staff told me, "Termites in your home are to be expected because of the region." At Camp Pendleton, we were inexplicably charged almost \$700 for carpet replacement. The housing rep used a black light and moisture stick to find stains unseen by the naked eye. When I disputed the validity of these charges, I found no path to resolution with the housing company, Camp Pendleton, or my husband's former command. In the end, various agencies and local attorneys advised us that military families living on the bases are essentially powerless in these disputes.

During my 2 years of research and advocacy, I received hundreds of reports from military families of mold growth, rodent and pest infestations, moisture intrusion, lead and asbestos exposures, radon concerns, base contamination, and cancer clusters in their housing. All of this was too often compounded by defensive, sometimes abusive housing staff.

With other military families, I have witnessed the peeling paint inside and outside of the homes at Fort Belvoir. I have felt the

helplessness of a fellow Marine Corps spouse as she held her new baby and sobbed while we stood under a collapsing, moldy ceiling in her home at Camp Lejeune. I listened in horror as families at Camp Pendleton told of mice eating through pacifiers in their babies' cribs and electrical outlets catching fire due to wiring issues. I have crawled into an attic at Keesler Air Force Base and measured the moisture intrusion from a roof leak. And I have been to the town halls where families were dismissed and they also feared retaliation for reporting their concerns.

Today you will hear from the corporate housing company executives testifying that they were unaware of these problems and that their own surveys show they are fulfilling the terms of their government contracts. They, and some of those in command, will also say military families are not reporting housing issues through official channels. That is just not accurate in my experience and in those of other military families. In fact, that is what military families do: we follow the rules.

Until recent media reports and today's hearing, our efforts to fight for safe housing were too often met with intimidation, personal attacks, and strategic attempts to discredit us and silence our voices. We are appalled by this response.

Looking ahead, we offer three recommendations to address the military housing crisis: amend or cancel the 50-year privatized contracts to allow for competition, proper oversight, and accountability; provide a clear and accessible path to administrative or legal recourse when necessary; as with civilian counterparts, military families should be able to withhold their basic housing allowances until their homes are safe and habitable.

Military families understand that quality housing does not mean entitlement to elegant mansions. We simply ask for homes free of mold, pests, lead, and other hazards. We expect homes free from the stressors of deployments, work-ups, training, and the day-to-day Military Service. As parents, we want safe places for our children to sleep at night.

Thank you for your time today and commitment to resolving the military housing crisis. We look forward to working with you to create solutions. As military families, we do our part. We ask that those who are paid to support us do theirs.

[The prepared statement of Ms. Cornwall follows:]

PREPARED STATEMENT BY CRYSTAL CORNWALL

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Pendleton, we lived with pervasive mold issues and unjustifiable move-out charges. At Keesler, the housing office staff told me, "Termites in your home are to be expected because of the region." At Camp Pendleton, we were inexplicably charged almost \$700 for carpet replacement. The housing rep used a black light and moisture stick to find stains unseen by the naked eye. When I disputed the validity of these charges, I found no path to resolution with the housing company, Camp Pendleton, or with my husband's former command. In the end, various agencies and local attorneys advised us that military families living on the bases are essentially powerless in these disputes.

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Until recent media reports and today's hearing, our efforts to fight for safe housing were too often met with intimidation, personal attacks, and strategic attempts to discredit us and silence our voices. We are appalled by this response.

But, looking ahead, we offer three recommendations to address the military housing crisis:

- Amend or cancel the 50-year privatized contracts to allow for competition, proper oversight, and accountability.
- Provide a clear and accessible path to administrative or legal recourse, when necessary.
- As with civilian counterparts, military families should be able to withhold their basic housing allowances until their homes are safe and habitable.

Military families understand that quality housing does not mean entitlement to elegant mansions. We simply ask for homes free of mold, pests, lead, and other hazards. We expect safe homes free from the stressors of deployments, work-ups, training, and the day-to-day Military Service. As parents, we want safe places for our children to sleep at night.

Thank you for your time today and commitment to resolving the military housing crisis. We look forward to working with you to create solutions. As military families we do our part, we ask that those who are paid to support us do theirs.

Senator INHOFE. Thank you very much for the excellent statement, Ms. Cornwall.

Ms. CORNWALL. Yes, sir.

Senator INHOFE. Mrs. Wanner?

STATEMENT OF JANA WANNER

Ms. WANNER. My name is Jana Wanner. I am an Army spouse of 9 years, and we are currently stationed at Fort Meade in Maryland. My husband is a sergeant first class, and we have two children.

We are enrolled in the Department of Defense's Exceptional Family Member Program (EMFP), which means the Department helps us with adaptive housing, proper medical care, and educational needs for our daughter who has a rare genetic condition

that causes both physical and educational issues. While it is not a perfect system, we are extremely grateful for the EFM program, as it allows my spouse to train and deploy without worrying about our safety and welfare at home.

Five months before we moved to Fort Meade, we contacted the Corvias housing staff to select a home. Due to our daughter's medical condition, we needed and requested a single-story home without stairs. We verbally made the housing staff aware over the phone that our daughter has knee problems associated with her medical condition. Corvias assured us that since we were placed on the waitlist 5 months prior to our report date, that they would have plenty of time to accommodate our request. After selecting from the choices that were provided by the housing staff, Corvias committed to providing us the single-story home that we selected. We packed for our move, had our household goods delivery set up, confident that the house we selected would accommodate us and our special needs and be ready upon our arrival.

Five days before our move from Fort Gordon, 600 miles away, we received a phone call from Corvias that the home we had secured with a lease was no longer available. The explanation that we were given from Corvias was that the current family in the home was no longer moving out, and now we only had one option to choose for housing.

It was the height of moving season, known as PCS [Permanent Change of Station]. With no time left, we decided to take the only house that Corvias offered that would be available upon arrival. We accepted a multi-story townhome on the base rather than risk not having any home at all. This meant that when our daughter dislocated her knee or when she required surgery on her knee again, she has to go up and down the stairs to get to her room.

Before we moved into housing, we were quoted a fixed-rate rent for the house. Upon arrival, we were given a slightly higher rate, but we felt powerless in arguing the difference in rent prices. A few months later, Corvias claimed that they had miscalculated their own move-in costs and demanded that we pay them an additional \$14, even though this was their own mistake.

In January, when the housing allowance pay was adjusted, Corvias also took it upon themselves to disregard our fixed market rate lease and increased our pay deduction by \$177 without our consent or informing us. Once we provided them proof of our market rate addendum, which was attached to our lease, we were given the burden of proof. Shortly after correcting the housing allotment, Corvias staff informed us that they would increase our rent again in July, despite their initial promise to continue to renew our lease at a market rate.

Shortly after moving in, we began to notice issues with our home. The linoleum floor around our first-level toilet started to get large black matter visible underneath and it continued to grow. After our first work order, Corvias did not send any workers or inspectors, so we submitted a second work order. Housing finally came to our home after an unexplained 2-week delay. They took out our toilet and placed it in our laundry room, and it sat there for 2 days. They also pulled up the bathroom floor and exposed the house to extensive black mold for the next 2 days. Maintenance did not properly

clean the concrete below and placed new linoleum over the mold-covered concrete. The contractors Corvias sent to our home to repair the bathroom even stated that the work that they had completed was a band-aid.

Shortly after the first-floor bathroom issue was addressed, we began noticing issues with our second-floor bathroom. Mold was growing out of the wall of our shower. When Corvias maintenance came to address our work order for this, they told us—and this is a direct quote—“let the mold just fall out. If we seal the area, the moisture will just be trapped inside.” Meanwhile, the area that we can see behind the shower wall is black and actively growing mold because it continues to get wet.

We also requested an air quality check from housing due to our daughter’s frequent nosebleeds and the bathroom mold issues that we have encountered. Corvias, however, has not committed to checking our air quality, and it has been more than 2 weeks since we have heard from the housing office. Meanwhile, we still live in these conditions.

Our story is not unique, nor is it the worst. Almost 17,000 military families responded to a survey by the Military Family Advisory Network with testimonials of unhealthy living conditions in privatized housing on military bases. And many more were given to other military family nonprofits.

Thank you, Senators, for the opportunity to testify and for addressing the serious issues of the health, safety, and welfare of our military families.

[The prepared statement of Ms. Wanner follows:]

PREPARED STATEMENT BY JANA WANNER

My name is Jana Wanner, an Army spouse of 9 years, and we are currently stationed at Ft. Meade in Maryland. My husband is a Sergeant First Class and we have 2 children.

We are enrolled in the Department of Defense’s Exceptional Family Member Program, which means the Department helps us with adaptive housing, proper medical care, and educational needs for our daughter who has a genetic condition that causes both physical and educational issues. While not a perfect system, we are grateful for the E-F-M program as it allows my spouse to train and deploy without worrying about our safety and welfare at home.

Five months before we moved to Fort Meade, we contacted the Corvias housing staff to select a house. Due to our daughter’s medical condition, we needed and requested a single-story home without stairs. We verbally made the housing staff aware over the phone, that our daughter has knee problems associated with her medical condition. Corvias assured us that since we were placed on the waitlist five months prior to our report date, they would have plenty of time to accommodate our request. After selecting from the choices that were provided by the housing staff, Corvias committed to providing us a single-story home that we selected. We packed for our move, had our household goods delivery set up, confident that the house we selected would accommodate us and our special needs and be ready upon our arrival.

Five days before our move from Fort Gordon, 600-hundred miles away, we were told that the home we had secured with a lease was no longer available. The explanation we were given from Corvias was that the current family in the home was no longer moving out in time, and we now only had one option to choose for housing.

It was the height of moving season, known as P-C-S. With no time left, we decided to take the only house Corvias offered that would be available upon arrival. We accepted the multi-story townhome on the base, rather than risk not having any housing at all. This meant that when our daughter dislocated her knee or when she requires surgery on her knee again, she has to go up and down the stairs to get to her room.

Before we moved into housing we were quoted a fixed rate rent for the house. Upon arrival we were given a slightly higher rate, but we felt powerless in arguing the difference in rent prices. A few months later Corvias claimed they had miscalculated their own move in costs and were demanding we pay them an additional \$14, even though this was their own mistake.

In January when the housing allowance pay was adjusted, Corvias also took it upon themselves to disregard our fixed "market rate" lease and increased our pay deduction by \$177 without our consent or informing us. Once we provided them proof of our market rate addendum attached to the lease, we were given the burden of proof in this matter. Shortly after correcting the housing allotment, Corvias staff did inform us they will increase our rent again in July, despite their initial promise to continue to renew the lease at a market rate.

Shortly after moving in, we began to notice issues with the home: the linoleum floor around the first-level toilet started to get large black matter visible underneath and it was growing. After the first work order, Corvias did not send any workers or inspectors so we submitted a second work order, Housing finally came to the house after an unexplained two week delay. They took out the toilet and placed it in our laundry room, where it sat for two days. They also pulled up the bathroom floor and exposed the house to extensive black mold for the next two days. Maintenance did not properly clean the concrete below, and just placed new linoleum over the mold covered concrete. The contractors Corvias sent to our home to repair the bathroom even stated that this work they had completed was just a band-aid.

Shortly after the first floor bathroom issue was addressed, we began noticing issues with the second floor bathroom. Mold was growing out of the wall of the shower. When Corvias maintenance came to address our work order for this, they told us, and this is a direct quote, "let the mold just fall out. If we seal the area, the moisture would be trapped inside" Meanwhile, the area we can see behind the shower wall is black and ly growing mold because it continues to get wet with every shower.

We requested an air quality check from housing due to our daughter's frequent nosebleeds, and the bathroom mold issues we have encountered. Corvias, however, would not commit to checking our air quality, and it has been more than two weeks since we have heard from the housing office. Meanwhile, we are still living in these conditions.

Our story is not unique, nor is it the worst. Almost 17,000 military families responded to a survey by the Military Family Advisory Network, with testimonials of unhealthy living conditions in privatized housing on military bases, and many more were given to other military family nonprofits.

Thank you, Senators for the opportunity to testify, and for addressing the serious issues of the health, safety and welfare of military families.

Senator INHOFE. Thank you, Ms. Wanner.
Ms. Driver?

STATEMENT OF JANNA DRIVER

Ms. DRIVER. My name is Janna Driver, and my husband is currently Active Duty Air Force stationed at Tinker Air Force Base in Oklahoma.

We lived on base in privatized housing managed by Balfour Beatty. We had numerous ongoing issues in our home, including maintenance issues that were neglected over the less than 2 years we lived there, which ultimately resulted in making my family very sick. Our housing company has known about these issues for years and is taking advantage of young military families who are not educated on how to properly treat mold and the health effects it causes. They are covering up, painting over mold, threatening military members with their command, using scare tactics and intimidation, lying to us, and making the problems worse, and now it is out of control. They have been banking on the fact that we would likely PCS to another base before what they covered up would reappear. On the surface, these homes appear to be flawless. But inside, the walls tell a different story.

On August 19, 2018, after lengthy and constant illnesses, my husband and I began to discover the real cause of all of our symptoms. I spent the weekend deep cleaning because we had all been so sick for so long. The utility room in our house was also my children's playroom where they played daily. In the utility room, I moved their small card table that was leaning up against the wall. The wall was solid black. I never thought mold. I thought it was residue from the padded side of their table. I wiped it off and continued cleaning.

The symptoms we had included constant sore throats, nosebleeds, brain fog, blurred vision, numbness, fatigue, debilitating headaches. Even the 4-year-olds complained daily of these headaches, along with dizziness. Knowing headaches are not normal for a child of that age, I was concerned they may have cancer. One of my twins suffered numerous times from respiratory distress that required emergency room visits.

On Monday, August 20, we called maintenance to repair a leak in the utility room. This was the ninth leak we had had in less than a year and a half. Maintenance came, cut a large hole in the sheetrock and repaired the leak. Upon completion, he asked if we wanted the hole repaired or if we were okay to leave this large hole in our wall. There were numerous large discolored spots on the same wall. We asked if those were from that same leak. He said no. He then told us he wanted to go out and look at our mechanical room, which is directly behind this utility room. This is a locked room attached to our homes that house hot water heaters and our HVACs [heating, ventilation, and air conditioning]. We are not allowed access to these rooms by housing. I told my husband to follow him. He walked up behind him and overheard a frantic phone conversation between him and the housing office about how our mechanical room needed to be repaired immediately.

When he noticed my husband standing behind him, he frantically began saying, "You cannot be in here. I am not allowed to let you see in this room." My husband said, we pay for this house. I am coming in. Upon entering, he saw black mold covering the walls, floor to ceiling. He immediately called housing maintenance. The housing office told him they had known about the mold since March and had been treating it by scrubbing it with bleach and water. When he asked why we were not notified, she stated she assumed the technicians had already told us.

We have verified with numerous experts that this process is only acceptable when the area of focus is very small and never use bleach on a porous surface. Doing this only feeds the mold, causing it to grow faster, spread, and multiply. We have shared this information with the housing company numerous times. To this day, they continue to use this process.

The next morning, my husband and his command met with our military housing liaison and our local housing community manager at our home. We were told by this manager that they had actually been documenting the mold since February, not March, and had she known how bad the room was, we would not have been allowed to continue living there. We told her we wanted mold testing done by a company of our choosing before any remediation began. That

was refused. One week later, this manager no longer worked for that company.

Balfour Beatty then moved our family into a Patriot Home. These are homes used to temporarily house families while work is being done to their own homes. We were told it had no mold, that it was clean and safe. The first day we were there, we found mold. The home was filthy, dirt on the floors, stains on the couch and carpets, bugs in the drawers in the kitchen. There were leaks in the Patriot Home, water pouring into a light fixture in the ceiling from an upstairs bathroom. We called housing. They came and cut a 2-by-2 inch square in the ceiling and left it, causing water then to pour into the floor of the utility room instead of into the light fixture.

We began to feel worse in this home and requested to be moved to a hotel. Initially housing would only commit to one night at a time, leaving us each night to wonder where we would go the next day and the next night after that with five children. We had to borrow a credit card from my parents so that we at least had the security of a roof over our heads for more than one night at a time. Eventually, the company agreed to go back and pay for those, and finally, upon hiring an attorney, we were extended in the hotel for over 2 months. All total, we were out of our home for approximately 3 months with five small children, spending approximately 80 days in a hotel, which cost \$17,000.

We had to hire our own mold company to come test the mold at our home. The test results showed all five of the toxic molds present inside our home. We believe the mold was contained to our utility room and maintenance closet initially. Air samples of our living room were clean. We had to pay out of pocket to see a doctor in Midwest City who specializes in toxic mold exposure. We have tested positive for the presence of mycotoxins in our bodies.

Housing subcontracted a company to remediate the mold. We know for a fact that the remediation was done improperly. Vents were not covered and contaminated items that were in the utility room were put inside my garage, as well as my kitchen—

Senator INHOFE. Ms. Driver, try to bring your comments to a close, if you would.

Ms. DRIVER. We will likely suffer from the effects of this for the rest of our lives, physically, financially, emotionally, and mentally. My family has gone from zero to \$40,000 in debt in a 3-month period. I suffer daily from chronic breathing issues and blurred vision due to the mold in my brain. We take an enormous amount of binders and prescriptions daily with no end in sight. It did not have to be this way. Our military families do not deserve this after all the sacrifices they make. It is criminal. It is unbelievable the extent of this coverup.

Thank you again.

[The prepared statement of Ms. Driver follows:]

PREPARED STATEMENT BY JANNA DRIVER

My husband is currently Active Duty Air Force stationed at Tinker AFB in Oklahoma. We lived on base in privatized housing managed by Balfour Beatty. We had numerous ongoing issues in our home including maintenance issues that were neglected over the less than 2 years we lived there which ultimately resulted in making my family very sick. Our housing company has known about these issues for

years and are taking advantage of these young military families who are not educated on how to properly treat mold and the health effects it causes. They are covering up, painting over mold, threatening military members with their command, using scare tactics and intimidation, lying to us and making the problems worse. Now, it is out of control. They have been banking on the fact that we would likely PCS to another base before what they covered up would reappear. On the surface, these homes appear to be flawless. But inside the walls tell a different story.

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On Monday, August the 20th, we called maintenance to repair a leak in our utility room. This was the ninth leak we had had in less than a year and a half. Maintenance came, cut a large hole in the sheetrock and repaired the leak. Upon completion, he asked if we wanted the hole repaired or if we were ok to leave this large hole in our wall. There were numerous large discolored spots on the same wall. We asked if those were from that same leak, he said no. He then told us he wanted to go out and look at our mechanical room which is directly behind the utility room. This is a locked room attached to our homes that we were not allowed access to by housing. I told my husband to follow him. He walked up behind him and overheard a frantic phone conversation between he and the housing office about how our mechanical room needed to be replaced immediately!

When he noticed my husband standing behind him, he frantically began saying, "You cannot be in here! I am not allowed to let you in this room!" My husband insisted that because we pay for this house that he was coming in! Upon entering, he saw black mold covering the walls, floor to ceiling. He immediately called housing maintenance. The housing office told him they had known about the mold since March and had been "treating it" by scrubbing it with bleach and water. When he asked why we were not notified, she stated that she assumed the technicians had told us. We have verified with numerous experts that this process is only acceptable when the area of focus is very small and NEVER use bleach on a porous surface. Doing this only feeds the mold, causing it to grow faster, spread and multiply. We have shared this information with the housing company numerous times, to this day, they continue to use this process. The next morning, my husband and his command met with our military housing liaison and our local housing community manager at our home. We were told by the manager that they had actually been documenting the mold since February and had she known how bad the room was, we would not have been allowed to continue living there. We told her we wanted mold testing done by a company of our choosing before any remediation began. That was refused. One week later, this manager no longer worked for the company.

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We had to hire our own mold company to come test the mold at our home. The test results showed all 5 of the toxic molds present inside our home. We believe the mold was contained to our utility room and maintenance closet initially. Air samples

of our living room were clean. We had to pay out of pocket to see a doctor in Midwest City who specializes in toxic mold exposure. We tested positive for the presence of mycotoxins in our bodies.

Housing subcontracted a company to “remediate” the mold. We know for a fact that the remediation was done improperly. Vents were not covered and contaminated items that were in the utility room were put inside my garage as well as my kitchen and living room. They did not take walls out that should have been taken out and they did not remove boards that had mold growing on them between the walls. When this nightmare started for us, my husband revoked the authorization we had given them to enter our home without permission and signed that they were no longer allowed to enter without notifying us. We caught them in our home on numerous occasions, they left our home unlocked for lengthy periods of time and gave the keys to our home to outside contractors without them being present or us being notified. They performed several air sample tests without telling us but we found them in our home doing this twice.

We have requested in writing the results for those tests and they refused to give them to us. We waited for 2 weeks, with nothing being done to our home. We paid to have testing done again after they completed their work. Our testing shows the situation was far worse now than it was to begin with. We had *Stachybotrys* in our air samples in our living room that were only present in tape samples in our utility room and mechanical room previously. The last air sample was done on 10–16–18 by a company hired by the company housing had subcontracted to do the remediation. This is a huge conflict of interest. Housing sent us their final report which showed *Stachybotrys* present in a bedroom. Despite this, they scheduled a final walk through of the house stating it was safe for us to move back in to. We went through the house with the project manager for Balfour Beatty and pointed out all of the mold they left during remediation and informed him that we had pictures and videos proving it had not been remediated properly and we would not be taking possession of the home back.

I found out just two days ago, Balfour Beatty has moved another family into this contaminated home. Over the next week, we began to move out. We were only able to save metal and glass items from our home. I was forced to part with antiques given to me by my grandparents, as well as keepsake items from my children because they had all been contaminated with mold spores due to improper remediation. We turned in a 7 day written notice to terminate our lease based on it being uninhabitable on November 15th but Balfour Beatty continued to withhold our BAH for another month. They sent us a letter through our attorney charging us \$1,100.00 in fees (we never received an itemized statement of those charges) and that they would trade us a month of BAH for all our inconveniences and we could then call it even. We did not accept this offer.

We will likely suffer from the effects of this for the rest of our lives. Physically, financially, emotionally and mentally. My family went from zero to \$40,000.00 in debt in a 3 month period. I suffer daily from chronic breathing issues and blurred vision due to the mold in my brain. We take an enormous amount of binders, supplements, and prescriptions daily, with no end in sight. It didn’t have to be this way. Our military families do not deserve this after all the sacrifices they make. It is criminal. It is unbelievable the extent of this cover up.

Thank you again for allowing me the opportunity to testify.

Senator INHOFE. Thank you, Ms. Driver.

For the benefit of my fellow Senators, she has put together some pictures to fortify her statement, one of her 4-year-old twin daughter.

Before we start our 3-minute rounds, the Committee has received dozens of testimonies from families, as well as statements for the record from a number of military family organizations. I move that these be submitted into the public record and that the record stay open for 48 hours for any other families who wish to submit a statement, and without objection, that is so order.

[Family testimonies are on file at the Senate Armed Services Committee for viewing upon request.]

Senator INHOFE. Nothing is more important than taking care of our families so the Americans who volunteer to fight on behalf of us know that the ones that they love are cared for. That is very basic.

Ms. Driver, do you believe that you have an advocate fighting for safe housing for our military families?

Ms. DRIVER. I know our military housing liaison has fought tirelessly to help families at Tinker, but that is about as far as it goes.

Senator INHOFE. Yes.

I would say this to all of the military families that are represented here, do you believe the military families' experiences in the base housing will impact their decision to remain in the service? Each one of you?

Yes. See that is one of the problems we are having right now. We are trying to rebuild a force that needs to be rebuilt for all of our safeties. This does have a negative effect on that, I am fearful.

Thank you very much for your testimony.

Senator Reed.

Senator REED. Thank you very much, Mr. Chairman and, ladies, thank you for very compelling testimony and being here today.

Just very quickly starting with Mrs. Cornwall, what is the one immediate change you would like to see, something on the order of giving the housing facilitator more power or something that we can do or the military actually, the Department of Defense, can do right away?

Ms. CORNWALL. Thank you for your question, sir.

One of the things that I think is important to do right away is give the military families an ability to stop their BAH [Basic Allowance for Housing] until the problems are fixed. That might mean putting their BAH in escrow and/or giving the government housing offices a little bit more power to address those issues and being able to look at the PPV [Public Private Venture] and say you will do this or X, Y, and Z is going to happen.

Senator REED. Very good.

Ms. Wanner?

Ms. WANNER. There is more to do than what I have time to say, but I will echo what she says. They need to withhold the BAH payments to housing. Clearly, the money that they are receiving is not going to provide us with stellar housing and the conditions that we deserve. All they are doing is profiting off of families moving in and out constantly. I feel like if their payments are withheld, then maybe it will entice them to do more to protect our families and keep us safe.

Senator REED. Thank you.

Ms. Driver, please, your comments.

Ms. DRIVER. I believe this has been going on and that people have been aware of these problems for a very long time. I believe as well that they should not be being funded their management fees if they are not in compliance.

Senator REED. Thank you all again. Thank you, ladies, for your very compelling testimony.

Senator INHOFE. Thank you, Senator Reed.

Senator Tillis?

Senator TILLIS. Thank you, Mr. Chairman.

Ms. Driver, you were talking about having a housing advocate for you that is working, but not getting a result. Let me just say for the benefit of anybody in this room and anybody watching that every single Member on this Committee is behind you, and every single one of us loves doing casework. As we are trying to solve this problem, as you know of families that are going through what you are going through right now, find out who your Senator is, and if you are at Fort Bragg or Camp Lejeune or Cherry Point or New River, you call my office, and I will guarantee you we will help your housing liaison and we will at least deal with that while we are trying to solve the systemic problem.

I am not going to ask you all a lot of questions because we have a lot of testimony, and I have got a whole lot of questions for the next two panels.

Thank you all for being here, but please communicate through your organizations and others. We do casework. We will help you. Just let us know you need the help. Thank you for being here.

Senator INHOFE. Thank you, Senator Tillis.

Senator Gillibrand?

Senator GILLIBRAND. Based on your experience with the privatized housing program, are you more or less likely to recommend Military Service to a friend or a relative and their family?

Ms. CORNWALL. Based on what I have gone through as a military spouse, I have become very disenfranchised by what has happened and my research over the last 2 years. I would not recommend my own children to join the service, and my husband has been a marine for almost 12 years.

Senator GILLIBRAND. Jana?

Ms. WANNER. I would not recommend it after everything that we have been through, especially health-wise. When our accommodations were not met for our EFMP child, I think that pretty much solidified the decision that we will never live in base housing again, and we will never recommend it to anyone ever again. I think it would be difficult to recommend joining the service to anyone if they wanted to live in base housing.

Ms. DRIVER. I agree. I would never recommend anyone to live in base housing. I enjoyed my time living on base until I discovered that our home was making us very sick. The amenities of living on base are wonderful, but the homes are definitely making people sick.

Senator GILLIBRAND. What was your experience in trying to raise this with the chain of command? Do you believe that they responded appropriately? Do you believe they have enough authority to intervene on your behalf to hold the contractors accountable? Are you aware of any actions that the military or the Department of Defense took to hold the companies financially accountable when these problems were exposed?

Ms. CORNWALL. Thank you for your question.

In my personal experience going through the chain of command, we had no help even though I had volunteered over 1,300 hours with that chain of command.

Further, my family readiness officer had actually been retaliated against for standing up for our family against Lincoln Military Housing (LMH).

Ms. WANNER. We did not have the opportunity to reach out to my husband's chain of command because everything happened so quickly. Honestly we did not know that it was an option. We thought that maybe since it was a private company, that maybe the military's hands were tied and the chain of command would not be able to be as effective as our own voices, so we just dealt with it on our own.

Ms. DRIVER. My husband's command, his direct command, was very helpful to us, provided things we were not able to afford after this happened to us. But that is about as high up as it went. We did not get help from the base commander. It seemed like lip service. We received letters and we had a town hall meeting that he was actively a part of. I have put links to that town hall in my binder. I hope you have a chance to look at that.

The military housing liaison that we have at Tinker is exceptional in my opinion. That is not the case at most bases. They do not have help from their military housing liaisons there. I wanted to clarify that.

Senator GILLIBRAND. Thank you.

Thank you, Mr. Chairman.

Senator INHOFE. Thank you, Senator Gillibrand.

Senator Sullivan?

Senator SULLIVAN. Thank you, Mr. Chairman.

I want to thank again the witnesses for having the courage to testify and for your service to our country. Whether you are serving in the military or not, you are serving—right—because your family is so you are.

I am a colonel in the Marines. I have three daughters. I have told my girls and my wife they all serve their country. Right? You are all serving our country. Thank you.

First, I want to reiterate Senator Tillis' point. I think that is really important. These are the kind of things that you can come to your Senator or Congressman about and we will get involved and we will ask questions. So continue to pass the word on that, whether it is in Alaska for me or North Carolina or Oklahoma.

I want to unpack a little bit more of this chain of command issue that Senator Gillibrand just asked about in terms of the details. For example, Ms. Cornwall, you said they were not helpful. Were they just saying, hey, you know, suck it up? You are a marine. Get over it. Or were they maybe trying to and then there was a disconnect between what the military chain of command can do and then over to the housing authority or the private company? I mean, what was the experience really for all of you. Some said you had a better experience with the chain of command. But to me, this is a huge issue, and can you give me a little more detail on your experience?

Ms. CORNWALL. Yes, sir.

The issue with the chain of command with the Marine Corps at Camp Pendleton was I think they just simply took the word of the PPV over their family. Then when we had a family readiness officer step in and advocate on our behalf, we had already left the unit as it was. He still took the time to advocate on our behalf, and even he was retaliated against by the base command and had no support from the colonel at our MEU [Marine Expeditionary Unit]. Unfor-

unately, he has actually left the family readiness program because of this issue.

Senator SULLIVAN. Ms. Driver, you had mentioned something that to me was very disturbing if it is true and systematic. I have no reason to doubt that it is true because you stated it. But did you or did others see examples of—you mentioned young military families. You got a young guy, a young spouse coming in. He is a lance corporal or a PFC [private first class]. Do you think they were taking advantage of young military families because they are young and inexperienced and maybe do not want to question authority?

Ms. DRIVER. Absolutely, 100 percent I believe that is what is happening. My neighbors who we share a wall with were moved into a home that we visually saw they were pressure washing mold off of the wall in their house before they moved in. This young family moved in. They just got married, first home they have ever lived in. They do not know the toxic effects of this type of mold. We are not talking about just a little bathroom mold in your shower. We are talking mold growing through the walls. I just think young people are not aware of how toxic it is and the health effects that come from it.

Senator SULLIVAN. Thank you. Thank you again for your testimony.

Thank you, Mr. Chairman. On that, I think that certainly merits follow-up questions for our next panel. If that is happening, that is outrageous. Outrageous.

Senator INHOFE. Thank you, Senator Sullivan.

Senator Kaine?

Senator KAINE. Thank you, Mr. Chair.

You know, over the course of our history, it has been sad that often military members and their families have kind of been viewed as profit centers to soak. President Truman came to attention first as a Senator when the Curtiss Aeronautical Company got caught sending defective engines into theater war during World War II, and it was an unholy alliance between people at the plant and military officials exposing people's lives to make money. We have had payday lenders and other kinds of aggressive and predatory lenders kind of cluster around military members and their families. We have had low quality, for-profit educational institutions view GI Bill benefits as a place where they can go to try to make a lot of money without offering a quality product.

I think one of the things that we are going to try to do in this work and in the NDAA [National Defense Authorization Act] is to make sure that this is not what is happening here, that the quest for a profit is not blinding people to the reality of the service that you provide.

Ms. Cornwall, I want to this retaliation incident because if you have got a problem—to me, the most shocking part of the survey that Military Family Advisory Network did is actually not the physical conditions. It is the way you get a run-around when you try to get help. So you have got a housing liaison officer in the Marines. You have a family readiness advocate. You have a chain of command through your spouse's unit. You have the private housing provider. There should be multiple places where you can go for

help. But as I read the stories, it sounds like there is a lot of finger pointing. We cannot do it. It is somebody else's. I am particularly interested in this retaliation incident because since I am a little bit familiar with the Marine program having these family readiness specialists.

What did your family readiness specialist do? Describe the retaliation.

Ms. CORNWALL. Upon leaving the unit, I let him know that this was happening to us, and I was concerned about what was happening to other military families within the unit. Again, I volunteered very heavily there. So we had a very good relationship.

Essentially I went to him and told him what happened. He knew that there was another spouse on the general officer side of the house who was also investigating issues in that housing area, including mold. He put me in touch with her, and then her and I kind of teamed up to sort of address it on a whole scale in Camp Pendleton.

When the base command found out about that—and base command, like the base general officer. When he found out about that, the family readiness officer was told to stand down, that we had left the unit, that there was nothing else that they could do.

Senator KAINE. Why would the base command be more loyal to the housing provider than to you?

Ms. CORNWALL. That is a really great question. We have not been able to figure that out.

I believe that the marriage between the PPVs and the base commands is the biggest detrimental part to this issue. For example, the government housing offices are inside the PPV. Like for Lincoln Military Housing, our government housing office is inside that building. There is a marriage there, and there is a certain loyalty there that supersedes loyalty to military families.

Senator KAINE. My time is up, but thank you for that answer.

Senator INHOFE. Thank you, Senator.

Senator ERNST?

Senator ERNST. Thank you. I am just sitting down in the hot seat.

But I want to thank all of the families for being here today. I am a former military spouse as well, having lived on Fort Benning and Eglin Air Force Base and Fort Jackson. So I can commiserate with some of the instances, but certainly not all of the things that you and your families have had to endure. Thank you very much for being here and for shedding light on something that so many families have had to suffer through. Thank you very much.

Again, I am really sorry about all of the issues that you have experienced in military housing. We know that you deserve and have earned much, much better than what you have received.

Based on your personal experience, can you discuss some of the challenges like with getting the termite and mold issues fixed, what steps you have taken? I know you have probably answered some of those already, but if you would, just go ahead and please express those again and then where you think we need to be going in the future. What would be your perfect solution to making sure that our military families have safe housing that is conducive of

raising healthy families and kids that are able to learn and grow? What is your perfect environment?

Ms. CORNWALL. Well, to answer your first question, I think that—so there is a marriage between the PPVs that is hard to get past and the military. In my personal experience, I went to Philip Rizzo, who is the VP [vice president] of operations nationally for Lincoln Military Housing. We had many conversations. Each one of those conversations was met with a very dismissive tone. We would go to him and tell him about these families on Camp Pendleton. He would dismiss it and blame the families.

I sent a package to Secretary of Defense James N. Mattis when he was there, and their office had to send it down to The Honorable Robert H. McMahon, Assistant Secretary of Defense for Sustainment. They told me they had to stay in their lane. They have one lane. That is military readiness.

Senator ERNST. Right. Thank you.

Any other thoughts, ladies? What would your perfect environment be? What is the solution?

Ms. DRIVER. One problem I see is that they have been allowed 50-year contracts. I do not know of any contract that you could make with somebody for that long of a period of time. I believe they have been given chance after chance after chance, and they have known about these issues. I struggle to understand why they are allowed to be able to hold onto these contracts.

Senator ERNST. An exceptional point.

Jana, do you have any other thoughts?

Ms. WANNER. I feel like one of the most important things they need to do, instead of putting band-aids on issues, they need to actually correct the issues. I think they need to pay more attention to what the families are saying instead of just dismissing us every time we come up with a concern and telling us that they cannot fix it or they have already fixed it. I think that they need to listen to the families more and not their pockets.

Senator ERNST. Very good. I wish we had a lot more time, ladies. We might have to get together offline and commiserate together. Thank you all very much. I appreciate you.

Senator INHOFE. Thank you, Senator Ernst.

Senator Jones?

Senator JONES. Thank you, Mr. Chairman.

I again want to echo what I heard Senator Tillis and Senator Sullivan say about contacting Senators. Every base has two United States Senators and one Member of Congress. If you cannot get through to the local person, call the office. If you cannot get through calling, come. Get families to come. Trust me. We pay attention when people show up at our doorstep.

I would go one step further. If anybody has a family member and you feel like is being retaliated by the military, call somebody on this Committee and call the House Committee as well. Go straight to the source.

So with that, I am almost at a loss for questions. You know, Ms. Driver, in the interest of time, we had to kind of cut you off a little bit. Are there any things that you would like to add that you did not get to in your statement? We are happy to hear that now in the remaining 2 minutes.

Ms. DRIVER. We caught them numerous times inside of our home after we had signed a statement that they were not allowed to enter our home without letting us know.

We requested in writing results of two tests that we caught them doing, and we still have not received those tests. We paid to have our own testing done after they completed the work, and our tests show that the situation was far worse after they did their own remediation. We had stachybotrys in our air samples in our living room that were only present in tape samples in the utility room before. The last air sample was done by a company hired by the company housing had subcontracted to do the remediation. This is a huge conflict of interest. Housing sent us their final report showing stachybotrys present in a bedroom. Despite this, they scheduled a final walk-through of the house, stating it was safe for us to move back into. We went through the house with the project manager for Balfour Beatty and pointed out all of the mold they left during remediation and informed him that we would not be taking possession back of the home.

Senator JONES. I think that may be about out of my time. Is that correct, Mr. Chairman?

Senator INHOFE. That is correct.

Senator JONES. Okay. I am sorry. But rest assured, all of your statements are going to be entered in full into the record, and we are all looking at them and reading them. Thank you very much.

Senator INHOFE. Thank you, Senator Jones.

Senator Rounds?

Senator ROUNDS. Thank you, Mr. Chairman.

I have only one question and will try to be very brief with it.

There has been a discussion about the possibility of a tenants bill of rights. Have you considered that, and would you give me about the possibility and whether or not that would have helped any of you in your situations?

Ms. CORNWALL. Thank you.

Just like a tenants bill of rights or any kind of legislation that you put forth, if there is not an enforcement mechanism to that, it is not going to work. There has to be an enforcement mechanism to any kind of legislation or bill of rights. I support a bill of rights. There needs to be something like that in place. But there has to be an enforcement and accountability mechanism, which is what we are lacking.

Senator ROUNDS. Thank you.

Any other thoughts on it?

Ms. DRIVER. I agree. I feel there is no accountability and they are running all the way to the bank however often they are getting paid, knowing nobody is watching and nobody is speaking up and nobody cares enough to stop paying them, and that is the only way this is going to stop in my opinion.

Senator ROUNDS. Thank you.

Mr. Chairman, I will stop right there. I think other members have questions as well. Thank you, sir.

Senator INHOFE. Thank you, Senator Rounds.

Senator Duckworth?

Senator DUCKWORTH. Thank you, Mr. Chairman.

Ms. Cornwall, can you speak a little bit to whether—or any of the ladies—if any of your spouses were retaliated against from the military side or were spoken to by their chain of command? Or you said the GOs [general officers] said that they were going to stay in their lane. Can you talk a little bit to that?

Ms. CORNWALL. Upon leaving my husband's MEU, he did receive a phone call from his major that he was very upset that my husband had not kept him in the loop, which was actually not true because we had a conversation with him about what was happening on the base. So while my husband did not have anything in writing, my husband did receive a phone call.

Senator DUCKWORTH. Either one?

Ms. WANNER. My husband was never retaliated against, but I do want to say that his chain of command has been extremely helpful for the families coming forward now that everything has come out in the media and they are aware of the issues. They have encouraged families to come forward and have said that they would help if there were families that needed the help.

Ms. DRIVER. My husband was never personally retaliated against. However, during the midst of our situation—and this happens numerous times. I have heard several people attest to the same situation. The housing communities will call our husband's command and tell lies, things that are completely untrue trying to get our spouses in trouble. That happened to us personally. My husband's command did take our side in that situation, but that happens a lot where these housing companies reach out to command in order to try to get command in trouble—or to get the military person in trouble.

Senator DUCKWORTH. So they are outright either lying—not just intimidating but outright lying to the chains of command?

Ms. DRIVER. Yes.

Senator DUCKWORTH. That is absolutely unacceptable.

Can any of you speak a little bit—in the amount of time I have left, a little over a minute—to any type of disability accommodations or issues that you might have with disability issues? One of you has a daughter with a hurt knee I believe.

Ms. WANNER. My daughter has a rare genetic condition, and it affects her ability to walk sometimes. She has issues with her knees. Before we moved to Fort Meade, the Corvias staff assured us that since we were placed on the waitlist in time, that we would be able to be accommodated with a one-level home. Just a few days before we arrived to Fort Meade, they told us that the house was no longer available. When we explained to them the issue, we told this when we signed for the house, when we signed the lease the first time and also when they called us 5 days before arrival that we did need a one-story home, but they said they did not have anything left, and if we wanted a home, we had to take what was being offered, which was the townhome.

Senator DUCKWORTH. Did the chain of command or the military families with special needs office do anything to help you in this case?

Ms. WANNER. We did not reach out to anyone because everything was happening so quickly, and we were already in the height of PCS season. It was the middle of the summer, and we did not

think that we would be able to have our needs accommodated. We did not even sign into my husband's unit yet, so we did not know who really to reach out at the time.

Senator DUCKWORTH. Thank you for your very brave testimony, ladies.

Thank you, Mr. Chairman.

Senator INHOFE. Thank you, Senator Duckworth.

Senator McSally?

Senator MCSALLY. Thank you, Mr. Chairman.

Ladies, I also like many on this panel served. I served 26 years. I never did live on base. But as a former commander, as a former fellow patriot as you are, I am infuriated by what I am hearing today. This is disgusting. When your spouse has raised their right hand to make the sacrifices and serve for our freedoms and our way of life, you also stood up to sacrifice. You knew there were going to be some sacrifices to your careers and to moving around and all that comes with it. But not this. They were maybe going to go live in austere circumstances when they deployed, but this is in America and American families that are putting up with health risks and sickness and harassment.

We went to the private sector because the private sector, unlike the bureaucracy of the government, is supposed to be better. It is supposed to be more innovative, more responsive, more able to do customer service for our troops and their families. Instead there are people that I hope look at themselves in the mirror tonight and say—instead of being partners with our troops to make sure that our way of life is kept safe and free, they left you hanging. They put you in harm's way. This is so wrong and so angering to so many of us, and we have a lot of questions for the next panels in follow-up.

If anyone in Arizona who is listening is having issues like this, I want you to please immediately call my office, 602-952-2410. But for those of you, even though your Senator may not be up here, we have your backs. This is just the beginning. We are infuriated. I am speaking on behalf of everybody here. This is wrong.

On top of everything else you have been through, the emotional sacrifice, the inability—I cannot even imagine your husband coming to work in my squadron every day wondering if his family was going to be homeless the next day and the impact that has on readiness and safety and everything.

How much money are you all each out for the costs that you had to pay financially for tests and medical and everything else, on top of everything else?

Ms. DRIVER. I have not totaled medical because it is not covered. We have had numerous families that have tried to go to the MFTs [military treatment facilities] to get referrals out to mold specialists. They are being refused referrals to get to a mold specialist.

With little, tiny children—you asked if we have sick family members. We have a 5-year-old on base with lung cancer right now who will probably never be able to have children of his own some day. His house tested positive for aspergillus. The counts inside their home were six times higher than they were outside.

Just our bedding and mattresses and replace essential—my home is basically empty. We have beds and we have pots and pans, but that alone has cost my family \$40,000.

Senator MCSALLY. Oh, my gosh.

I just want to know how much are you out.

Ms. WANNER. Personally we are not out costs yet.

Senator MCSALLY. Ms. Cornwall?

Ms. CORNWALL. I ended up settling with Lincoln Military Housing for a mere \$300. But I can say as an advocate for other military families, the cost to them has not been just in money but to their health, which is long-term effects.

Senator MCSALLY. Right, exactly. I realize that is not the only cost.

I am out of time, but I just want to say the chain of command has got to be involved in this. Somehow we need the chain of command who is responsible for our troops, responsible for the readiness, responsible for our families to be able to poke their finger in the chest of these companies and say fix it now or you are done.

I yield back.

Senator INHOFE. All right. Thank you, Senator McSally.

We will now dismiss our first panel. Thank you very much for the testimony that you have shared with us. We apologize on behalf of those who are the responsible parties, and we will correct it. Thank you very much.

[Applause.]

Senator INHOFE. We will now ask the next panel to come forward. I will probably pronounce some of these wrong here, but it would be Mr. Christopher Williams, President of the Balfour Beatty Communities; Mr. John Picerne, founder and Chief Executive Officer of the Corvias Group; Mr. John Ehle, President of the Hunt Military Communities; Mr. Denis Hickey, Chief Executive Officer of Americas Lendlease Corporation; and Mr. Jarl Bliss, President, Lincoln Military Housing.

We are going to start over here on your right and our left, and we are going to ask you to confine your comments to 3 minutes so we will have a chance to get to all of those who want to ask questions. Mr. Williams?

STATEMENT OF CHRISTOPHER WILLIAMS, PRESIDENT, BALFOUR BEATTY COMMUNITIES

Mr. WILLIAMS. Good afternoon, Chairman Inhofe, Ranking Member Reed, Chairman Sullivan—

Senator INHOFE. You need to put your mic on there. There we go.

Mr. WILLIAMS. Sorry.

Good afternoon, Chairman Inhofe, Ranking Member Reed, Chairman Sullivan, Ranking Member Kaine, Chairman Tillis, and Ranking Member Gillibrand, and distinguished Members of this Subcommittee. Thank you for your invitation to testify today.

Today's first panel touched me deeply. I know at Balfour Beatty we want every servicemember and their family to have only positive experiences in housing. We are constantly working to meet that duty, and when we fall short, we try to make things right.

Balfour Beatty Communities consider it is an honor to serve those who serve our country. We strive to deliver quality, safe housing to provide responsible maintenance and create communities that support the unique housing needs of our families. Our employees pride themselves in promoting a true sense of community throughout programming thousands of resident events, as well as modern amenities that did not exist before privatized housing.

Balfour Beatty is responsible at 55 installations with the Army, Navy, and Air Force across the United States. Through these projects, we have delivered over 20,000 new homes and renovated over 20,000 existing homes. To ensure the replacement needs are met, approximately 93 percent of all net cash flows from our projects are deposited into a Government-controlled project reinvestment account. To date, that amounts to more than \$700 million.

I will not forget my first experience in privatized housing. It was 16 years ago when my team met with General Blunt, at the time the commanding general of the Army's 3rd Infantry Division. He had just returned from Kuwait earlier in the day and was meeting to provide us input on how he wanted his soldiers and their families to be treated at Fort Stewart. It hit home to me and our team to know that in a few weeks' time, he would be sending our troops into harm's way with the Thunder Run up into Baghdad.

From that day forward, I have maintained a deep respect and appreciation for the challenges faced by military families. We are constantly learning from our experiences, both good and bad, and we are always looking for ways to improve our service. To that end, we recently had our mold and moisture inspection policies reviewed by a nationally renowned environmental firm, and we are implementing those recommendations with our routine maintenance practices.

We are also adding resources. We have created a new position of resident engagement specialists. This is dedicated to on-site staff who engage directly with the customer to ensure those residents are being heard and getting prompt and complete answers to their questions and concerns.

We have also engaged a third party firm to provide preventative maintenance of our HVAC systems and central air systems. This will allow our maintenance technicians to focus on delivering greater levels of responsiveness in other maintenance areas.

On behalf of the Balfour Beatty Communities, including the hundreds of proud veterans and military family members who we employ, we are committed to listening to our residents and working with our DOD partners and committee to make privatized housing better. Thank you.

[The prepared statement of Mr. Williams follows:]

PREPARED STATEMENT BY CHRIS WILLIAMS

INTRODUCTION

Balfour Beatty Communities is a diversified real estate services company focused on the acquisition, management and renovation of residential assets in the multi-family, student and military housing sectors. As one of the earliest partners participating in the Military Housing Privatization Initiative (MHPI), we consider it an honor and privilege to serve those who serve our country. From the delivery of new

and renovated housing, to the provision of responsive property management and maintenance support, we strive to create thriving communities that fully support the unique and evolving housing needs of our U.S. servicemembers and their families. We also pride ourselves in delivering dynamic resident event programming, community gathering spaces, playgrounds, parks and other amenities.

The Balfour Beatty Communities team has been a leader in the U.S. residential real estate market for more than 20 years. Currently, our residential portfolio consists of more than 50,000 units and \$6 billion in real estate assets under management. We were awarded our first MHPI project in 2002 for the privatization of military family housing at Fort Stewart in Hinesville, GA. Today, we are responsible for military housing operations at 55 Army, Navy and Air Force installations in over 30 states across the U.S., encompassing more than 43,000 military homes and 150,000 residents. Through these projects, we have partnered with the Department of Defense to oversee the construction of more than 20,000 new military homes and renovation of 20,000 military homes. In addition, approximately 93 percent of all net cash flows from our projects have been reinvested back into project reinvestment accounts (amounting to more than \$700 million to date) that are controlled by the Services in regards to timing and scope of use.

Servicemembers and their families may choose to live either on or off an installation, and it is only by offering quality homes on the military installations we serve that we effectively compete for their business. In coordination with the Services, our MHPI projects are required to undergo significant monitoring procedures, which includes compliance checklists, management review committees, site visits and resident satisfaction surveys. Through these processes, we are constantly evaluating our performance to better understand and address resident challenges and concerns. Balfour Beatty Communities also maintains a Resident Bill of Rights that is provided to our residents and outlines the level of quality and customer service they should expect, as well as avenues of recourse residents have if they feel we are not meeting their needs. We also have looked for ways to make our maintenance process better, such as creating the position of Resident Engagement Specialist to our military on-site teams, to provide dedicated customer engagement and ensure our residents are being heard and getting prompt and complete answers to their questions and concerns. This position also is intended to focus on resident education efforts, ensuring that our residents know how to effectively manage their home, identify any safety or maintenance issues, and notify our facilities team so we can deliver a prompt response. In addition, we have contracted with a third-party firm to perform regular preventative maintenance evaluations on our military homes, allowing our day-to-day maintenance teams to focus solely on ad hoc service requests and provide even greater responsiveness.

BENEFITS OF PRIVATIZED MILITARY HOUSING

Prior to MHPI, typical service request response times were weeks and even months. Residents were required to handle much of their own home maintenance, such as snow removal and lawn care. There were limitations on the number of bedrooms a family could qualify for, forcing them to 'double up' dependents in a single bedroom if they were within certain age ranges. Expectant families also could not qualify for a home until a more advanced point in the pregnancy. This is why the transformational change that has occurred in military housing communities as a result of MHPI has been called the single largest Quality of Life effort ever in the Department of Defense and we are very proud to be a leading partner in that effort.

Today, the new and refurbished inventory of military homes allows military families to receive homes that provide one bedroom per dependent as the standard. And families who are expecting qualify for their new home early in the pregnancy, allowing time to get comfortably settled. Military housing under MHPI also offers significantly elevated features, including upgraded flooring, appliances and HVAC systems, as well as the addition of extensive community amenities, from playgrounds, pools and dog parks to community centers, athletic courts and fitness centers.

Another key facet of MHPI has been our focus on creating community through resident events. Our award-winning LifeWorks@BalfourBeattyCommunities® program provides a busy calendar of engaging events and activities for residents of all ages, from fitness clubs and seasonal crafts, to community gardens and cooking classes. A core offering at all of our military communities, this program allows residents to meet their neighbors, socialize and make memories to last a lifetime. In 2018, Balfour Beatty Communities hosted more than 4,700 community events across our military housing portfolio, entertaining, engaging and educating more than 160,000 resident attendees.

Servicemembers have many choices and options regarding where they want to live, and are not required to live in our on-base housing. In fact, approximately 70 percent of military families reside off-base. Just like landlords in the conventional housing sector, we must compete for renters by offering quality homes, modern amenities and providing robust support services designed specifically for the needs of military families. While we always strive to improve our performance, the average resident satisfaction score across our MHPI portfolio is approximately 84 percent, which is classified as “Very Good” by an independent third party survey company that is directly engaged by the Department of Defense to monitor property management services of the MHPI projects. In addition, 119 out of approximately 310 neighborhoods within our portfolio achieved awards for “Outstanding” service (based on 85 percent or above scores).

Notwithstanding our successes in building our housing communities, we believe there is always room for improvement—and to that end, we have implemented procedures to ensure that we both hear and address resident feedback and concerns. Processes are in place for servicemembers living in privatized military housing to escalate issues to our local and regional managers teams, and ultimately the local Army, Navy or Air Force housing officers and base leadership. Balfour Beatty Communities works closely with the housing offices for our Army, Navy and Air Force housing partners and local commanders to proactively provide them with regular reports on maintenance activities, keeping them involved in our day-to-day project operations and working through resident issues at each installation. We meet and collaborate on a regular basis to discuss resident well-being and concerns to ensure we are consistently delivering to expected standards and meeting our contractual obligations.

MAINTENANCE, HEALTH AND SAFETY PROCESSES

During 2018, Balfour Beatty Communities performed more than 490,000 maintenance work orders throughout our military homes. Of those, 5 percent involved water leaks or moisture-related issues, and less than 0.5 percent of resident maintenance requests involved reports of mold. When a resident does report a mold or moisture-related concern, it is considered a Priority Urgent Work Order, which means our Community Manager and/or Facility Manager will visit the home within four hours to perform an initial assessment. Additionally, we invite our local Army, Navy, and Air Force housing partners to accompany our staff when inspecting the home to ensure any problems are being adequately addressed with input from the Services partners. Our teams are trained on how to inspect for and assess mold in homes, as well as determining when appropriate remediation, repair and restoration procedures must be followed. When needed, we enlist the services of certified environmental, engineering and scientific consulting firms to perform and assess air quality and other environmental-related testing; and we engage licensed mold remediation contractors in compliance with all applicable laws and regulations. Where extensive or disruptive repairs are required in a home, residents are provided temporary housing in one of our Patriot Homes (furnished homes in the community used for temporary lodging needs) or an area hotel suite.

With regard to health and safety issues, under the MHPI project agreements, there are requirements to comply with all applicable state, local and federal health and safety laws and regulations. In order to meet these requirements, we have extensive policies and procedures in place (which are reviewed and approved by the Services) that identify the handling of all hazardous materials and environmental-related matters. For example, we have many historical homes in our inventory that contain lead-based paint. As required by law, we advise residents moving into a home constructed prior to 1978 during the lease signing process about the potential presence of lead-based paint in the home. Residents also are given detailed information about how to identify compromised (chipped/peeling) painted surfaces in the home and instructions regarding immediate notification to our team. All pre-1978 construction homes are subject to visual inspections of both the exteriors and interiors on an annual basis (as well as upon change of occupancy), to ensure the integrity of the painted areas of the home and any required repairs are made in accordance with applicable federal EPA, state and local regulations.

Balfour Beatty Communities also maintains a preventative maintenance program that is designed to proactively identify maintenance issues, and ensure homes are monitored on a continuous basis. As part of this program, our team conducts the following procedures:

- Comprehensive check of all life safety systems (smoke detectors, fire extinguishers, range hood fire suppression canisters) as part of every work order/service visit to the home;

- Annual inspection of painted surfaces in pre-1978 homes to identify compromised areas in need of repair/remediation;
- Annual checks of all housing components and systems, interior/exterior; and
- Review of repeat work orders to identify any systemic issues.

INCENTIVE FEE STRUCTURES

In commercial real estate, property management firms typically fixed management fees that range anywhere from 3.5 percent to 5 percent of gross revenues of the property. Under the MHPI program, management fees were negotiated with two components:

- the first component is a fixed fee (base management fee) based on gross revenues (which average 1.79 percent throughout our portfolio); and
- the second component is an incentive-based management fee, or performance bonus, or approximately 2.02 percent of gross revenues.

These incentive fees are based on agreed upon metrics, or performance hurdles, that must be met in order to obtain the fee, which is a unique fee structure not common within the real estate industry. The incentive metrics (which are approved by the Services) are based on objective and measurable data points, including response time on service requests and resident satisfaction scores, as well as command satisfaction on select projects. The determination of the base line for these metrics was motivated by the desire to improve pre-MHPI average resident satisfaction scores of 60 percent and extended wait times for completion of maintenance repairs. The incentive management portion of our fees is an effective tool for our military partners to use when we are not meeting resident expectations.

BROADER CHALLENGES OF MHPI

How the Private Sector Partners Can Help

Balfour Beatty Communities believes there are many ways that we can work together with the Services to enhance the MHPI program. This includes the potential to meet more frequently with members of the Senate Armed Services Committee, the House Armed Services Committee, and other members of Congress, to ensure an open and transparent dialogue can occur regarding areas of interest and concern raised by their constituents. We believe we also can focus on developing additional best practices to improve the quality of life of our servicemembers and enhance their living experiences in our housing. As part of this process, the following areas can be developed to further educate residents:

- how the MHPI program works in general (i.e., under a public-private partnership with the Services sharing in the economic returns on the projects);
- Basic Allowance for Housing (BAH) collection processes (i.e., for servicemembers, monthly rent is collected in arrears);
- the presence and management of environmental hazards in “legacy” homes (i.e., older homes conveyed by the government into the MHPI projects), such as lead-based paint and asbestos; and how residents can continue to feel safe in these homes; and
- how residents can communicate housing concerns and identify the proper housing advocates available to them.

How Congress Can Help

When MHPI was initially conceived, over 20 years ago, the program was structured to successfully leverage private sector investment and deliver military family housing more efficiently and effectively than previous government-run housing models. The servicemember’s BAH was identified as a core component and primary source of revenue for the program. Over the years, changes to scoring requirements and BAH calculation have significantly hampered MHPI projects.

OMB Scoring of New Projects and Project Refinancing: The underlying legislation permitted the Services to enter into these transactions without severely and negatively impacting their annual operating budgets by leveraging private sector debt. However, changes to OMB scoring rules in 2012 but officially implemented in fiscal year 2015 hamper the ability of the housing partners to leverage private sector debt. Financial tools available in the commercial real estate space (refinancing, restructuring, adding equity, extending terms, etc.) are not available or are extremely difficult and time consuming to enact under the post-2015 OMB scoring rules. Reinstating the original scoring methodology for MHPI would provide the housing partners and the Department of Defense with greater flexibility to optimize and expand

privatized partnerships. In particular, it would allow the housing partners to potentially accelerate renovations and improvements to existing housing.

Basic Allowance for Housing (BAH): BAH is the financial engine and major revenue source for the MHPI program. Congress and Department of Defense have from time to time revised how the BAH rates are calculated. There have been significant swings in the BAH rates in some areas as established by the Defense Travel Management Office. GAO has conducted several reviews on BAH as it relates to its accuracy in determining accurate rates for these data collection areas and has called for more transparency in the BAH data collection and rate calculation process (GAO-11-462: Published: May 16, 2011). BAH rate stabilization would allow MHPI projects to better budget, plan, program and execute both short- and long-term capital improvement expenditures.

Military Services End-Strength: Following the 2005 BRAC round, there was significant realignment of forces between installations and two closure actions that impacted bases with MHPI projects.

Additionally, there was a decrease in Service end-strength that also affected the financial condition of the projects. Lower than expected occupancy results in decreased funds flowing into the reinvestment accounts, limiting available funds for recapitalization and restoration projects (GAO-18-218).

CONCLUSION

Delivering an exceptional living experience for servicemembers and their families who call our military communities their home is Balfour Beatty Communities' top priority. The partnerships we have formed through the MHPI program have created jobs, more resilient and sustainable communities, and a means to increase resources for housing and infrastructure programs within budget constraints. Most importantly, our partnerships have nurtured a true sense of community and improved living experiences for military members and their families.

As a vested stakeholder in our communities, we look forward to the continued feedback from military families, our Department of Defense partners and the findings of the Senate Armed Services Committee as we follow our core mission of delivering an exceptional living experience to every resident we serve. We are providing our full support to the Government Accounting Office (GAO) and Department of Defense Office of Inspector General investigations into environmental issues and oversight of the privatized military housing program. We look forward to their observations and recommendations and understanding ways we can improve our operations. On behalf of Balfour Beatty Communities, including our 312 employees who are proud veterans or spouses of Active Duty servicemembers, we remain committed to working with Congress to ensure a more proactive and informed approach to the MHPI program going forward.

Senator INHOFE. Thank you.
Mr. Picerne?

STATEMENT OF JOHN G. PICERNE, FOUNDER AND CHIEF EXECUTIVE OFFICER, CORVIAS GROUP

Mr. PICERNE. Thank you, Mr. Chairman. Thank you, Senators. I will be brief.

My name is John Picerne, and I am the founder and CEO [chief executive officer] of Corvias. We are a mid-sized company made up of approximately 850 dedicated, hardworking people who, alongside of our hundreds of small, minority-owned, disadvantaged subcontractors, take very personally our commitment to servicemembers who defend our Nation.

It is in that spirit that I am here to say on behalf of everyone at Corvias that we let down some of our residents. I am sorry and we are going to fix it. We will get to the bottom of this problem, and once again, we will return to the gold standard of customer service that we once had.

First, we are making life better for our residents today with a focus on customer service.

Secondly, we are making organizational changes to ensure that our gold standard resident service is built in our operation by adding staff to be in the neighborhoods, by reopening several neighborhood centers and amenities, by retooling our entire mold and mildew standards and policies, and by starting a major construction push. While working with the Army and the Air Force leadership, we are tapping into more than \$140 million worth of formerly trapped by reserve accounts by our investment groups. We are also investing \$323 million in new dollars. This will provide for improving more than 2,600 homes in our communities.

I know that we will get back to that gold standard place. We are proud to serve our military members as we believe there is no higher calling in our business.

I thank you for this time and look forward to your questions and thoughtful dialogue.

[The prepared statement of Mr. Picerne follows:]

PREPARED STATEMENT BY JOHN G. PICERNE

Thank you for the opportunity to appear before you today.

My Name is John Picerne and I am the Founder and CEO of Corvias.

We are a mid-sized company made up of approximately 850 dedicated, caring, hardworking people, who, alongside our hundreds of small, minority-owned, disadvantaged subcontractors, take very personally our commitment to the woman and men who fight for and serve our Nation.

Our company has three core principles: best place to work; best provider of service; best community partner. That is the standard the American people should expect from those whose job it is to serve those who serve in the military.

It is in that spirit that I come here to say, on behalf of everyone at Corvias: we want to do right by servicemembers who choose to live in our homes. Any let down of any of our residents is unacceptable. And we are making every effort to fix it.

We're returning to the "gold standard" level of resident care that defined our company, from the start.

Let me share with you what we're doing.

First, we're taking steps to do a better job at resident service.

- We are living the "Corvias Commitment"—a series of specific commitments, to our residents, that we will respond promptly to a request, actively seek their feedback, and make changes when we need to do better.
- We launched a "service surge," to reduce the backlog of work orders, improve our response time to service requests. We shifted resources, authorized overtime, worked on weekends. More people, handling more calls, more quickly.
- We eliminated annual rent increases on our lower demand homes and eliminated fees that may be common in the multifamily real estate market, but aren't right appropriate for the special audience we serve here.
- We're re-opening playgrounds, paving roads and making other investments in community amenities.

Second, we're making a number of structural changes, to ensure that "gold standard" resident service is built into our operation:

- We're hiring 25+ resident service specialists for support across Fort Polk, Fort Bragg and Fort Meade. These people will focus 100 percent on local resident needs.
- We're moving our resident call centers back to the local installations—and out of a remote third-party call center. During regular business hours, residents will once again speak to a local Corvias team member, down the street, when they have a problem.
- We hired a world-renowned specialist—at no cost to the government—to review our mold and mildew procedures, so that here, too, we are living up to the gold standard.
- We're looking at every part of our resident care operations to see where we can do better. Everything is on the table.

Finally, we're getting much closer to the community...and to local installation command.

- We took the proactive step to provide our military partners with a detailed Weekly Work Order Situation Report (SITREP)—a summary of our overall performance, work order details and specific resident cases. If we fall behind, we'll all know it. Full transparency.
- We're spending more time with garrison commanders at Army installations and senior level command at our six Air Force bases. We want them to know everything we're doing. We want to hear what's on their minds.
- We're getting out there, in the communities, listening to residents—town halls, Community Information Exchanges, Executive Councils, focus groups. There's no better way to put our residents first.

One of the biggest challenges: residents can feel that it's hard to be heard, that there is no way for them to raise an issue outside of the chain of command. In the era of social media, where everyone has a voice, our residents expect and deserve better.

We're forming resident advocacy groups—at each installation—to speak for the community's interests and give us ongoing, direct feedback. If a resident has a problem, they'll have a fellow resident voice to contact, someone who can act on their behalf.

It is vital that residents can easily contact us—currently we have five different ways, within the housing community and up to Corvias headquarters. Residents have asked for ways to get help, and we hear them. So we are exploring how to bring in 21st century technology to make it even easier, to give our residents more ways of being heard.

We have a lot underway, and a lot to do. But we are seeing results. Our renewed commitment to resident service is starting to pay off.

- In January, our work order completion rate reached 95 percent across our Army installations.
- Ninety-seven percent of 3,645 total emergency work orders at our Army communities were responded to within eight hours ... and completed within 24 hours.
- The average work order survey score was 4.24 on a 1–5 scale.

Looking ahead, we're starting a major construction push—new homes, renovations, energy efficiency upgrades. Working with Army and Air Force leadership, we're tapping more than \$140 million in a formerly trapped reserve account and a new investment of \$323 million. Work begins this year.

As part of this initiative, Corvias will eliminate any lead-based paint hazards in every home undergoing renovation.

We are also working with our Air Force partners on a long-term housing solution for single unaccompanied airmen at Edwards Air Force Base, beginning in early 2019. Corvias will invest approximately \$100 million: the cost impact to the Air Force is zero.

To get ahead of rising utility costs, we're working with our Air Force and Army partners to install roughly 50 megawatts of solar arrays across Fort Polk, Fort Bragg and Eglin AFB. This will complement the existing 30 megawatts already installed across our military portfolio. Lowering utility costs keeps more money in the program to fund new homes, renovations.

So how did we get here?

Supporting a resident community—within the confines of an Army or Air Force installation—is at once unique and, at the same time, no different than a “civilian” neighborhood.

We have weather issues—like the record rains that soaked the mid-Atlantic last summer, sending water into some of our homes. Our servicemembers move more frequently, meaning we must expend project funds to address the normal wear and tear on a home so they are ready for the next family to occupy. We have competing demands for repairs, investments.

In the past few years, several developments put downward pressure on the partnership—the funds available for resident service, improvements, new construction:

- Sequestration and force structure downsizing reduced demand for on-base housing. Fewer residents.
- Utility costs increased by 11 percent from 2015 to 2018—more than anticipated.
- A litigation matter across all the partnerships, now resolved, froze the reserve fund—the money used for construction and major improvements—for several years.

If we did nothing to address the financial stress on our projects, the model would eventually collapse. Operational costs would be increasingly difficult to cover. There would not be nearly enough funds to pay for future construction and renovations.

To get us back on the right path, we looked for ways to make the numbers work. We tackled utility costs and how we could limit future increases—by replacing failing ground source heat pumps at Fort Polk, installing solar panels. We pursued new funding avenues—bringing more money into the program, sooner rather than later, to move ahead on improvements.

And, we looked at the service operation. We centralized our call center and maintenance operations. We reduced our local resident support presence, shortened the operating hours for our community centers and even closed a few centers. We adopted a number of customer service practices that are common in the civilian real estate world.

To be clear: we have nothing, financially, to gain from changes to resident service. In fact, investing less in resident service makes it more difficult to attract new tenants.

Changes in resident service operations were one way to ensure adequate support for the reserve fund—money used to support new home construction and renovations. We, Corvias, do not make any more money when less is spent on customer service. This is all about one thing: how does the program have enough funds for the future?

These moves made financial sense ... but they took us away from the “gold standard” of resident service that Corvias was known for. This is not the civilian real estate world: we serve a special audience.

In our joint governance, Partnership structure, we—Corvias—and the military leadership are always trying to strike the delicate balance of how to satisfy today’s residents and their families ... and still preserve adequate dollars to serve and satisfy 100 percent of future residents.

That is why the MHPI model was designed to be a flexible program vs a rigid contract—so that the government and private partners can make adjustments over time, in the best interests of the program and the residents we serve.

The MHPI partnership model keeps the vast majority of funds where they belong: in the community. For a typical military housing project, a dollar in basic allowance for housing (or BAH) is spent along the following lines:

- Approximately 30 cents of the BAH dollar are for the direct costs supporting the communities—including payroll, supplies, marketing to attract tenants, repairs and home maintenance.
- Utilities, taxes and insurance account for about 17 cents.
- Debt service accounts for about 34 cents.
- About 15 cents is deposited in reserve—to be invested back in the community in the form of new construction, renovations, major improvements. This reserve fund is among the most important parts of the model: it represents the future.

Corvias is paid a property management fee and—if we achieve certain performance goals—an incentive fee. Together, these fees account for approximately four cents of every BAH dollar.

With our partners in the Army and Air Force, we’ve been on a nearly 20-year journey to improve the quality of life in military residential communities.

In 2001, the U.S. Army selected Corvias to partner with it for a pilot program at Fort Meade. We wanted to see if the partnership could make a meaningful difference in the availability and quality of housing on post.

When Corvias first assumed responsibility for Fort Meade housing, occupancy was in the low 70 percent range and there was a maintenance backlog of nearly 37,000 work orders. Corvias cleared the backlog within 60 days. Occupancy rates soared above 93 percent.

That pilot project helped confirm the partnership model works ... and that high-touch resident service must be our top priority, our most important measure of success.

We also learned a few things—both in the Fort Meade pilot and in subsequent projects. We learned that many factors influence the direction and long-term viability of these partnerships.

Occupancy rates falling below what was originally forecast; higher construction costs after 9/11; soaring utility costs: these and other issues would pose an ongoing challenge in the years ahead. They affect the economics of the partnership, requiring us, in collaboration with our military partners, to make adjustments and, at times, tough choices.

The partnerships have come a long way from that first pilot at Fort Meade. MHPI is delivering on its promise to provide higher quality housing to servicemembers and their families.

- In the nearly 20 years since Corvias first partnered with the military, we've built or renovated more than 25,000 homes. More than 9,600 new homes built; 16,000+ homes completely renovated.
- All homes in our portfolio—more than 27,000 in total—will undergo significant renovations and/or replacement during the lifecycle of each partnership.

When it comes to building or renovating homes, we're not talking about a new version of the same old thing. We install amenities available in the conventional rental market outside the installation—pools and splash parks; computer labs; dog parks, fitness centers; walking trails, picnic areas, fire pits and pavilions—to attract residents. We build community centers—35+ to date.

Our homes are built 100 percent in compliance with Federal regulations, with third-party inspectors. No exceptions, no cutting corners.

Together with our partners in the Army and Air Force, we're proud of what we've accomplished—though we know we need to do better. The thousands of new or renovated homes available to servicemembers. The care, commitment and hustle of our employees who are out there, every day, in communities on 13 Army and Air Force installations nationwide.

Our work with the military is the largest, continuously operating public-private partnership in U.S. history. This partnership has helped to improve—substantially—the standard of living at those installations where we manage homes.

In addition to our work with the U.S. military, Corvias applies the same public-private partnership model to other areas.

We work with local governments and government stakeholders to help them tackle tough environmental, energy and infrastructure challenges like storm water management.

We partner with universities to help them meet on-campus housing needs for the students of today and tomorrow.

Our name today, Corvias, is rooted in the Latin phrase, “by way of the heart.” It represents the commitment we bring to our partners. The passion we bring to making a real difference. Our name serves as a daily reminder to lead with our hearts and do right by our communities.

Earlier, I mentioned our three core principles—best place to work; best provider of service; best community partner. With the opportunity to serve the military comes the importance of supporting the community—beyond providing a home.

Corvias employees live by this principle, giving time and money to help the communities we support. Our national giving back program has enabled more than 33,000 hours of community service, and our foundation has awarded \$13 million in scholarships to servicemembers' sons and daughters, and grants to military spouses.

Throughout our history, we've kept Corvias a small, privately-owned and founder-led company—for good reasons.

First: it enables us to make decisions for the long-term, not just the next quarter. Second: when we see a problem, we can move quickly, go the extra mile. That's what we're trying to do here.

We have always taken pride in being the best at what we do. Although we have slipped, we will get back to that “gold standard” place.

There remain a number of longer-term issues we must address—issues that stress the service model, upset that delicate balance, and will only get tougher over time. We need to keep working with our partners to understand and meet these challenges.

Let me close with where I began—what we, at Corvias, believe.

We believe that our fellow countrymen who serve the Nation deserve our best—nothing less.

We believe in the partnership model—to tackle major infrastructure projects, help governments meet citizen needs, make a better quality of life.

And we believe in doing the right thing—in living and working “by the way of the heart.” That's where we came from, and where we're going.

Thank you.

Senator INHOFE. Thank you.

Mr. Ehle?

STATEMENT OF JOHN EHLE, PRESIDENT, HUNT MILITARY COMMUNITIES

Mr. EHLE. Chairman Inhofe and distinguished Members of the Subcommittees, good afternoon. My name is John Ehle, President

of Hunt Military Communities. Thank you for the opportunity to be here.

At Hunt we provide more than just housing. We are entrusted to build and sustain quality communities that meet the needs of those in uniform and their loved ones. We take that responsibility seriously.

We are also committed to being a responsible partner to the Department of Defense.

At Hunt, we have built approximately 15,000 new homes, renovated another 8,300 homes, and built 83 community centers. We have invested more than \$5 billion in our communities and an additional \$181 million in capital improvements in recent years.

Today we own interests in approximately 52,000 homes on or near 49 military installations in 21 States and the District of Columbia. Of that number, we manage about 32,000 units and serve more than 165,000 residents.

We recognize that there is no such thing as maintenance-free housing and that issues will arise that must be remedied with both our historic and newer homes. When that happens, we strive to address the situation in a timely and transparent manner, and we hold ourselves accountable. We are not perfect, and we aim to learn from our mistakes.

I want to be clear. There is no acceptable percentage of unhealthy homes. Every resident deserves our best. Keesler family housing in Biloxi, Mississippi has been one area of special focus for us, so I would like to speak directly to that.

The military homes at Keesler were largely destroyed by Hurricane Katrina in 2005. After the homes were rebuilt, we found that residents were consistently identifying moisture-related issues. Addressing these issues proved difficult. We took ownership of the situation and have executed a multi-phase moisture remediation project. We have visited every one of the approximately 1,100 homes, assessed each home for moisture-related issues, developed a plan for each home as needed, and performed remediation work for each of those homes. I am proud of the work we have done at Keesler, and we will continue to monitor and address any new issues with the utmost diligence.

To the families that live at Keesler, we appreciate your service and we are here to serve you.

At Hunt, we do not succeed unless we provide our residents with safe and healthy homes. We agree with you that more can be done to accelerate the improvement of housing stock. We would start with promoting common standards and sharing best practices. We also support the continued availability of housing allowances that facilitate options for our servicemembers.

Finally, let me say a word about the future. Over the next 5 years, we plan to invest over half a billion dollars in additional capital improvements across our portfolio. This includes constructing 230 new homes to replace houses for residents in Hawaii. This project is expected to create hundreds of good paying jobs.

Again, thank you for the opportunity to testify today. I look forward to hearing your views and answering your questions.

[The prepared statement of Mr. Ehle follows:]

PREPARED STATEMENT BY JOHN EHLE

I. INTRODUCTION

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

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

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

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

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

II. HUNT IS PROUD TO PROVIDE QUALITY COMMUNITIES TO AMERICA'S MILITARY FAMILIES.

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

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

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

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

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

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

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

Hunt is committed to supporting our residents, employees, and our neighboring communities through efforts that are focused on military issues. We recognize that servicemembers and their loved ones face a wide range of challenges, from frequent moves and deployments to financial difficulties. Hunt's deployed spouse program centers on improving the quality of life for all residents, even in the most difficult times. For example, in contrast to pre-privatization, residents in our communities receive landscaping services outside of any fenced area around their homes, and for those families with a deployed spouse, we will service the entire area, including any fenced-in areas around their home.

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

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

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

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

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

III. THE HEALTH AND SAFETY OF MILITARY FAMILIES IS HUNT'S TOP PRIORITY.

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

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

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

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

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

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

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

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

IV. WHERE CHALLENGES HAVE ARISEN, HUNT HAS UNDERTAKEN SUBSTANTIAL REMEDIATION EFFORTS.

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

The military homes at Keesler were largely destroyed by Hurricane Katrina in 2005. In the years following, the homes were rebuilt, owned by the Air Force, and then placed under the management of Forest City Military Communities via the

MHPI program. After the reconstruction, residents at Keesler began identifying issues, including, in some instances, moisture build-up.

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

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

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

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

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

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

V. HUNT’S COMPENSATION INCENTIVES ARE ALIGNED WITH THE INTERESTS OF ITS RESIDENTS.

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

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

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

Further, in our industry, resident satisfaction scores are a key metric that can directly impact a company’s bottom line. Under the terms of our engagements with our military partners, Hunt stands to collect an additional fee for the properties it manages based on the achievement of performance benchmarks. Resident satisfaction is a substantial component of these incentive fees, which can be reduced or even forfeited completely if certain goals are not met. Other metrics that can impact incentive fees, depending on the particular agreement, include service order response times, preventive maintenance achievements, commander’s evaluations, and occupancy rates. Thus, Hunt’s incentives are aligned with the interests of its residents, and resident satisfaction is our overarching goal.

VI. HUNT CONTINUES TO REINVEST IN AND IMPROVE ITS PROPERTIES.

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

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

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

Likewise, Hunt periodically dedicates significant reserve funds to replenishing parts of its housing stock. When it entered into its partnership with the Department of Defense, Hunt was aware that many housing units would need to be replaced during the span of the relationship, and it takes this responsibility seriously. Over the next 5 years, Hunt plans to invest nearly \$530 million in capital improvements across its portfolio, including the construction of 230 new homes in replacement of existing housing stock.

One exciting development is currently underway in Hawaii, where later this year we will begin the process of replacing existing homes in our Nani Ulupau neighborhood with 40 new houses at a total cost of \$32 million. That project will be followed about 2 years later by replacement of the homes at the Hokulani neighborhood with 190 new houses at an estimated cost of \$100 million.

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

VII. CONCLUSION

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

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

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

Senator INHOFE. Thank you.

Mr. Hickey?

**STATEMENT OF DENIS HICKEY, CHIEF EXECUTIVE OFFICER,
AMERICAS LENDLEASE CORPORATION**

Mr. HICKEY. Thank you, Chairman Inhofe, Ranking Member Reed, distinguished members of the joint subcommittee. My name is Denis Hickey and I am Chief Executive of Lendlease Americas. Thank you for inviting me here today to testify on our contribution to the military housing program.

Lendlease is a global property company founded in Sydney in 1959, but we have been operating in America since 1970. As an Australian, I can attest that Australia, as the only country to have stood side by side with America in fighting every major conflict since World War I, is very proud to be a part of this program since its inception.

Mr. Chairman, I would like to touch on the issues that are brought here today. This afternoon, we have heard from several families who have outlined the examples in a very material way of the serious problems that have arisen across some of the portfolios. The situation is clearly not acceptable, should have been avoidable, and I personally have great empathy for their cause. No family, much less a military family, should be subject to these conditions.

We have 130,000 people living in our communities, and I can assure the Members that we try extremely hard not to let these type of issues arise. However, unfortunately, we are human and mistakes do happen. I can assure the Members that we are very focused on trying to learn from the stories that we hear today and learn from the Committee's input to fix these situations moving forward.

Despite many successes and the strength of the military housing program, the program itself does bring some challenges. For example, the continued funding to continue with the remediation and continued betterment of the housing stock across the portfolios. Currently Lendlease's communities have invested \$7 billion into new construction and development across the portfolios, and we think that there is another \$16 billion to invest over the life of the program. However, those funds are not evenly distributed across the projects. So the challenge for us is to actually find a way to get those funds to the areas it needs to be invested.

Secondly, the safe and timely management, rectification, and repair work of some of the environmental issues that existed on the base from pre-existing conditions is a real challenge, and we try very hard to address this every day.

There is also the challenge of meeting occupancy levels. When military decisions are made around troop deployments that affect demand on the base, it is a challenge for the project companies to manage through those.

Finally, there are challenges of managing various natural disasters that occur. Mr. Chairman, a case in point is our Hurricane Florence at Camp Lejeune project in September of 2018. This was an unprecedented natural disaster and of the 6,200 homes on Camp Lejeune, 3,800 were affected. The repair bill alone for that project is over \$150 million. Whilst we were slow to start, we have made good progress, and we have repaired over 40 percent of the homes. Earlier this week, I met with Secretary Spencer of the Navy and other leaders of the Navy and Marines, and we talked about this specific issue. We are working together collectively, and our goal is to have all of the homes repaired by the end of November.

Mr. Chairman, finally, we are proud of the many accomplishments that we have achieved across our portfolio to date, but we are also very aware of the issues that have been brought here today. The issues have my personal and full attention, and I can assure you we are very focused on improving every aspect. We want the people who live in our communities to be proud, as our people are proud to serve them. Thank you.

[The prepared statement of Mr. Hickey follows:]

PREPARED STATEMENT BY DENIS HICKEY

Chairmen Tillis and Sullivan, Ranking Members Gillibrand and Kaine, and distinguished Members of the Armed Services Committee, my name is Denis Hickey, Chief Executive Officer of Lendlease Americas. Thank you for inviting me to testify today.

I represent Lendlease, and I am here to provide the Subcommittees with information regarding Lendlease's contributions to the Military Housing Privatization Initiative (MHPI) program.

Lendlease is a leading global property company founded in Sydney, Australia in 1959, and we have been operating in the United States since 1970. Lendlease Americas is a full tax paying U.S. corporation directly employing more than 1,700 people across the United States, -95 percent of which are American citizens. We are proud of our long history in America, and our goal is to increase our presence here in future years.

In 1972, our founder Dick Dusseldorp, famously remarked that *"the time is near that companies must start justifying their worth to society, with greater emphasis placed on environmental and social impact, rather than straight economics."* This belief is at the core of who Lendlease is today. It guides our efforts and ensures we remain committed to delivering long-term sustainable value to the communities we create and serve.

As an Australian, I can attest to the fact that Australia -the only country to have stood and fought beside America in every major conflict since World War I -is very proud of the strong military ties between our two countries. As a partner to the Department of Defense (DOD) since the early days of the MHPI program, we at Lendlease are also humbled by the opportunity to serve military personnel and their families by providing quality, healthy, safe, and sustainable communities.

We take this responsibility seriously.

Our military housing business is headquartered in Nashville, TN. We oversee and manage more than 40,000 single-family rental homes across 28 installations in 12 states, from Upstate New York to Alaska and Hawaii. Many of our managers and employees live in the local communities we serve, managing day-to-day operations for our residents. They are part of these communities. Many are also veterans or military spouses who have lived on military installations and experienced first-hand the sacrifices our military and their families make every day.

Before I address the MHPI initiative and Lendlease's role in this program, I would like to touch on the recent news reports and the issues raised that have brought us here today. The media reports outline examples of some serious shortcomings that have arisen across the program, and they are clearly not acceptable.

I empathize with the families that have been affected by these issues, as they should not be subjected to these conditions.

I can assure the members of the Subcommittees that Lendlease is dedicated to creating and maintaining safe, healthy and sustainable communities for our servicemembers and their families. As such, we are committed to doing everything we can to resolve these types of issues should they occur on our projects.

THE MHPI PROGRAM

The MHPI program was enacted out of a critical need to modernize old and dilapidated housing on military bases that, after decades of deferred maintenance, had fallen into disrepair. The DOD did not have enough appropriated funding to undertake this renewal program. Partnering with the private sector to unlock much needed capital and capabilities was seen as an innovative and effective way to remedy this problem.

Exercising its authority under the MHPI legislation, after a full and open public procurement process, each Military Service selected a private sector developer to access the expertise and private sector funding that was deemed critical for the construction, refurbishment, operations and ongoing sustainment of their housing facilities.

Lendlease implemented the privatization initiative under a basic structure in which a Project Company is formed to own, develop, finance and operate family housing on military installations. Often, the respective Military Service elects to become a member of the Project Company. Regardless of structure, the Military Service retains governance oversight and control over major decisions of the Project Company through the project agreements. This Project Company then contracts with various parties to deliver the asset management, property management and development management services. In our case, Lendlease is engaged as the asset manager and the development manager, and partners with Winn Corporation to perform the property management.

Lendlease works closely with the DOD and the leadership of the individual Military Services, both at the Pentagon and local installation level, to determine appropriate development and operational plans to meet the objectives of the program. Generally, Lendlease, the DOD and Military Services share approval authority over annual operating budgets and capital expenditures, and the DOD maintains regular oversight of the overall performance of the Project Company and its service providers through the contractual and funding structure.

One of the great successes of the MHPI program has been the creation of new housing on military bases throughout the U.S. On these bases, older homes were torn down and replaced with new, modern ones that conform to the latest building codes. In addition, many of these older homes have undergone significant renovation and have been brought up to current standards.

Despite this investment in new homes, a significant number of older legacy homes remain including some that may have potential environmental issues that need to be carefully managed. Maintenance plans are developed and administered for these homes until modernization and/or replacement can occur.

PROJECT FUNDING SOURCES

Initial funding for the development scopes was generated from leveraging the forecast income from the Project Company to secure financing from the capital markets. Together with investments made by the Military Services and the private sector developer, this financing was used to fund the initial period of development, construction and renovation of a select tranche of homes at each installation (known as the Initial Development Period or IDP).

Ongoing funding for the Project Companies comes in the form of the rent they collect from the residents, which is capped at the Basic Allowance for Housing (BAH). The revenue is deposited into secured accounts and is used to pay operating expenses, service debt, fund approved management fees and agreed investment returns, with the balance of the net operating income (NOI) deposited into the project's "reinvestment account." These funds are not distributed to the developers, but remain within the project to fund future development and maintenance work.

As the reinvestment account balance grows, the Project Company, in consultation with the Military Service and the local installation, assesses how those funds can be utilized to best improve the quality of housing on the installation. Generally, the Military Service, as a member of the Project Company, shares authority for approving plans and/or funds to be expended from the reinvestment accounts.

To date, Lendlease's MHPI projects have invested more than \$7.2 billion to fund new construction and major renovation activities to improve the quality of life for our residents. Our current forecast is that a further \$16.4 billion of surplus NOI will be generated for deposit into the reinvestment accounts across our MHPI portfolio over the remaining balance of the ground leases, subject of course to continued project occupancy. Funds in the respective projects' reinvestment accounts are intended to be used for further upgrades and new facilities over the remaining term of the projects, conditional on direction and mutual approval by the Project Manager and the Military Services.

CUSTOMER SERVICE IS CRITICAL FOR SUCCESS

Except for a small fraction of command-designated personnel who are required to live on base, every other eligible servicemember has the choice to live either on or off base. They receive their BAH and are free to use that BAH to pay for housing wherever they choose to live. As such, the MHPI program is an entirely free market program with consumer choice, and has absolutely no occupancy or rental guarantees from the Government.

As a result, we need to compete very hard with the homes off base to be seen as the housing provider of choice. For an MHPI housing project to thrive, it must consistently provide the best value and customer service to its residents, or it will lose occupancy and receive lower rental income. If lower rental income is received, then there is likely to be less NOI to be invested in the project's reinvestment account, thereby impacting what can be done to improve the housing and the facilities within that project.

We are very focused on customer satisfaction and train our employees on how to deliver high standards of customer service. We measure the quality of our customer's experience using independent resident surveys conducted by CEL & Associates and SatisFacts. These objective reviews are designed so that our local property management teams can promptly address residents' feedback, questions, issues or concerns.

In 2018, we received more than 36,000 completed resident feedback surveys and averaged a score of 4.45 out of 5. Whilst these were good scores, there is obviously room for improvement and we use these survey results as learning opportunities for our and our property managers' operations teams to focus on areas where we can improve our level of service and performance. These results are also reviewed in detail with Military Service leadership, both at the Pentagon and local installation level. They closely monitor our performance and they form part of the basis for the asset and property management fees.

To provide a measure of scale of the annual activity that happens on the installations that we manage, our front-line property management personnel perform more than 18,000 changes of occupancy annually. Each resident change brings with it a requirement to conduct environmental assessments, refresh the home and repair any cosmetic issues which can include flooring replacements, painting, fixture and finish upgrades, appliance upgrades and minor structural renovations. In addition, our maintenance teams performed over 400,000 service requests in 2018, ranging from fixing mold issues, flaked paint, blown light bulbs, clogged toilets to broken screen doors. These are cataloged and recorded in our project databases.

All in all, our success depends on providing exceptional customer service and, as such, we invest significant time and resources trying to continuously improve and raise our performance in all areas.

ENVIRONMENTAL STEWARDSHIP

Lendlease understood that many of the houses acquired through the MHPI projects would not be demolished as part of the IDP, and came with both known and unknown conditions including lead-based paint, asbestos and contaminated soils. The set up of the projects was not and could not be designed to address all the legacy homes in the initial development. Rather, it was envisioned that these legacy homes would be addressed over time and funded out of the project reinvestment accounts.

For example, our portfolio of over 40,000 homes includes more than 14,200 legacy homes built prior to 1978, when the use of lead-based paint was banned. Until these conditions can be successfully eradicated through major renovations or housing replacements, they require active management. Accordingly, at the time of a project's inception, each home in the project is inspected for these conditions, and in cases where the conditions are not addressed and require continued active management, it is noted on our housing registers.

In these instances, any known presence of lead-based paint, asbestos, or contaminated soils in/or around a house are all clearly documented and disclosed to all residents prior to occupying their home. Every resident at move in receives a home walk through, covering all aspects of the home, including discussions around the existence of these environmental conditions, and receives material regarding how to live safely in the home. All residents are encouraged to report any suspected lead-based paint flaking, mold or other environmental concerns that may arise during their tenancy directly to the Property Manager. All reports are treated very seriously, and we strive to rectify these issues as soon as possible.

DRIVING INNOVATIVE, SUSTAINABLE AND COMMUNITY SOLUTIONS

Consistent with Lendlease's commitment to improving the environmental and social impact to the communities we create, we have been focused on implementing strategies across our portfolio that support the DOD's objectives of reducing energy, water and waste consumption. These include:

- The development of 34.77 megawatts of ground and rooftop solar arrays across our portfolio. In the past 12 months, our projects have generated over 43 gigawatt hours of solar electricity, enough to power 5,303 homes for 1 year.
- The delivery of industry leading green building practices with 15,000 homes built to Energy Star or LEED Silver standards.
- The design, construction and monitoring of the first two Zero Energy Homes (ZEH) on any DOD military installation at Fort Campbell, and the first Net Zero Energy Home on a Navy/ Marines installation at Camp Lejeune.
- Implementing resident education and engagement programs around consumption and conservation best practices. This includes home energy audits and educational walk throughs to help residents operate their homes more efficiently.
- Incorporating the use of Building Energy Management Systems (BEMS) resulting in approximately 7,206,697 kilowatt hours or \$684,636 million saved over the last year.

In addition to these environmental initiatives, Lendlease is also focused on giving back to the people and communities we serve. For example, in 2007, Lendlease established the Lendlease (U.S.) Community Fund, a 501(c)(3) fund designed to give back to military communities. Through a combination of Lendlease contributions as well as other fundraising initiatives, the Lendlease Community Fund has raised over \$4.2 million. This money has been distributed to various organizations such as Wounded Warriors, Operation Shower, Boot Campaign, K9s for Warriors, Veterans PATH, Fisher House Foundation and many more grassroots organizations working tirelessly to serve Active Duty servicemembers, veterans and their families. The Lendlease Community Fund's BlueStar Scholarship program has also awarded \$704,000 in scholarships to high-school age military dependents.

We will continue to focus on these areas and are committed to piloting new initiatives. Our efforts have reshaped industry practices and have helped design and achieve better outcomes for our communities.

MEETING THE CHALLENGES

Despite delivering tangible benefits to the respective communities, the MHPI program brings a unique set of challenges, including, but not limited to:

- The timely rectification and replacement of historic environmental conditions, including lead-based paint, asbestos and pesticide impacted soils.
- Ensuring the Project Companies can individually generate sufficient NOI to fund the continued modernization of the on-base legacy homes.
- Maintaining occupancy levels through troop deployment and other military decisions that can dramatically affect the housing demand.
- Managing various natural disasters and unforeseen events that periodically occur.

We will continue to do our best to manage and mitigate these issues so they do not adversely impact our military families. Our leadership and operational teams will continue to work with local installation command, Military Service leadership and community representatives to review these issues as they arise and develop and implement appropriate solutions to mitigate their impact.

The most recent example of managing one of these issues was the natural disaster of Hurricane Florence that hit our Atlantic Marine Corps Communities (AMCC) project in North Carolina in September 2018. This hurricane was unprecedented in size and impact with significant effect on both the AMCC base facilities and the broader community. Damages from the hurricane have resulted in major logistical and construction challenges. On the AMCC project alone, 3,818 of the 6,182 homes were damaged, and the estimated repair bill for housing on the base is over \$150 million. Although progress on the recovery was initially slower than envisaged, after recent meetings with the local Commander and his team, as well as meetings with other high-ranking officials in both the Navy and Marines, we have collectively implemented several improvements that have helped AMCC to accelerate recovery in a collaborative manner. We are making solid progress and have currently rectified 1,478 homes (40 percent of the total damaged). Our aim is to have all of the recovery work substantially completed by November of this year.

CONCLUDING REMARKS

Lendlease's MHPI portfolio is a cornerstone of our business in the United States. The company is committed to the MHPI program and to continuing to work with the DOD and Military Services to make it successful.

While we are proud of many of our accomplishments across our MHPI portfolio to date, we are also keenly aware of the issues that have been brought before the Subcommittees today and see these as critical areas that have our full attention. We will continue to focus on improving our services for the benefit of the military families who reside in our communities. We want them to be as proud to live in our communities, as we are to have them.

Mr. Chairman, this is of the highest priority to Lendlease. We want to make sure that every military family on all our bases receives the highest level of service every day. They deserve nothing less.

To that end, we look forward to the dialogue the Subcommittees have initiated and remain receptive to any and all constructive advice for improvements to our projects and the MHPI program. We also welcome any Senators or their staff who wish to visit our facilities and see first-hand the status of our operations.

I thank you for the opportunity to represent Lendlease and to tell the story of MHPI from our perspective.

Senator INHOFE. Thank you, Mr. Hickey.
Mr. Bliss?

STATEMENT OF JARL BLISS, PRESIDENT, LINCOLN MILITARY HOUSING

Mr. BLISS. Chairmen Inhofe, Tillis, and Sullivan, Ranking Members Reed, Gillibrand, and Kaine, and members of the subcommittees, on behalf of Lincoln Military Housing, thank you for the opportunity to testify before your subcommittees today on the Military Housing Privatization Initiative (MHPI).

My name is Jarl Bliss and I am the President of LMH.

I realize time is short, but I would like to recognize the service-member families who just testified for sharing their experiences with you.

The men and women of LMH work every day to serve all of our families with honor and integrity. I regret when even one service-member family feels like we have come up short.

I am sincerely and personally committed to working with our military families, our DOD partners, and your subcommittees to address any concerns with our operations and to foster better communication and understanding with those we serve.

Obviously, one of the reasons we are here today is because there are families who feel like we did not perform up to expectations. Whatever the source of that frustration, whether it was a service problem or whether we did not communicate well with the family, I deeply regret that any of our residents feel this way.

While I believe the MHPI program is a true success for many thousands of military families, it is clear in the testimony of the families here today that not every family feels the same way. I want to change that. I want to regain the trust of these military families.

As your subcommittees look at how LMH and other PPVs are performing, I look forward to working with you and our DOD partners to explore new and creative ways to improve our military families' experience in our housing. I look forward to your questions and, more importantly, to working with you to address the concerns of the military families.

[The prepared statement of Mr. Bliss follows:]

PREPARED STATEMENT BY JARL BLISS

Chairman Tillis, Chairman Sullivan, Ranking Member Gillibrand, Ranking Member Kaine, and Members of the Subcommittees:

Thank you for the opportunity to testify before you and your subcommittees this afternoon concerning the Military Housing Privatization Initiative (MHPI), and, specifically, Lincoln Military Housing's (LMH) provision of residential property management services to our women and men in uniform through that program. LMH welcomes your subcommittees' oversight of the MHPI to ensure that all of the public-private ventures (PPVs) are delivering the highest level of service to military families with a level of integrity that reflects our Nation's gratefulness for their sacrifice.

INTRODUCTION

LMH is an affiliate of Lincoln Property Company (LPC), a Dallas-based residential and commercial property management company with a 54-year history of outstanding customer service. LMH, formed in 2001 to participate in the MHPI, is extremely proud of our nearly two decades of partnership with the Department of Defense (DOD) and our service to the military community through the program.

As your subcommittees are aware, in the mid-1990s, military family housing was in serious disrepair; residents at that time rated their satisfaction at around 60 out of 100 and DOD estimated that rehabilitating the housing stock would cost taxpayers at least \$16 billion over 30 years. Through the MHPI, private sector investment in military housing has exceeded \$20 billion over the past 16 years, and military families have experienced a marked improvement in the quality of housing, as evidenced by a 20–25 point increase in their self-reported satisfaction scores across the portfolio of homes.

Today, LMH manages around 37,000 residential units through the MHPI, of which approximately 7,000 are at Camp Pendleton and 4,300 are in the Hampton Roads area of Virginia. Over the last 16 years, the PPVs in which LMH participates have invested about \$4 billion, of which amount almost \$1.125 billion in private capital has been invested in the Camp Pendleton/Quantico Housing project alone. Over the next decade, LMH, with the approval of and in consultation with our DOD partners, plans to spend at least \$450 million more in this project and over \$2 billion more across our entire portfolio.

While LMH is proud of our record, we acknowledge that one of the reasons for this hearing is a series of published media reports implying that LMH has cut corners and failed to provide quality housing to servicemembers. LMH welcomes and encourages military families to raise complaints about their housing and we regret when even one servicemember family is dissatisfied with our performance. We recognize that some issues have become compounded due to some servicemembers' feeling like there is a breakdown of trust and communication with LMH. We are committed to fixing those issues in a manner that puts the readiness of military families first. As your subcommittees conduct oversight of this issue, however, we wish to highlight the following points:

- LMH has strong ethical and economic incentives to deliver the highest level of customer services to servicemember families because the success of the PPVs established under the MHPI depends wholly on LMH's ability to maintain satisfied residents and high occupancy rates in its housing. If LMH were to cut corners and provide lower quality housing, many servicemembers may choose to use their Basic Allowance for Housing (BAH) to live in non-military housing.
- Both in policy and practice, whenever LMH's online or 24/7 telephone customer service center receives a service request relating to moisture or mold in a home, a trained LMH technician responds to the family within 30 minutes—an "emergency" level of response because mold usually indicates water intrusion. Once at the residence, the technician assesses the type of repair or remediation needed and works with the family to schedule the service. Every mold or water intrusion service request generates three follow-up visits in the days and weeks after service is performed to confirm the repair or remediation worked and the family is satisfied. On an annual basis, mold work orders constitute less than one percent (0.6 percent) of service requests, even at coastal installations where relative humidity levels are naturally high.
- LMH is proud of our service to our special class of residents. Servicemember families sacrifice greatly in service of our national defense; they deserve to have complete confidence in the condition of their housing, which contributes to readiness. While we disagree with the characterization of our property management services in recent media stories, the important issue is how the MHPI community—Congress, the DOD partners, and the PPVs—moves forward to improve upon past success and to ensure the level of program integrity our servicemember families expect and deserve.

LMH recognizes that there is always room for improvement. To that end, LMH has commissioned an independent review of our mold policies and procedures, training and communication to determine how we can improve the experience of our military families in the housing units we manage. We look forward to partnering with Congress, DOD, and especially our residents to restore residents' trust and improve upon our ability to deliver the highest quality property management services to the families that wear the Nation's uniform.

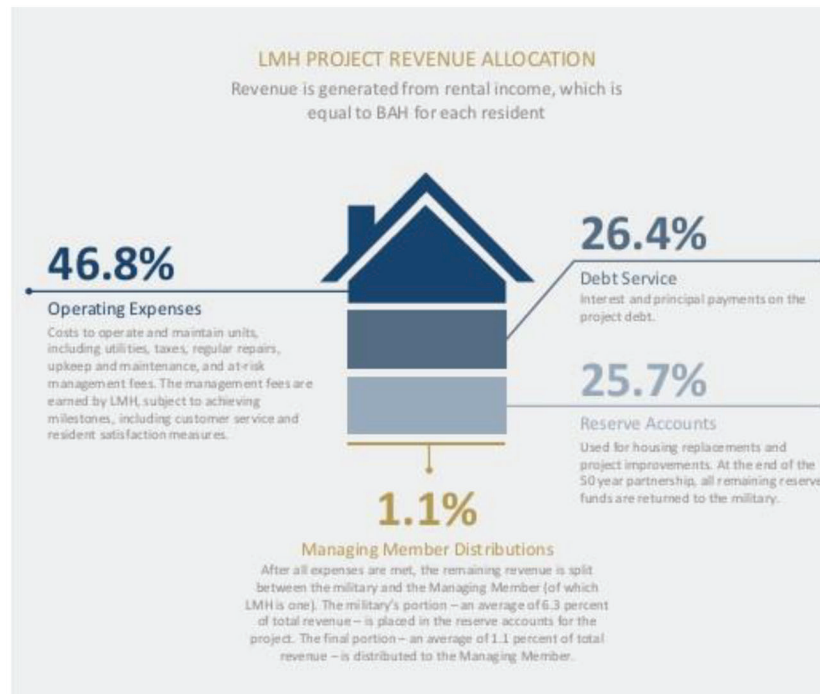
BACKGROUND ON LINCOLN MILITARY HOUSING AND THE PPVS

As your subcommittees review LMH's performance as a MHPI private partner, it is important to understand the details of how our PPVs work so that you can assess the parties' relative incentives and performance, along with the existing DOD oversight mechanism for the PPVs. A PPV is essentially a base-specific public-private partnership under which DOD enters into a joint venture with a private sector company. At all times, the PPV holds title to the housing stock on the base. DOD re-

tains the underlying land and provides a ground lease to the PPV for a 50-year term. At the expiration of the lease, the PPV must return the land and housing stock to DOD in the same or better condition than at the beginning of the lease. Additionally, all monetary assets are distributed to DOD at the end of the partnership. The PPV contracts with a property management company for management services.

The PPV is financed primarily by securitizing the BAH of the military families that live in military housing. As you know, each servicemember's BAH is set by DOD according to rank and cost of living in a given geographic location. LMH plays no role in setting a servicemember's BAH. Each servicemember receives a BAH and at all times has the choice whether to live in military housing (which is typically but not always on-base), in which case the servicemember family's BAH is paid to the PPV as rental payment, or whether to take the BAH as a check-in-hand and seek housing in an off-base community. Currently, over 70 percent of military families do not live in military housing for a variety of reasons. Sometimes it is for a particular school district; other times it is because they find housing off-base for rent lower than their BAH so they are able to save part of their BAH for other expenses.

By the MHPI's design, the PPV's responsibilities fall into three main categories: managing the military housing, servicing the PPV's debt, and saving for (and actually making) capital improvements necessary to preserve or improve the condition of the housing stock as required by the 50-year ground lease. As shown in the diagram below, each BAH dollar that flows into LMH's PPV portfolio is allocated across these three accounts in the average percentages shown below.



As you can see, nearly half of every BAH dollar is invested in operating expenses, which includes property management services, all related maintenance, community services, resident events and tax obligations. Unlike a traditional P3 where the private investor's primary pecuniary interest is in residual equity, LMH's revenue is derived primarily from providing property management services to military families. Some of our fees are earned only when we meet certain performance standards, of which customer satisfaction is one.

The next quarter of every BAH dollar goes to debt service—paying interest on the private capital borrowed against future BAH revenue streams. The next quarter goes to a capital “reserve account,” which are funds that may only be used for larger and strategic improvements (large-scale renovations and, when appropriate, replacement of existing military housing) pursuant to the operating agreement. This long-term sustainment fund is security for DOD, i.e. to ensure that the housing stock is maintained in a high-quality fashion and will be returned at the end of the 50-year lease in good repair. It is important to understand that any and all decisions regarding the use of these funds must be made jointly by DOD and LMH. The segregation of these funds is a key feature of the MHPI and is meant to ensure that necessary improvements to military housing are not sacrificed for other DOD priorities, as was sometimes the case prior to MHPI.

Finally, on a portfolio-wide average basis, there is a 1.1 percent LMH Managing Member distribution. LMH’s primary interest in a MHPI transaction is fee-for-services, which are based upon LMH’s performance and accountability as measured through benchmarking and resident satisfaction scores. LMH can also be dismissed if we fail to maintain performance above certain standards.

Given this structure, it is clear that LMH has zero economic incentive to cut corners on quality property management. Beyond economics, LMH has a strong ethical commitment to servicemembers and their families. LMH’s employee workforce, over 60 percent of whom are veterans or have Active Duty military in their families, would find it offensive to treat fellow servicemembers with anything but respect and dignity. The vast majority of LMH’s military housing is offered in very competitive housing markets. The success of the PPV depends entirely on LMH’s ability to offer and continuously provide quality housing to military families because high occupancy levels are needed to sustain the PPVs from BAH revenue. If LMH were to provide substandard property management services, military families would consider moving out of military housing and into residences in communities surrounding the base.

To the contrary, the military installations LMH services have some of the highest occupancy rates in the country. As mentioned, our overall resident satisfaction scores, as measured by an independent surveyor, are more than 20 points (on a scale of 100) higher than the resident satisfaction scores before the MHPI was enacted. At Camp Pendleton alone, LMH has invested \$1.125 billion in private capital in building new homes, renovating existing homes, and constructing club facilities, pools, playgrounds and dog parks. As an example, prior to MHPI, the families at Camp Pendleton had just one community swimming pool for over 7,000 families. Today there are 17 for the same number of families.

Finally, in LMH’s experience, the PPV model works only when all of the parties—LMH, the DOD partner, and the residents—work together and keep an open line of communication to address issues that arise from time to time in the community. LMH offers regular town halls and “meet the manager” days where residents can learn more about how LMH is investing in the community or can tell us if they believe their voices are not being heard through normal channels. Every resident has many tools to redress concerns. In the first instance, residents can contact LMH to resolve an issue. Most do just that, primarily by calling our 24/7 customer call center to report maintenance and other issues. If, however, a resident believes that he or she is not receiving an adequate response from LMH, the PPV model allows the resident to raise the concern with the military housing office on base, which then intercedes on the resident’s behalf as the local representation for the installation Commander. This process is communicated when residents move-in, and it is shared again (known as the 3-Step Process) quarterly when residents are invited to our “Meet the Manager” events. Finally, every resident also has the right to complain to state and local housing authorities, which, under our resident lease agreements, have jurisdiction to enforce state and municipal laws housing codes.

LMH’S MOLD AND MOISTURE REMEDIATION PROCEDURES

This section describes how LMH handles mold and moisture issues when they arise. In general, the subcommittees should know that LMH regularly reviews and updates all of our management policies and procedures on a regular basis. This testimony, however, will focus on mold remediation.

Mold and mold spores are naturally occurring in virtually every environment. It is in every hearing room in the Senate complex and in all of our homes. The common mildew that forms on the caulk or grout in a shower is mold. While mold spores are invisible to the naked eye, what most people refer to when they say they see “mold” is actually mold growth. Mold growth occurs when spores combine with

sufficient moisture and a nutrient source, like dust, soil, paper, or other organic materials.

Mold growth in buildings is not readily preventable except by controlling the source of moisture needed for mold spores to grow. According to the State of California, “[o]rganic matter is almost always available, so whether mold grows depends mostly on whether there is moisture.”¹ Excessive moisture can be caused by a number of factors, including plumbing or roof leaks or through inadequate ventilation in shower and bath areas, crowded storage areas, and other causes. Humid areas of the country—including the coastal areas where Hampton Roads and Camp Pendleton are located—are more prone to mold issues than drier areas.

Mold growth can occur quickly when conditions are right. Mold is a symptom of excessive moisture—a common problem in the property management world that must be remedied promptly because unaddressed water intrusion can result in extensive damage. An area with no observable mold growth can develop into a problem in less than 48 hours. While LMH does annual preventive maintenance visits on every home to check for signs of mold, water intrusion or other issues, unless we are inside a home every 48 hours (which would be unduly disruptive to residents), mold spores may turn into mold growth without us being aware. As such, LMH and other property managers rely to a significant degree on residents to report mold and water intrusion in a timely way so the issue can be addressed.

LMH’s procedures for mold assessment and remediation exceed what is recommended by the State of California and the U.S. EPA. Under LMH’s management plan, mold and water intrusion are considered the most urgent type of maintenance issue and LMH responds to every call about mold or water intrusion within 30 minutes.² A trained technician contacts the resident to get more information on the type of issue (for example, a roof leak or HVAC concern) and schedules a repair visit with the resident. The technician visually inspects the area and if needed uses a moisture meter to determine if any materials have been water damaged. If there is mold growth on a nonporous surface like an HVAC register or a metal window frame, the technician will follow the EPA guidelines and clean the surface using an appropriate cleaner. If there are signs of water damage or mold growth on porous materials like drywall paper or wood flooring, the technician will schedule replacement of the damaged material as soon as possible in consultation with the family’s schedule. If there is a larger area of mold, LMH will contract with a qualified third-party mold remediation company to perform the work. In such cases, LMH offers the family temporary living accommodations at a guest suite or local hotel at no cost to the residents until the work is complete.

After the remediation is complete, a LMH technician comes back to the resident’s home three times over the next few weeks to confirm that the source of the moisture has been fixed and that mold growth has not returned. LMH tracks these visits in property management software called Yardi, to which the DOD housing office has access and can monitor LMH’s follow through on a house-specific basis. Additionally, in many instances the local military housing office is notified of the mold issue and participates in communications and planning with the residents.

Even in higher humidity areas like Camp Pendleton and Hampton Roads, mold work orders account for less than one percent (0.6 percent) of LMH’s call center work orders. In preparation for this hearing, LMH asked LPC, our conventional property management company which manages 140,000 plus homes throughout the country, to provide the percentage of mold and water intrusion tickets for non-military housing residential properties, and the percentage was generally the same as it was for military housing.

THE PATH AHEAD: HOW CAN LMH BETTER SERVE MILITARY FAMILIES?

LMH takes very seriously whenever any resident family feels like their concerns have not been remedied in a professional and satisfactory way. Every day, we work with servicemember families and try to go above and beyond to serve their needs because we understand the unique nature of their residency and their contribution to the readiness of our Armed Forces. We regret that some residents feel that their concerns have not been adequately addressed.

At Camp Pendleton alone, we accommodate about 7,000 families each year. While we are proud of our track record and resident satisfaction scores, it is impossible for any enterprise to deliver 100 percent satisfaction all the time. One unsatisfied

¹CAL. DEPT. OF PUB. HEALTH, INDOOR AIR QUALITY SECTION, FREQUENTLY ASKED QUESTIONS ABOUT MOLD, <https://www.cdph.ca.gov/Programs/CCDCPHP/DEODC/EHLB/IAQ/Pages/Mold-FAQs.aspx>

²Other “emergency” issues include fire, gas leaks, carbon monoxide hazards, broken windows, and sewage backups.

customer is one too many and we do everything we can to prevent it. But when issues inevitably arise, we work hard to engage all the stakeholders, including our military partners, to address the issues and try to mitigate them in the future. Working with the on-base Government Housing Office, we try to do whatever it takes to earn the resident's trust and satisfaction.

LMH believes that no matter how well we serve military families today, we can always do better tomorrow. No property management company—especially one that serves our Nation's military—should ever feel so satisfied in its performance that it ceases to strive to provide better service. Each year LMH reviews the results of the annual Resident Satisfaction Survey, together with over 20,000 individual surveys completed on work orders and has actively sought to partner with DOD to continue to improve how the PPVs can further increase customer satisfaction and the quality of the housing stock we manage. In addition, LMH has hired an independent third-party expert to review our entire moisture and mold management program, including our prevention and remediation procedures. We are eager to see whether there are new methods or best practices that we can employ to make our program more effective and efficient.

LMH is exploring new ways to communicate with residents about mold prevention and remediation and any other issues that are of concern to our residents. Even when there is a mold or water issue in someone's home, we never want a family to feel that they have to go somewhere else to have their concerns heard. LMH commits to doing more to foster better lines of communication with residents. Most important, we welcome residents' input into how we can improve our responsiveness to their concerns in a productive way. We understand the urgency with we need to act to regain the trust of the servicemember families we serve, and we look forward to partnering with your subcommittees to ensure more positive outcomes for our men and women in uniform.

Senator INHOFE. Thank you, Mr. Bliss.

We will now have rounds of questions not to exceed 4 minutes.

The witnesses in the first panel singled out three organizations. They happened to be your organization, Mr. Williams; yours, Mr. Picerne; and yours, Mr. Ehle. I would like to have you make any comments or responses to those statements that were made concerning your organizations, if you would take those 4 minutes to do it, the three of you, starting with you, Mr. Williams.

Mr. WILLIAMS. Thank you, Chairman.

I heard loud and clear the Drivers, Mrs. Driver in her comments, and I take them extremely serious.

At Tinker Air Force Base, we experienced a product failure with a plumbing system in 398 homes that were built several years ago. It was a manufacturer's product defect, and at one point, we had over 500 water leak calls in to our offices. I will never make an excuse. We need to do better. We were managing in a crisis situation. We worked with the local command, as well as AFCEC [Air Force Civil Engineer Center], to develop a plan to go in and replace all of the plumbing systems. I realize it was a major inconvenience, as well as a true hardship to the residents that had to experience that, especially the Drivers and the other families that were named in the article.

Senator INHOFE. We are running out of time here. So I will leave it with that. Mr. Picerne?

Mr. PICERNE. Thank you very much for the question.

Again, to all three of the families that presented earlier, we are at what I would call a critical inflection point in where our program is, and we know we need to get to the bottom of the challenges that we are facing. We have some new homes. We have some older homes that need major renovations. We have had some challenges in dealing with that.

But specifically to the family that moved to Fort Meade expecting to have their child brought into a single-family or single-story home, it is unacceptable. My company will stand up and will help and support that family and every family going forward in trying to make these things better. There was a time and place when that would never have happened, and again, we have made some shifts and changes with our governance partners, the United States Army, and those changes were not good. We owe a debt of gratitude to their families and we need to help them.

Senator INHOFE. Thank you.

Mr. Ehle?

Mr. EHLE. Senator, we heard the families loud and clear. It is a heartbreaking story, and no one should ever have to go through that. Like I said, no percentage of unhealthy homes is acceptable to Hunt.

We have got processes and procedures and protocols that we follow to work closely with our residents. Our goal every moment and every day to work in partnership with our residents to resolve their issues to completion and satisfaction—we do sometimes fall short. Whenever we do, we look back at those situations, try to learn from them. We are an accountable organization. If we find weaknesses in our organization, we tend to those. We will continue to do so, but we have got room to improve. We do not shy away from that. We own that. We want to work with the stakeholders here to achieve a better MHPI program for all.

Senator INHOFE. Thank you.

Senator Reed?

Senator REED. Well, thank you very much, Mr. Chairman.

I have three questions which I will direct individually beginning with Mr. Williams, and I believe they require yes or no answers.

First, do you affirm today that you will do everything in your power to immediately address the issues raised today by our military families, not just those who testified but also by each of those who submitted testimony and information to the Committee, Mr. Williams?

Mr. WILLIAMS. Absolutely, 100 percent.

Senator REED. Mr. Picerne?

Mr. PICERNE. Yes.

Senator REED. Mr. Ehle?

Mr. EHLE. Yes, sir.

Senator REED. Mr. Hickey?

Mr. HICKEY. Yes, sir.

Senator REED. Mr. Bliss?

Mr. BLISS. Yes, Senator.

Senator REED. Second question is following up the chairman's remarks. Communication with Congress in any form is a protected communication under whistleblower statutes. Do you affirm today that you will do everything in your power to protect the military families who appeared here today, as well as those who have submitted testimony and information to the Committee, Inspectors General, or their chain of command from reprisal, including threats or reprisal from your employees? Mr. Williams?

Mr. WILLIAMS. Yes, Senator.

Senator REED. Mr. Picerne?

Mr. PICERNE. Absolutely, Senator.

Mr. EHLE. Yes, Senator.

Mr. HICKEY. Absolutely, Senator.

Mr. BLISS. Yes, Senator.

Senator REED. Finally, as you know, the GAO is conducting an ongoing review of the MHPI program. Do each of you guarantee complete cooperation with the GAO in their effort to obtain information and issue findings? Mr. Williams?

Mr. WILLIAMS. Senator, we have and will continue to.

Mr. PICERNE. Absolutely, Senator, we will.

Mr. EHLE. Senator, we are happy to work with GAO.

Mr. HICKEY. Absolutely, Senator.

Mr. BLISS. Yes, Senator, we will continue working with the GAO as we have in the past.

Senator REED. Thank you.

I think the testimony today, including the first panel and your comments, suggests the system is broken. These problems were obvious to the military families, but they were not obvious enough to you to take effective corrective action. So we have to think collectively, working with the Department of Defense and the service departments, to come up with appropriate incentives and disincentives so, once again, you do not take your eye off the target. The target is very clear. As we have all stated—and we have to not just talk about it, but do it with deeds—we owe an obligation to these families because of their service so that they live in the best possible housing, not the type of housing that was described today. I know working with the Chairman, we will do all we can and do whatever we must to ensure that every military family in military housing does not have to worry about the health of their child, the safety, or their warmth in the winter or their comfort in the summer.

Thank you.

Senator INHOFE. Thank you, Senator Reed.

Senator Tillis?

Senator TILLIS. Thank you all for being here.

I have got a couple of questions. Number one, sometimes when you see bad behavior—you guys I know are in the C-Suite, the executive levels of your very large organizations that constitute about 80 percent of all the housing that is provided. I guess probably another couple of dozen other firms. But one time in my past experience, when I have seen bad behavior on the part of people further down the chain of command, it had to do with incentives and how they were compensated. Is any of your review of how this broke down going to go back to how the people in the chain of command that actually touched these homeowners actually behaved because maybe they had some of their own personal livelihood at stake? Is that possibly a factor? Is that something you are going to look at? Just go down the line.

Mr. WILLIAMS. Yes, Senator, we are looking at that right now. First, we do not compensate on how we earn our incentives to our employees. But, yes, we are looking at better ways to make sure that that—

Senator TILLIS. Yes. Because I am just trying to figure out why on earth anybody who is working in this organization would have

heard these stories and not move heaven and earth to try and get the right resource on site.

Mr. WILLIAMS. I agree, Senator.

Senator TILLIS. Mr. Picerne?

Mr. PICERNE. Yes, Senator, I totally agree, and we are going to dig into it. We want to work closely with you and with the service branches to dig in deep and get to the bottom of this.

Senator TILLIS. Thank you.

Mr. Ehle?

Mr. EHLE. Senator, we do have an incentive structure in our organization from top to bottom that already ties into things like resident satisfaction and maintenance service. We are already there, but we are willing to take a continued look.

Senator TILLIS. Yes, because I am looking at unit managers or other managers that may be compensated by bottom line impacts and how that could force a bad behavior. I am not only talking about the customer-facing role. I am talking about the people who are trying to balance the books and dealing with various issues.

I am going to assume you are going to give me a similar answer. So I want you to look at it.

Mr. HICKEY, you said something that I am curious—you seemed to refer to funds being locked which would be used to reinvest and hopefully up-fit or address some of these problems. Can you explain that to me briefly?

Mr. HICKEY. Thanks, Senator.

In short, each project company is set up that the revenue that comes in from the BAH pays all the operating—

Senator TILLIS. And there are some 82 of these agreements over various stages, and I think you all constitute about 80 percent of them.

Mr. HICKEY. Something like that.

The revenue comes in from the BAH collection. It pays all of the operating costs for running the base and fixing any capital improvements, et cetera. It then pays the debt service that is actually being used to do the first IMP [impression] round, and then the surplus account sits at the bottom, stays—

Senator TILLIS. And it is the surplus that you could not get back into—

Mr. HICKEY. The surplus NOI [net operating income] stays at the base level. And therefore, if the base gets into a situation, it really only has the capacity to access its own surplus NOI. There are some agreements where they can share, but it is not uniform across the services.

Senator TILLIS. Okay.

Have things changed? When you first started this process—many of you have a couple of decades under your belt. Others are newer to the process. Have the rules or the agreements changed between you and the DOD? I mean, what else could have possibly changed that is creating stress on what would seem to me to be no-brainer business behaviors that for some reason fell down on some of these installations.

Mr. PICERNE. Senator, I would describe it as this is the largest and longest standing PPP, or public-private partnership, in America to this point. The challenge that we faced 20 years ago was

daunting and systemic, truly systemic. The solution that we came up with with the Department of Defense and with you folks was something that would be able to solve—not just fix for building new houses, but solve—for the 50-year period.

The challenge has been over the last several years, we have been moving in a direction of making sure that budgets are run at a very tight level, not as much focused on customer service and more about the NOI, net operating income, or the revenue account so that we have the dollars for the future. I think we just tipped the balance too far, I know we tipped the balance too far, so we need to move it back to the middle, and we are all pretty much—

Senator TILLIS. Right.

We will look deeply into these contracts in my role of the Personnel Subcommittee. But I am just trying to figure out some of the basic safety valves that did not appear to be in place in terms of service-level agreements, general satisfaction, escalation paths. The sorts of things that I did in a very different context in business seem to be missing here. I am looking forward to really drilling down on this.

I am also serious when I tell you we are going to reach out.

Let me just say one other thing in advance of the next panel. First off, do not be surprised if you get a call from my office if I get a lot of constituent requests, and I think I speak for most of my members. Expect to be on auto-dial.

But I will tell you there is a problem in DOD that we have got to address as well because at Camp Lejeune you could actually have a family having a mold problem in their home. Then you can turn right back around and that marine goes on base and they are working in offices that have mold, that have plastic on top of the roofs, and we have got our own facilities to deal with. I mean, we have got marines coming in on weekends fixing the roofs and trying to fix their offices. We have got serious problems here, and that is why I do not want anybody to leave this meeting thinking it is any one entity that is at fault.

Every single one of you have work that you have got to do, and we have got to do a top to bottom review to get it done. I hope I have your commitment and the commitment of the other few dozen firms that are not here before the Committee but do the same thing for the whole DOD.

Thank you.

Senator INHOFE. Thank you. Senator Tillis, presiding, and Senator Gillibrand.

Senator GILLIBRAND. Let me begin by reiterating how frustrated I am by the experience of the families we have heard from today who live in houses under the management of your companies.

In choosing to participate in the Military Housing Privatization Initiative, your companies did not just land another real estate deal. You assumed responsibility for the safety, health, and wellbeing of military families who make incredible sacrifices each and every day in support of our national defense.

In response to the recent reporting on problems in your housing units, many of you have pointed to satisfaction numbers showing resident approvals as high as 70 or low 80 percentage ranges. However, those satisfaction surveys are clearly at odds with the heart-

breaking testimony that we have heard today and even then would still put somewhere between 20 and 30 percent families in average or below average conditions.

In written testimony submitted for this hearing, the Military Family Advisory Network states that they have conducted a survey with nearly 17,000 respondents and found, "more than half, 55.53 percent, of respondents had a negative or very negative experience with privatized military housing."

I would like each of you to answer the following questions. What percentage of military families do you believe deserve to live in excellent on-base housing?

Mr. WILLIAMS. Senator, 100 percent.

Mr. PICERNE. We agree, Senator. One hundred percent.

Mr. EHLE. One hundred percent, Senator.

Mr. HICKEY. Everybody, 100 percent, Senator.

Mr. BLISS. One hundred percent, Senator.

Senator GILLIBRAND. How many military children deserve to be exposed to mold, lead, or other health hazards as a consequence of living in privatized housing units?

Mr. WILLIAMS. Senator, none of them.

Mr. PICERNE. I agree, Senator. Zero.

Mr. EHLE. Zero, Senator.

Mr. HICKEY. I agree, Senator. Zero.

Mr. BLISS. I also agree, Senator. Zero.

Senator GILLIBRAND. Do you think it is easier or harder for a servicemember to focus on their military duties while also worrying about the health and safety of their families?

Mr. WILLIAMS. Harder, Senator.

Mr. PICERNE. It is always harder, Senator.

Mr. EHLE. It is much harder, Senator.

Mr. HICKEY. No doubt, much harder, Senator.

Mr. BLISS. It is harder, Senator.

Senator GILLIBRAND. In so many of the stories that we have heard today from these families, the maintenance procedures that you have put in place have failed to ensure quality in housing units. In your written testimony, many of you pointed to quick response statistics for work orders in military homes. But if those issues are not addressed properly, if mold is painted over or water damage misdiagnosed, families remain in danger.

Further, many of the families have experienced cold and insensitive treatment from the local representatives of your companies, subsidiaries, and partners responsible for addressing the problem.

Do you expect your staff working on installations as technicians to be capable of both remediating work orders and showing genuine concern for the families impacted?

Mr. WILLIAMS. Absolutely, Senator.

Mr. PICERNE. We would expect nothing less, Senator.

Mr. EHLE. We absolutely agree, Senator.

Mr. HICKEY. Absolutely agree, Senator.

Mr. BLISS. Yes. They should be able to do both, Senator.

Senator GILLIBRAND. How many contractors or service technicians have each of your companies fired for unsatisfactory performance in completing work orders in military housing?

Mr. WILLIAMS. I do not have that exact number, but it is multiple.

Mr. PICERNE. I also do not have the exact number, but it is significant.

Mr. EHLE. Senator, we are a company of accountability, and if someone is falling short of expectations, we take action.

Mr. HICKEY. Senator, I do not have the exact number on hand, but similar to the other organizations, we take it very seriously and we will move people on if they are not doing their work.

Mr. BLISS. Senator, I do not have the exact number either, but we have made that decision to separate from personnel when they do not do the right thing and follow our policies and procedures.

Senator GILLIBRAND. Thank you for your testimony. From your answers, I can conclude that you agree this is something we must fix. It is an urgent issue. It does not represent our values to the country, and it does not sound like it represents your values as companies. So I expect your 100 percent commitment to solving this problem. Thank you.

Senator TILLIS [presiding]. Senator Sullivan?

Senator SULLIVAN. Thank you, Mr. Chairman.

I just want to get from the panel a couple things. I am assuming, as you all indicated in your testimony, you believe this is not just an opportunity to make money, and there is nothing wrong with making money in this capitalist society of ours, but it is also an opportunity to serve the men and women in the military—correct—and their families. Is that correct?

Mr. WILLIAMS. Yes, sir.

Mr. PICERNE. Yes, Senator.

Mr. EHLE. Correct.

Mr. HICKEY. Correct.

Mr. BLISS. Yes, sir.

Senator SULLIVAN. There is one kind of overriding in some of the DOD responses, in their testimony—it is a bit of a subtlety. Actually when I was reading it, it really kind of ticked me off. But this notion that, well, the servicemembers have a choice where they are living. They can always go off base. I think one of our witnesses essentially says that in his written testimony, which I find ridiculous. I just want to make sure that each of you are not saying in your testimony or your belief is that, well, they have another option. If they do not want to live in a rat-infested home, they can just go off base. That is not the attitude here. Is it?

Mr. WILLIAMS. No, Senator.

Mr. PICERNE. Absolutely not, Senator.

Mr. EHLE. No, Senator.

Mr. HICKEY. No, absolutely not, Senator. I mean, the livelihood of all of our businesses rely on great customer service. We want people living in our bases. So customer service is at the heart.

Mr. BLISS. That is not our attitude.

Senator SULLIVAN. Okay, good. Because again, one of the things I mentioned in my opening statement is I think we can all agree that our military members, whether they have a choice to live off base or not, should have the highest quality of military housing when they are on base. So I think let us just all agree to that.

But let me ask—and this is more kind of a how this works. You build the housing, and then your contracts—you are also in charge of all the maintenance and the upkeep and keeping the housing in a good living condition. Is that not your responsibility as well?

Mr. WILLIAMS. Yes, Senator.

Senator SULLIVAN. So that is part of the contracts. You do not have to all say yes, but that is part of the contracts. Correct? It is not a base housing official at Camp Pendleton or something. It is you. Right? You are responsible for that. So when you read about the mice and the mold, it is your responsibility to keep that up. Correct? To get rid of it.

Mr. WILLIAMS. That is correct.

Senator SULLIVAN. Let me ask this. I mean, we live in this uber society. What would be wrong with having the military members be able to grade you on how well you do? Do you think that would be a good idea to maybe kind of somehow relate your contract performance to—it would empower the members a bit, right, to be able to say, hey, here is what I think is going on with my home. I got a bunch of mice in it. Nobody is coming. I think your service stinks. Do you think that would be a good reform maybe that we could actually empower these courageous families who testified earlier to let them know that we can see that? Would that be a good idea, more direct kind of responses?

Mr. PICERNE. Senator, we do survey. Our surveys—

Senator SULLIVAN. But I am not talking about the surveys.

Mr. PICERNE. I think we need to find a better way to get real touchpoints from the residents on a more real-time basis. That is one of the things we need to—

Senator SULLIVAN. But maybe tie it to your compensation.

Mr. PICERNE. Absolutely. Yes, correct.

Senator SULLIVAN. Would everybody agree that has potential?

Mr. HICKEY. Yes, Senator. I think there is an opportunity to kind of get the residents on the base having a collective voice that can sit at the table with us and the services—

Senator SULLIVAN. They do not have to go through their chain of command to be heard by—

Mr. HICKEY. They can sit collectively and we can do that as—

Senator SULLIVAN. Let me ask one final question. One thing that came up in the testimony before was this idea that somehow you or people who work for you might be taking advantage of a young lance corporal and his wife who just came on base and do not really know what is going on. I want each of you to definitively say that that is not the policy, you do not have people doing that, and if you do, you fire them.

But maybe here is another suggestion. Maybe you look and do it the opposite way. Maybe have a program to help the young lance corporal and his wife who are coming on base and maybe do a proactive program to help these young guys. I mean, heck, they are barely teenagers, some of them, and their spouses. So can I get from each of you that you are definitively not doing that, and if you found people in your company who were doing that, you would fire them?

Mr. WILLIAMS. If we found somebody doing that, we would fire him. We are committed to making sure that that is not happening.

Mr. PICERNE. Senator, I agree wholeheartedly. We would never do that, and we would fire people if they did do that.

To answer your second question, we absolutely believe that in a proactive plan, helping our young soldiers as they first come on base is the right thing to do. We used to do it, and we are committing to going back to it.

Senator SULLIVAN. Great.

Mr. EHLE. Senator, at Hunt, if anyone were to do that, it would be against, first of all, our employee code of conduct, and yes, they would have to be dealt with up to termination.

Mr. HICKEY. Yes, likewise, Senator. It goes against every value that our company stands for. So it is totally unacceptable.

I think your suggestion of finding a way to help the younger people more proactively is a good one.

Mr. BLISS. I agree, Senator. That is totally against our character. If anybody at Lincoln is acting that way, they will be terminated.

Senator SULLIVAN. Thank you.

Thank you, Mr. Chairman.

Senator TILLIS. Senator Kaine?

Senator KAINE. Which of you served in the military? Did any of you serve? I did not either. So there is no shame in that.

But how about this. Have any of you ever lived on a military base as a military dependent like when your mom or dad were in the military?

Mr. WILLIAMS. I have never had an experience living in family housing.

Senator KAINE. Is that the same for all of you? I think that is pretty important. I mean, I think that is an obvious really important sensitivity issue. This is a really important hearing. So each of these companies—you are sending a really important person here who is a person with some authority and responsibility to answer our questions. If at the top of these institutions, we do not have people who understand the lives that folks are leading in the military, I think that is maybe the beginning of an issue.

In your government contracts, are you required to do surveys of your military tenants?

Mr. WILLIAMS. It is part of our incentive program.

Mr. PICERNE. Yes, we do, along with our government partners, multiple surveys.

Mr. EHLE. Yes. Our compensation program is tied to resident satisfaction surveys.

Senator KAINE. Do you do those on your own? Do you write the survey yourself?

Mr. EHLE. There is a third party, independent company that provides those surveys, and we have no access to it other than we get the final report.

Mr. HICKEY. Likewise, Senator. We do in-depth customer surveys with a third party. We review the output of that with our respective service partners.

Senator KAINE. Is that third party—it is not the military. It is some third party.

Mr. HICKEY. No, no, no. It is a third party organization. We produce that and review that with our military partners.

Senator KAINE. Mr. Bliss?

Mr. BLISS. Yes. We also have an independent third party survey company. Additionally, we have another independent survey company that surveys after each work order service request.

Senator KAINE. I think there should be kind of a SOP [standard operating procedure], of a template that would be a survey that military families and dependents who live on bases would be given the opportunity annually to do a survey and that would go to the requisite office with the military so that groups like MFAN would not have to do their own survey to figure out what is going on. I think a customer satisfaction survey that would be an annual for everybody living in military housing, that would be a template, apples-to-apples questions would be really important. You could see who were the better landlords and who were the worst ones. You could see are their particular bases that are unusually bad, and that might suggest there are some infrastructure needs on the base that we could address that are not purely yours. I think an apples-to-apples template, regular survey with the information going directly to the military so we would not have to rely on outside groups to tell us what is going on with families would be a good idea.

Let me ask you this. You would agree with me, would you not, that somebody living on a military base should not have worse housing or have housing that is substandard compared to housing in the community where they live with respect to building codes, environmental standards, et cetera. Right? The military families' should not be worse than the surrounding communities'. Is that a fair statement?

Mr. WILLIAMS. I think it should be better.

Senator KAINE. Should military housing not have to comply with building and environmental codes? Say, Fort Belvoir is in Fairfax County. Why should military housing on that base not have to comply with local building and environmental codes, including inspections by Fairfax County building and environmental inspectors? If these folks want to call and complain, should there not be—I am thinking like a mayor. I used to be a mayor. We had a code compliance section. I think they ought to be able to go into housing in Fairfax County whether it is on a military base or not and determine whether something complies with codes or is in violation of codes. Would that cause any challenges for you all?

Mr. PICERNE. I think there is a wide variety of challenges, and I think that is an issue that we need to look at. We do it here to all of the national standards, and we do have, again, the best we could find, third party inspectors who do all of that inspection work. However, the challenge I think that may be presented is at a place like Fort Bragg where Fayetteville is not a large place, if we were to do a large—we are about to do a couple hundred million dollars worth of work, we may overwhelm the Fayetteville office for inspection and code compliance.

I think there is something there. As we start to dig into the bottom and get to kind of where the real challenges are, I think there is a way to do that in a very meaningful and significant way that adheres to or gets to the heart of what you are trying to get to, which is—

Senator KAINE. I am over my time, but I am just thinking if these folks cannot get an answer out of a private housing provider, if they feel like their family readiness specialist is being intimidated against, if they cannot get the chain of command to help them, where can they go? Most people in a city would call a local building officer and they would come out and somebody would do an inspection that would validate or verify whether in fact the property was sub-code. It would seem to me—since you have agreed with me that somebody should not be subjected to housing worse than the sets of rules in the community where the housing is, it would seem to me to be an obvious potential solution.

Thanks, Mr. Chair.

Senator TILLIS. Senator Rounds?

Senator ROUNDS. Thank you, Mr. Chairman.

Gentlemen, first of all, I am just curious. It seems to me that should never have gotten to the point where it required a congressional hearing to get to the bottom of it. I think you all have been notified in advance of the need to come and speak to us. How much time did you have to prepare for this meeting today? If you could just go down the line, how much time did each of you have?

Mr. WILLIAMS. Less than a week.

Mr. PICERNE. Several days, Senator.

Mr. EHLE. Just about that.

Mr. HICKEY. The same.

Mr. BLISS. About the same time, Senator.

Senator ROUNDS. A few days anyway.

Was there a sense of panic when you were asked to come and testify?

Mr. WILLIAMS. Senator, no. I welcome the challenge. We need to do better as a provider, and we want to work with the Committee.

Senator ROUNDS. Mr. Williams, here is the reason why I ask. It would appear to me that either you knew that you had a problem to begin with and it had not been resolved or this came as a complete surprise to you. It would appear to me—that is part of the question here is were you had a problem and you just could not figure out a way to fix it. Or did this come as a surprise to any of you?

Mr. PICERNE. Senator, it came up as partly a surprise about 8 months ago, 9 months ago, and as we peeled it back and peeled it back and peeled it back, it became a bigger and bigger challenge. I am not panicked to be here today, although I will not say this is the happiest experience of my life. This is not where I ever wanted to be getting into this business. I felt like we were here committed to taking care of the servicemembers who defended our Nation. Again, the idea that we have let them down is deeply disturbing to me, and I am here to try to make sure—

Senator ROUNDS. Okay. Look, let me just ask this of all of you then. After you found out a couple of days ago that you were going to be in front of us, if there was one critical issue that you said I know we got to fix it, I know they are going to hit us on it. What is the issue that has got to be fixed that is in front of us today? Just very quickly, what was top of mind on got to be fixed now?

Mr. WILLIAMS. The interface with the resident.

Mr. PICERNE. I would agree. Interface with the command and the resident.

Mr. EHLE. Yes. Communications with our residents and our partners.

Mr. HICKEY. Yes. The sharing of communications so that everybody is informed and everyone is operating on the same information set.

Mr. BLISS. I think for me it was allowing a voice for the residents, a place to go. I think Senator Kaine hit on it. They do not feel like they have a place to go. We need to figure out a process that allows them where they feel they are aptly represented when issues come up.

Senator ROUNDS. The damage that has been done out there—how much of it has been because of construction that was of poor quality to begin with and you are managing products that have a poor quality in the construction itself from day one? Mr. Williams?

Mr. WILLIAMS. I think it is twofold. We have had an issue with some product that we bought to build some of the houses that have failed. It is a manufacturer's defect. But we also have an inventory. Our inventory ranges from the early 1800s to 2016. When we took on a lot of that legacy, those historical homes were quite the challenge. As we look at those historical homes, they become harder and harder and harder to pay for that type of work while continuing to balance to provide the services for the other residents.

Senator ROUNDS. Thank you. That should be noted.

Mr. Picerne?

Mr. PICERNE. I think the same holds true for our portfolio as well. Once we realized that you could not replace and build brand new all of the homes, then trying to find a way to balance maintenance and care on the existing program, as well as saving up the dollars to rebuild—we do not have a systemic construction problem. We have a systemic maintenance problem.

Senator ROUNDS. Mr. Ehle? I am running out of time, but if you could quickly.

Mr. EHLE. Senator, except for Keesler where I cannot speak to the MILCON [military construction] of those houses, we did find that we had to do some repair to the HVAC ductwork in those for the condensation. But elsewhere, if we are having problems, it is generally not in the newer homes. It is in the legacy homes that have yet to be replaced.

Senator ROUNDS. Thank you.

Mr. Hickey?

Mr. HICKEY. Yes, Senator, likewise. We have demolished 15,000 homes and we have built new 16,000 homes. We still have 25,000 that are legacy homes. They are the majority of the issues, almost all of the issues are contained within those set of homes.

Senator ROUNDS. Mr. Bliss?

Mr. BLISS. Similar, Senator. It is legacy homes, the age. Our homes also range from the 1800s to the 2010s.

Senator ROUNDS. Thank you.

Thank you, Mr. Chairman.

Senator TILLIS. Thank you, Senator Rounds.

For the record, the Committee reached out to the government relations counterparts and each of your organizations on January 28. The official notice of this hearing was on January 31.

Senator Warren?

Senator WARREN. Thank you, Mr. Chairman.

Since we do not have much time, I will just go straight to it. I sent letters to each of you last week to learn more about how you make your money and what recourse tenants and taxpayers have if you failed to uphold your side of the bargain. Your agreements were not transparent. They are not publicly available. But basically you make your money in two ways: management fees and distributions based on performance.

You all stressed in your written testimony that your management fee is partially based on resident satisfaction and quality of service. I want to unpack this.

Mr. Williams, I will use you for the example. Say there is mice and mold in all of your units and the tenants are unhappy. Do you still get paid a base fee?

Mr. WILLIAMS. Yes, Senator.

Senator WARREN. You are going to get paid that, and then how much more you get paid is going to be your performance fee. Right? The idea is the performance fee will be withheld if the place is filthy, if it is overrun with rats, and so on.

Mr. Williams, Balfour Beatty manages 43,000 homes across 55 military installations. Across that portfolio, how many times has this performance-based fee been completely withheld in the last 5 years?

Mr. WILLIAMS. Senator, I do not have that specific data, but I can tell you that we have had our incentive fees or a portion of our incentive fees withheld.

Senator WARREN. I know, but what I want to know is how often. This is why I sent the letters to ask about this. Have you ever had them withhold and just say you do not get your performance fee because the place is full of rats?

Mr. WILLIAMS. We have had our incentive fees withheld.

Senator WARREN. Completely withheld?

Mr. WILLIAMS. I do not have that—

Senator WARREN. You are not sure if they have ever been completely withheld.

Mr. WILLIAMS. At this point, no, but when we answer your letter, I will give you that.

Senator WARREN. Mr. Picerne?

Mr. PICERNE. Senator, our incentive fees have never been 100 percent withheld.

Senator WARREN. Okay, so never.

Mr. Ehle?

Mr. EHLE. Senator, there are multiple components to our incentive fees.

Senator WARREN. I am asking if they have ever been completely withheld.

Mr. EHLE. Not 100 percent.

Senator WARREN. Never. So you guys have still been getting incentive fees and all these stories going on.

Mr. Hickey, have yours ever been completely withheld?

Mr. HICKEY. Senator, they are calculated on a base-by-base basis, and we have been withheld on some of the bases, but never across——

Senator WARREN. Never. So that is just no. You have never had them completely withheld.

Mr. Bliss?

Mr. BLISS. Yes, Senator. They have been reduced, but they have never been completely——

Senator WARREN. That is not a yes. That is a no. Okay, you have never actually had any of them completely withheld.

The way these deals are structured, you are also guaranteed a return on your investment in the project every year. If operating expenses are high 1 year because a house needs a new roof or the place is full of mold, DOD authorizes you to raid the reserve fund for the project instead of cutting into your profits. Is that correct, Mr. Williams?

Mr. WILLIAMS. Senator, I do not believe that is how it works. We do not raid the operating expenses to pay for other things. After all the bills are paid, it goes into——

Senator WARREN. No. I said the reserve fund. That is the whole point. If 1 year you have to put up a bunch of roofs, you have a reserve fund and you use that, which is how it is that year after year after year after year, you manage to make a profit in this.

I look at your annual reports and what I see is that all in about 3 percent of the taxpayer-funded rent that you collect from servicemembers goes straight into your pocket even if the homes are disgusting and that usually that number is closer to 5 percent.

I just want to understand—I will try to do this as quickly as I can—what that adds up to in dollars, and I sent you a letter to ask you this. I am sure everyone has the number ready, and that is, what is your company's annual profits, including the base fee and the performance fees and any other fees you collect for your agreements with DOD on privatized housing? Mr. Williams?

Mr. WILLIAMS. Our net profits for our military housing business are around \$33 million.

Senator WARREN. A year.

Mr. WILLIAMS. A year pretax.

Senator WARREN. Mr. Picerne?

Mr. PICERNE. Our net profits are closer to \$12 million to \$14 million.

Senator WARREN. Twelve million dollars to fourteen million dollars.

Mr. Ehle?

Mr. EHLE. Senator, as a privately held company, Hunt does not disclose those, but I can take that back to my team and we can get you something afterwards.

Senator WARREN. Mr. Hickey?

Mr. HICKEY. Senator, the same. We will give you that information in response to your letter.

Senator WARREN. All right.

Mr. Bliss?

Mr. BLISS. Yes, Senator. As a privately held company——

Senator WARREN. All right. So thank you.

I apologize for running over, Mr. Chairman, but I think this is important. This is not right.

Senator TILLIS. Senator Rounds, briefly before we go to Senator McSally.

Senator ROUNDS. Mr. Chairman, I just make the point. Think about this if we actually issued notices out between the 28th of January and the 1st of February and you only had a couple of days, that means someplace within your organization somebody had that information. If it takes that long for that information to get to you from a congressional request, think about what that says about how tough it is for a young enlisted man or their family to get to you with a problem. I think that is part of the problem.

[Applause.]

Senator ROUNDS. Thank you, Mr. Chairman.

Senator TILLIS. Senator McSally?

Senator MCSALLY. Thank you, Mr. Chairman.

The stories we heard today and those that represent many other families that were not heard today and their similar horror stories of living on base in privatized housing by several of your companies are disgusting, as I have said earlier.

From my view, having been in the military, they do not just represent a one-off situation or a rare situation that just was not handled well by one employee, by one situation, whatever, one family, one house, one contractor, but systemic issues. I think back to when I was a commander. You have a culture in your team of how you are going to deliver and partner with our military. You are all talking about being partners. But you are in charge of the culture of that team, how they respond to our military families, how they respond to customer service, how they make sure the contractors that go out there are identifying whether something is a health hazard, how they notify the individuals, how they get them out of the house fast to make sure their kids are not sick. Like that is all like a whole chain of events that needs to happen in how you are executing these contracts and partnering with the DOD to serve our military men and women and their families. This is multiple layers of failure for these incidents that we heard today, multiple layers that to me comes down to like cultural issues, and there have been many failures here.

I hope all of you can look these servicemembers and their families in the eye and tell them that you are sorry, but then do the right thing, starting now. I hope you feel embarrassed. Starting now, do the right thing, the next right thing in order to take care of this.

Mr. Williams, when did you find out about the Drivers' situation?

Mr. WILLIAMS. Right after the Drivers moved out, I found out about the Drivers' situation, and then once the Reuters article came out, I really dug into what was going on there.

Senator MCSALLY. Now I understand. I do not expect you to know about every single situation of every single house. I get that. But the fact that the story was told like we heard today somehow did not rise up to the level of like we got a problem, and this is a situation of a family, but man, what else is going on in this organization?

Since this has been brought to your attention, what else have you done immediately in order to address the culture to hold people accountable? Who has been fired? Who has been held accountable? What else are you changing in your team in order to fix this?

Mr. WILLIAMS. Senator, we have gone back and looked at everything where it broke down, and as I stated earlier today, one of the challenges that we had was the failure of the plumbing system. As we do that audit, when I find out where the breakdown happened, there will be ramifications to everybody who failed to inform us about this situation.

Senator MCSALLY. Mr. Williams, I get that there was a failure of the plumbing system, but do you hear the story? They find mold. It is time to alert them there is mold. This is dangerous to your family. Let us get the family out. Let us get them into a safe circumstance. That is more than just a faulty pipe. It is what happens next.

So, can I ask, are you committed now that if any of you hear of anything that comes in any of your units or anyone on your team that is a hazard or is dangerous to any of these families, that they are going to immediately be notified and they are going to be put into safe housing, sustained, safe housing, until it is resolved? Can I get that commitment?

Mr. WILLIAMS. One hundred percent.

Mr. PICERNE. Absolutely, Senator.

Mr. EHLE. Life safety issues are our number one priority.

Mr. HICKEY. Absolutely.

Mr. BLISS. Absolutely, Senator.

Senator MCSALLY. All right. Thank you.

I yield back.

Senator TILLIS. Senator Hirono?

Senator HIRONO. Thank you, Mr. Chairman.

I think that a lot of the questions that I asked have probably already been asked. I apologize that I had to go to another hearing.

I would like to ask from you folks, because basically you are on the hot seat and you manage, among you, hundreds of thousands of units of military housing. Correct?

Do you all acknowledge that you can do more to make sure that the military housing you provide is safe, clean, and habitable?

Mr. WILLIAMS. Yes, Senator.

Mr. PICERNE. Yes, Senator.

Senator HIRONO. Let us go down the line.

Mr. EHLE. Yes.

Mr. HICKEY. Yes.

Mr. BLISS. Yes.

Senator HIRONO. That you want to be part of the solution. So that is good.

You have to have a reserve fund, right, to take care of things like fixing roofs and getting rid of persistent mold and all of that. Who determines how much is in that fund?

Mr. WILLIAMS. That fund is determined by the cash flow that flows through the project and down into the waterfall that then is deposited into a government-controlled fund. Then we and the services determine what the long-term plan is to spending that.

Senator HIRONO. Is it basically that you all decide how much should be in the reserve fund?

Mr. HICKEY. No, Senator. The reserve fund is the result of the net cash flow that comes out over a period. The revenue comes in, operating expense, then the debt service. Everything goes into the reserve fund and that accumulates. And then we put recommendations to the Military Service, and together we will work out where those funds get spent.

Senator HIRONO. How much of those reserve funds go for things like repair and maintenance?

Mr. EHLE. One hundred percent.

Senator HIRONO. Debt service is for repair and maintenance?

Mr. HICKEY. Debt service comes out before the reserve fund, Senator.

Senator HIRONO. Okay.

Mr. HICKEY. Debt service comes out, balance into the reserve fund. The reserve fund is used for repairs and maintenance and new construction and—

Senator HIRONO. What percentage of your reserve fund, once you do the debt service and all the other things that you have to do—how much is left for the reserve fund for the repair and maintenance of your units?

Mr. PICERNE. On most of our projects, it is somewhere between 16 and 18 percent.

Senator HIRONO. Do you think that is adequate?

Mr. PICERNE. I do not actually think it is adequate, and I think that is what has driven us partly to the place that we are in today. So as we try to create smaller expense accounts to try to be more efficient in how we serve the families and maintain the families, which is directly related to how much money would go into the reserve accounts—

Senator HIRONO. I think I am running out of time.

Mr. PICERNE. So let me just quickly.

Senator HIRONO. Yes.

Mr. PICERNE. On a daily basis, the families that we are dealing with who have issues in their homes—that would come out our operating expenses. The reserve accounts are to deal with the rebuilding, modernization, or revitalization of the homes.

Senator HIRONO. But including things like eliminating persistent rodent infestation, all of those things, that comes out of the reserve fund. There is no law that requires all of you to have a certain percentage in the reserve fund. Is that correct?

Mr. PICERNE. Correct.

Senator HIRONO. What do you think if we impose such a requirement? You would not like it.

Mr. EHLE. Senator, there is a minimum amount of deposit that needs to go into the reserve accounts before anything else can happen. So it is in our documents. It was agreed upon with our military partners at the outset.

Senator HIRONO. We may need to revisit the adequacy of the reserve fund in light of all of this testimony.

I do thank all of the people who have shone the light on this.

I was looking at—you know, part of the concern is, of course, the disclosure that goes to the homeowners. I am looking at one. This

is two pages, single-spaced, and it talks about pesticide impacted soil, and the residents have to sign this form. There is such a thing as forms that are easy to read, and I do not think this is an easy-to-read form. So I would ask that if all of you have—I assume you all have to have these disclosure forms that cover the various kinds of dangers and hazards that may be in the home. I would ask you to review these forms because if I were wanting to get into housing, I would probably just sign this form and not necessarily read it as carefully as one should. Simplifying your form is something that I think would make a big difference in terms of meeting any notice requirements.

I see I am out of time, so I do have a few other questions that I can submit for the record. Thank you.

Senator TILLIS. Thank you.

Senator Jones?

Senator JONES. Thank you, Mr. Chairman.

First of all, Mr. Ehle, you have got a couple of properties in Alabama at Redstone and Montgomery. Following up what Senator Rounds said, I am assuming for a moment that you cannot express surprise about any of this coming out today since 2 years ago, Lieutenant Governor of Alabama, now Governor of Alabama, Kay Ivey, sent a letter to the Secretary of the Air Force complaining about the complaints in the standard housing at Maxwell.

This past year, 2 years later, the same newspaper ran an article that was titled "Substandard Maxwell Gunner Base Housing has Military Families up in Arms." Now, I recognize from that article that there have been some improvements there, but obviously, there is still a long way to go. I am not going to ask you to take the time today to go into those.

What I would like for you to do is to commit to, within a couple weeks, getting me a full report on what you have done and where you are planning to go because 2 years is a long time. Some of those houses are older. I get that. But those families are suffering. So will you commit to do that for me?

Mr. EHLE. Yes, Senator.

Senator JONES. All right. Thank you.

I want to follow up just—you may want to explain this, you may not—for each of you, Ms. Cornwall—and I think it was backed up by our other two witnesses—said one of the things that could be done quickly to try to help alleviate this problem—and you have all identified and talked about communication, and I agree with that. But one of the things that she said that was backed up by everybody is withholding the housing allowance until things are corrected. Now, I recognize—I am a lawyer and so I understand that you cannot just do that on a complaint. But would you oppose the withholding of that allowance if a system is in place that would give you, one, adequate time to correct the problem, but also correct a problem that has been documented? Would you oppose that for each of these families that are having so much problems? If so, I would like to know why.

Mr. WILLIAMS. No, Senator.

Mr. PICERNE. No, Senator. I think there is a reasonable mechanism that will withhold dollars until things are fixed. I think that makes sense.

Mr. EHLE. No, Senator.

Mr. HICKEY. No, Senator, we would not. But I think it is also a part of trying to actually install an arbitration or a type of a regime that gives people a voice that can actually sit and adjudicate over these issues that most of the families have raised that they have not been able to do today.

Senator JONES. Good. We will come right back to that.

Mr. BLISS. No, Senator.

Senator JONES. All right. That is great.

Again, I am going to make another request. I would like each of the five of you to give us something of what you think that that would look like so that this Committee can consider it and talk to your military partners about implementing that.

Going back, Mr. Hickey, to what you just said, what would you see would be a good mechanism? I agree with you completely because if there is no ability to redress and you complain and complain and complain, there is just not much going to happen when money is involved. So let us find a way. What would you suggest would be a good way for these families to be able to seek some redress, whether it is arbitration, mediation, or whatever?

Mr. HICKEY. Thanks, Senator.

I think on a base-by-base, you need to establish a forum for the local people to be able to come and express their concerns and to work with us, plus the service partner, plus the community and the residents. I think what that structure looks like—we can work on that. I think we can use best case examples from other industries in other areas. But I think if we can create that environment, I think that goes a long way to actually giving people a—

Senator JONES. I do not disagree with you. Your concept would be to establish an overall framework, but let the individual base and their commanders work with the communities and others that are interested to come to some resolution agreement that can come forward. Something along those lines?

Mr. HICKEY. Yes. I think it is important to bring it back to a base level because I think if you introduce something too high up, it becomes cumbersome, et cetera. So I think there may be scales of—

Senator JONES. I do not disagree with that because, obviously, it has not gone too far up with each of your companies right now. So we got to figure that out.

Thank you all for the commitments, and I look forward to getting your responses in the very near future, in the next 2 or 3 weeks. Thank you very much.

Senator TILLIS. Gentlemen, thank you for coming and testifying today. For certain people that come before us, they have an obligation to respond to questions for the record. You do not have an obligation, but we would ask that if you receive questions from the Senate Members, that you try to respond to them promptly over the next 2 weeks. We thank you for being here.

I particularly look forward to solving these problems and seeking your feedback on the interface to government and other things that need to be made better so you can do your job better. But we have got to do a better job.

In the meantime, as I said before, I speak for every Senate Member when I say if you are living in military housing anywhere in

this country and you are not getting satisfaction from any of these vendors, call your Senate offices and we will be in touch.

You may now step down. Thank you very much again.

We are going to seat the next panel.

[Pause.]

Senator TILLIS. Thank you all for being here.

In the interest of making sure we can get to questions, I would ask you to try and keep your opening comments to about 4 minutes, submit written statements to the record. We will start with Secretary McMahon.

**STATEMENT OF HON. ROBERT H. McMAHON, ASSISTANT
SECRETARY OF DEFENSE FOR SUSTAINMENT**

Secretary McMAHON. Good afternoon, Mr. Chairman, Ranking Members, thank you for the opportunity to testify on this very important topic.

I would like to begin by thanking the family members that were here for bringing and having the courage to come forward and talk about what they did in a very difficult environment. We appreciate not only what do they do, but more importantly, what they do in support of their spouses.

What we heard from them reinforces what we already knew and that we collectively have to do significantly better.

For those of us that have lived in military housing before privatization—and I lived in nine different base homes during my 34-year military career—we know that privatization was the right decision and that the quality of privatized housing is significantly better than when DOD managed it.

However, for more than 80 percent of our current military population who did not experience the poor housing conditions of the past, this is all they know, and they expect us to get it right 100 percent of the time.

As you all know, 70 percent of our military members live off base. For the 30 percent that live on base, our goal is to offer them a safe, high quality, and affordable home where they want and choose to live. Although our current independently generated satisfaction rate with privatized housing runs approximately 85 percent—and those are 2017 numbers—we, as I said before, must and will do better.

I had the opportunity to meet with our partners, as well as my service counterparts, on the 1st of February and talk about the issues that we face. It became clear to me from that meeting that we need to focus in three areas, and it is much of what our family members said. We need to improve upon communication, we need to improve upon engagement, and we need to improve upon responsiveness. Both groups are fully in sync, and that is where we intend to go.

At the same time, we have to work to ensure the long-term viability of our privatized housing projects. Integral to that responsibility is ensuring the fiscal structure of our current projects assures us that these projects will be just as healthy in 15 to 25 years.

In closing, the Department of Defense and our industry partners are fully committed to the complementary goals of, first, ensuring that today's residents of privatized housing have a safe, high qual-

ity, and affordable home where they want to live and choose to live, and second, ensuring the long-term viability of our privatized housing projects so that our future residents 20 years from now have exactly the same thing.

I look forward to your questions

[The prepared statement of Mr. McMahon follows:]

PREPARED STATEMENT BY HON. ROBERT H. MCMAHON

INTRODUCTION

I want to thank you, Chairmen Sullivan and Tillis, Ranking Members Kaine and Gillibrand, and distinguished members of the Subcommittees. I'm honored to appear before you this afternoon in my new capacity as Assistant Secretary of Defense for Sustainment to discuss the Military Housing Privatization Initiative and the Department's commitment to supporting the housing needs of servicemembers. Having lived in on-base family housing nine times during my Active Duty career, I understand the importance of safe, quality housing to our military families.

In return for the sacrifices they make in service to our nation, servicemembers and their families expect a safe and secure place to live, good schools for their children, access to good medical care, and a viable relocation process that respects their household goods. You have my pledge that the Department of Defense is committed to fulfilling this sacred contract with servicemembers and their families, to include ensuring they have access to safe, high quality, and affordable housing where they will want and choose to live. I look forward to working with the Committee to support the priorities of the Department and the quality of life for our military members and family members who are called to sacrifice so much for public service.

MILITARY HOUSING PRIVATIZATION INITIATIVE OVERVIEW

Under the Military Housing Privatization Initiative (MHPI) legislation established in 1996, the Military Departments have privatized 99 percent (more than 200,000 units) of installation family housing in the U.S., with more than 80 MHPI projects currently in place across approximately 150 installations.

The Department is confident that housing privatization was the right thing to do. Privatization has dramatically improved the quality of on-base housing and has facilitated long-term investment necessary to maintain high quality housing. The MHPI allowed the Military Departments to leverage private sector expertise and funding to improve the quality of installation housing in the United States much faster than DOD could have done through traditional military construction and ongoing operation and maintenance funding. Before privatization, the housing on our U.S. installations had a \$20 billion maintenance backlog, which the Department of Defense (DOD) estimated would take more than 30 years to address using traditional military construction. The lack of sufficient Military Department funding to adequately maintain quality housing severely impacted servicemember quality of life, creating recruitment and retention challenges, thereby impacting readiness. These realizations contributed to DOD's conclusion that housing management, not a core DOD mission, needed to be addressed through privatization.

Under the MHPI, Military Departments conveyed their existing government housing units to competitively selected privatization entities (i.e., the MHPI projects). MHPI projects operate under long-term (~50-year) ground leases and associated legal agreements with a Military Department, with one 25-year option period. In return, the MHPI projects assumed responsibility for operation, maintenance, construction, and replacement of the housing during the lease term, in accordance with the MHPI authorities as defined in Title 10, United States Code.

At present, 99 percent of the construction and renovation planned for the 5 to 10-year initial development phase (IDP) of the individual MHPI projects has been completed, to include construction of more than 75,000 new units and major renovations of more than 50,000 units. This represents more than \$32 billion in total development achieved with less than \$4 billion in government funding as authorized under the MHPI authorities.

A crucial part of the housing privatization model is that servicemembers, except for a small number of key and essential personnel, are not required to live in privatized housing. Servicemembers who choose to live in MHPI housing receive BAH, sign a lease, and use their BAH to pay rent just like servicemembers who choose to rent housing in the local community. The fact that servicemember chose

where to live (on or off-base), incentivizes MHPI projects to maintain quality housing to attract and retain tenants.

Although the Military Departments retain certain rights under the project's legal documents MHPI partners are not DOD or Military Department contractors. The main role of the Military Department is to monitor the MHPI projects to ensure adherence to the terms of the project documents, as well as applicable legal and regulatory requirements. Additionally, the Military Departments monitor MHPI projects to ensure project financial performance can sustain quality housing over the life of the ground lease. To this end, the Military Departments monitor housing occupancy and resident satisfaction, as well as revenue, operating expenses, operating budgets, and the overall financial health of each MHPI project, to include the project's sustainment and recapitalization funding as compared to pro forma expectations and project needs. Depending on the particular structure of a given project, the Military Departments may also have approval authority for project budgets, certain major project expenditures, changes in property management companies, or other key project oversight decisions.

THE OFFICE OF THE SECRETARY OF DEFENSE OVERSIGHT ROLE

The Office of the Secretary of Defense (OSD) provides portfolio management of the MHPI program, meaning policy oversight, long-term program monitoring, and ensuring that the projects comply with the requirements of Office of Management Budget (OMB) Circulars A-11, A-129, and budget guidance. My office issues MHPI policy and program guidance, including guidance on MHPI project requirements for OSD and OMB review and approval, policy on financial restructuring involving federal credit or otherwise impacting budgetary scoring, and implementation guidance for legislative requirements such as section 606 of the John S. McCain National Defense Authority Act of Fiscal Year 2019 (Public Law 115-232) which requires payment to MHPI projects to make up for reductions in housing allowances as part of incorporation of an out-of-pocket component. My staff reviews and provides scoring documents and consultation necessary to obtain OMB approval of new MHPI projects or changes to project deal structures that could potentially impact project budget scoring or federal credit subsidies. These changes, that could revise government financial contributions or property conveyance or impact federal credit instruments, include restructures of government direct loans; changes to private loans covered by government loan guarantees; and sales of projects or project assets and use of sale proceeds.

A key aspect of OSD's oversight is long-term monitoring of the financial health of the individual projects and MHPI portfolio as a whole. This includes implementing new or improved procedures to provide enhanced housing privatization reports on an annual basis to the congressional defense committees, to include an assessment of project sustainment; establishing and monitoring performance metrics and key project data elements; and conducting periodic program reviews to identify project or program issues that necessitate increased monitoring, additional guidance or assistance from OSD or by the Military Departments, or potential resolution through some other change to the project such as a financial restructure.

Under my leadership, OSD is increasing its oversight to ensure the Military Departments fully and effectively exercise their responsibilities to ensure that privatized housing is managed in a manner protective of human health and the environment. This includes OSD establishing new reporting requirements and programmatic reviews regarding Military Department monitoring of potential hazards in privatized housing, such as reporting on the number of child falls from windows in MHPI (or military-operated) housing.

Additionally, OSD is increasing its participation in meetings with MHPI partners to focus on privatized housing management, housing conditions, and project financial health from a portfolio perspective. On February 1, 2019, I hosted a meeting with MHPI partner and Military Department executives to review their oversight of housing conditions and discuss how we can work together to better ensure local privatization project housing managers are responsive to tenant concerns, remedy identified health or safety hazards, inspect housing for hidden hazards in need of resolution, and keep residents informed regarding any safety risks and associated mitigation or abatement measures. As a result of this summit, the DOD participants and MHPI partners collectively agreed that a way forward in addressing resident concerns will focus in three key areas ... communication, engagement, and responsiveness.

The Department and our housing privatization partners are committed to working together to increase our collective communication with military families to better ensure they have a positive experience living in privatized housing. This includes in-

creasing our engagement with military families throughout their entire residency in privatized housing. For example, meeting with residents within 90-days after their lease signing to ensure they are satisfied with their home and overall housing experience, hosting more frequent townhall meetings, and providing other opportunities to solicit feedback besides annual resident satisfaction surveys.

Through increased engagement, we will better educate military families about their roles and responsibilities to help identify any issues with housing conditions, and the roles and responsibilities of the privatized partner and the installation housing teams. Our commitment to increase engagement also extends to Military and Veteran Support Organizations and advocacy groups such as the Military Family Advisory Network.

In all cases, we commit to work with our housing privatization partners to ensure any and all resident concerns are addressed in a highly responsive, timely and professional manner, with emphasis on expediting resolution of any concerns involving potential health or safety issues. We want our military families to know that we truly care about their experience living in privatized housing and that we want to collectively do better in delivering safe, high quality, affordable housing where our military members and their families will want and choose to live.

OVERALL HEALTH OF THE MHPI PROGRAM

The overall health of the MHPI program is measured in three distinct phases: Initial Development, Sustainment, and Recapitalization.

Initial Development Phase (IDP): This phase is typically planned for the initial 5 to 10-year period after project financial closing. With 99 percent of the initial development complete, more than 62 percent of the MHPI portfolio is either newly constructed or has received a major renovation with the remaining housing receiving some investment (e.g., new cabinets, paint, new flooring) to ensure the housing is in good condition. The MHPI program has leveraged private sector capital by a ratio of eight to one, achieving more than \$32 billion in development scope with just \$4 billion in government funding. While the majority of IDPs are complete, the resulting leveraging of private sector investment is far in excess of the original internal DOD requirement to achieve projects with a three to one leverage, and represents a highly successful and a very healthy foundational start to the program.

Sustainment Phase: This phase begins after the IDP, concentrating on operation of the asset and planned capital repair and replacement is the norm as the project pays down the initial financing and begins to save for the next major recapitalization development period which will likely occur around year 25 to year 30 of the project. While the MHPI program is in the early stages of this phase, the program remains very healthy with strong occupancy across the portfolio, positive resident satisfaction and, for the most part, strong cash flows to support the initial debt taken down by the projects.

The projects of the most concern at this point are those that were highly leveraged at the outset, most notably the projects with government direct loans (GDL) in addition to their private debt. This government financing is generally subordinate to the third-party financing and results in the greater risk that the project might lack sufficient cash flow to cover project debt in the event that project revenue is lower than expected. This can occur if housing occupancy or BAH rental income is lower than expected, for example, due to deployments, and/or if operating costs are higher than projected, for example, due to significantly increased utility rates. The focus of oversight in situations where the GDL is at risk is on restructuring or modifying the GDL to ensure, first and foremost, repayment of the principal and secondly to preserve as much of the original interest return anticipated at the outset of the loan.

Recapitalization Phase: Recapitalization of the assets at the appropriate time in the life cycle is a bellwether measure of the overall success of the MHPI program. At this time, it is too early to determine if a project is able to meet recapitalization objectives as there is significant time remaining in the Sustainment Phase. Further, there are other changes occurring or affecting each project that impact the funds available at the time Recapitalization Phase begins. That said, prudent management of the projects includes frequent forecasting of funds available in relation to anticipated costs of the recapitalization. In addition, the MHPI authorities and the existing project structures provide tools to address potential funding shortfalls. As such, we cautiously, but reasonably, assert that the program will remain healthy as we approach and proceed through this phase.

To ensure continued health and success, long-term government oversight of the program and individual MHPI projects is critical. The private sector brings exceptional experience and expertise to perform a non-core function for the Department

of Defense. However, we must recognize that the Government's interests are not always aligned with the private sector; oversight and engagement is required and expected in a public-private partnership over the long term to ensure success.

HEALTH AND SAFETY CONDITIONS IN PRIVATIZED HOUSING

Although privatization has dramatically improved the quality of on-base housing, there is room for improvement, including in those areas raised in recent media coverage. DOD, the Military Departments, and our privatization partners take seriously any concerns about unsafe or unhealthy conditions in privatized housing and are committed to addressing such concerns. The health and safety of our servicemembers and their families is a top priority of the DOD. With that said, in some cases, we lost focus on delivering a positive experience to our residents.

While MHPI resident satisfaction surveys by an independent third party (with occupancy rates that exceed 93 percent for all MHPI projects) suggest the recently raised issues are not indicative of a systemic problem across the MHPI portfolio, the Military Departments and MHPI project partners continue to work together to review housing conditions. They are working together to address health and safety hazards, and to evaluate policies and procedures to ensure that any health and safety issues are addressed in a manner protective of human health and the environment, in compliance with all applicable federal, state, and local laws and regulations, and applicable DOD and Military Department policies. In all cases, it is my expectation that the Military Departments and housing privatization partners keep residents informed about lead-based paint, mold, or other hazards, and associated mitigation or abatement measures. The Military Departments will continue to assess privatized housing tenant satisfaction through resident surveys obtained using an independent third party contractor and will incorporate the survey results into their reviews of partner performance.

MHPI project ground leases and associated legal documents address the requirement for projects to provide safe, quality housing and define required project compliance with Federal, state and local environmental and health standards. MHPI projects must comply with the same regulatory standards and inspection requirements as off-base rental housing and tenants of privatized housing have the same rights and protections as residents living off-base. While there are Federal regulations and standards related lead based paint, there are no Federal standards for mold. The Military Departments and their housing privatization partners consider all housing maintenance requests including those involving lead-based paint or mold as "urgent" and therefore requiring rapid response.

Each Military Department has procedures in place, supported by their respective housing offices, through which military tenants may seek assistance to resolve issues with their landlords, whether they live in private housing off-base or privatized housing on-base. Residents of privatized housing are encouraged to report any concerns to the housing property management office or the on-base, government housing office so that their concerns can be addressed in a timely manner. All resident complaints will be taken seriously and acted upon in a timely manner. Residents of privatized housing also have the option of filing an anonymous complaint with the Inspector General. In all cases, the installation commander is the resident advocate for any issue involving privatized or government-owned or leased housing and is always to act on behalf of the resident, without resident fear of reprisal.

Prospective tenants of any privatized (or government-owned or leased housing unit) built before 1978 are notified in writing of the health risks associated with damaged or deteriorating lead-based paint and what to do if any damage to paint occurs, consistent with EPA requirements. Before signing a lease and accepting residency, prospective tenants are: 1) provided with EPA-required information about the presence of lead-based paint, health risks associated with lead exposure, the steps they must follow to minimize those risks, the requirement to notify maintenance if any damage or deterioration to paint occurs while they are living in the home; and 2) required to review and sign a lead paint addendum that is consistent with EPA requirements. Because servicemembers are not required to live in MHPI housing, they can opt not to rent privatized housing, or a specific unit of privatized housing, for any reason. For example, a servicemember might decline to rent a privatized housing unit that was built prior to 1978 due to concerns regarding potential lead-based paint.

Unfortunately, we are seeing anecdotal information indicating that not all residents fully understand or appreciate the need for their vigilance that these standard documents seek to convey; but rather view them as one of a litany of forms they must sign in the chaos of a Permanent Change of Station (PCS) relocation. Accordingly, the Military Departments are exploring a variety of educational programs, in-

cluding 90-day post move-in visits and interviews to impress upon residents, in a time of more calm, the need to be watchful for and promptly notify management of any damaged or deteriorating lead-based paint.

The Government Accountability Office (GAO) has initiated a review of hazards in privatized housing. We welcome this review and stand ready to work with the MHPI partner companies to provide GAO with the data needed to make informed judgments on the management and benefits of this critical program.

CONCLUSION

The Department of Defense understands that family is important and honors the sacrifice that servicemembers and their families make to serve our nation. The Department recognizes we have a moral obligation to military families to provide safe and quality housing, and we take that obligation seriously. We are committed to the long-term success of the MHPI projects and MHPI program, and will continue our oversight of the MHPI portfolio to ensure delivery of quality housing for servicemembers and their families over the life of the projects. Bottom line, this includes a twin focus ... ensuring our residents have a positive experience living in privatized housing, and ensuring the long-term viability of the MHPI projects.

Thank you for the opportunity to testify on the Military Housing Privatization Initiative and for your continued support of Department of Defense's efforts to make sure that military families have safe, quality housing. Again, I look forward to working with you to support the priorities of the Department and the quality of life for our military members and family members who are called to sacrifice so much for public service.

Senator TILLIS. Thank you.
Secretary Beehler?

STATEMENT OF HON. ALEX A. BEEHLER, ASSISTANT SECRETARY OF THE ARMY FOR INSTALLATIONS, ENERGY, AND ENVIRONMENT

Secretary BEEHLER. Mr. Chairman, Ranking Members, and distinguished members of the joint Subcommittee on Personnel and Readiness and Management Support, thank you for this opportunity both to testify on the current state of the Army's Military Housing Privatization Initiative and to answer any questions you may have. I look forward to working with each of you to achieve our mutual goal of providing safe and secure housing on all of our Army installations, which directly impacts the readiness, welfare, and quality of life for our soldiers and families.

First, I want to address the concerns of our Army family members heard during the first panel. The Army and its leaders at every level down to each Army installation are taking your concerns seriously. All levels of command are actively working to address the problems you have highlighted. Their focus and mine is to ensure the safety and wellbeing of the soldiers and their families who choose to reside in privatized housing. We are all committed to providing a safe, secure living environment. The Army's number one priority continues to be readiness, and that very much begins with our families, including exceptional family members.

I would like to introduce for the record at this point a statement on behalf of the Secretary of the Army and the Chief of Staff of the Army. We are deeply troubled by the recent reports highlighting the difficult conditions in some of our family housing. It is unacceptable for our families who sacrifice so much to endure these hardships in their own homes. Our most sacred obligation as Army leaders is to take care of our people, our soldiers and family members. We are fully committed to provide a safe and secure environment on all of our installations. We have directed an Inspector

General investigation and have taken other actions. We will hold our chain of command and private contractors accountable to ensure they are meeting their obligations to provide safe, high-quality family housing. We are going to Fort Meade tomorrow with Army senior leaders to get to the bottom of the situation at Fort Meade.

With that, I welcome any and all of you to visit an installation with me to engage directly with the garrison team and visit family homes and servicemembers.

Thank you for the opportunity to come before you today and for your continued support of our soldiers, civilians, and families. Your oversight is always welcome in order to provide the best service to our soldiers and families. I look forward to your questions.

[The prepared statement of Mr. Beehler follows:]

PREPARED STATEMENT BY HONORABLE ALEX BEEHLER

INTRODUCTION

Chairmen, Ranking Members, and distinguished members of the joint subcommittee on Personnel and Readiness and Management Support, thank you for this opportunity to testify on the current state of the Army's Military Housing Privatization Initiative, and to answer any questions you may have. I want to begin by thanking the committees for their continued support and commitment to our soldiers, families, and civilians. I would also like to take this opportunity to welcome the new Members on these two subcommittees. Your continued leadership and guidance were instrumental in the successes we achieved last year. I look forward to working with you to achieve our mutual goal of improving the condition of the housing on all of our Army installations, which directly impacts the welfare and quality of life for our soldiers and families.

PROVIDING SAFE, QUALITY ARMY FAMILY HOUSING

First, I'd like to emphasize that the safety and well-being of our soldiers and their families is paramount. On all of our installations, the Army is committed to providing safe and secure family housing that meets or exceeds health and safety standards, which includes preventing exposure to environmental hazards.

With more than 102,200 homes (11,000 Army-owned, 87,000 privatized and 4,200 leased), the Army is the seventh largest provider of housing in the United States. The vast majority of our homes in the United States are owned and managed by private companies. Housing is an extension of how our installations contribute to soldier and family readiness, and regardless of who owns the homes, we are committed to providing safe, quality, affordable housing to our soldiers and their families on all of our installations, both CONUS and OCONUS.

We recognize that no matter how well we and our privatized partners are managing our housing assets, we can always improve. I appreciate hearing from the witnesses called in the previous two panels. Oversight and scrutiny of inventory management, along with customer satisfaction surveys, provide continuous feedback, which is essential to identifying issues or areas we can improve. Whether in Army-owned or privatized housing, preventative maintenance programs proactively identify areas of concern. The Army and our private partners endeavor to promptly respond and resolve all problems whenever they occur.

Although Army-owned and privatized homes are built and maintained to high standards, they are affected by weather, just like all other homes in the world. In areas of high humidity, after heavy rains, or when a hurricane or tornado strikes, additional maintenance and unanticipated repairs will inevitably be needed. The maintenance departments for our Army-owned and privatized homes strive to quickly address residents' problems through well-established policies and procedures, and to follow up to ensure that our residents are satisfied. Nonetheless, in some cases we and our partners have let residents down by failing to completely resolve problems in a timely fashion. We want to know when this happens and encourage residents to escalate concerns. By looking into each occurrence, we and our partners are able to learn from our mistakes and engage in process improvement.

ENVIRONMENTAL HAZARDS

I would like to take this opportunity to address some recent news reports on a small fraction of our Army-owned and privatized homes. We take these reports very seriously, and acknowledge that there is room for improvement. The Army's greatest asset is our people, and we are committed to ensuring that our soldiers and their families experience a high quality of life while they serve our nation.

After investigating these reports, we have determined three key facts regarding the number of children in Army housing had elevated blood lead levels: 1) children on Army installations were five times less likely to have elevated levels than the national average, 2) out of 83,517 Army children tested between 2010 to 2018, less than 1 percent (690) showed elevated levels, 3) more than 70 percent of soldiers and their families live off post in non-Army housing.

Furthermore, additional analysis that the Army conducted into specific cases noted in news reports regarding Fort Benning show that historic homes are not a likely source of elevated blood lead levels. Fort Benning determined that 19 of the 31 children who tested positive there lived off post and just four lived in historic homes on the base. Similarly, of the 3,400 children tested at Fort Riley since 2012, 11 had elevated levels, and seven of them lived off post. Fort Hood's medical center tested 11,181 children since 2011, and 12 of the 15 children with elevated results lived off post.

Nonetheless, out of an abundance of caution, the Army recently took immediate action to address soldier and family concerns pertaining to environmental hazards in homes. We began by identifying approximately 13,000 pre-1978 government-owned/leased/privatized homes with aged six or under because they are most at risk to environmental hazards. We tasked the U.S. Army Corps of Engineers (USACE) to conduct an Environmental Hazard Screening in Army-owned, leased, and privatized housing; consolidate and analyze findings; and prepare a report of results addressing concerns related to potential hazards. We conducted 1,360 visual inspections between September 2018 and December 2018, and identified over 833 (60.5 percent) homes with one or more positive visual indicators of lead-based paint, both inside and outside the home, requiring further investigation. We also reviewed the records of these same homes for evidence of Asbestos Containing Material (ACM). The records review and limited visual checks indicated that all existing asbestos was correctly encapsulated and in locations where daily activities would not disturb it.

In addition, the Installation Management Command (IMCOM) and the Army Public Health Center (APHC) implemented a plan to sample water at the tap in 20 percent of the Army-owned and leased homes annually. Since 2016, this potable water testing has been completed in 60 percent of these homes, with most issues corrected through routine maintenance measures such as the replacement of faucets, filters, or aerators. The Army will test the drinking water on the privatized homes following the IMCOM and APHC established regimen beginning the second quarter of fiscal year 2019, and, based on the test results, the private partners will replace fixtures as required per EPA lead-free standards.

We are also working with both Army garrison staff and private partners to ensure a more rigorous check is being implemented during preventive maintenance inspections of homes to verify proper ventilation is occurring, especially in bathrooms. If there are mold issues, the Army housing staff or the private partner will promptly respond. In response to resident concerns regarding communication between them, the housing manager, and the installation, the Army is also developing a standardized template for communications that can be shared among all installations.

Our approach to the Environmental Hazard Screening results has been comprehensive. We reinforced resident and leadership education to ensure communication is ongoing at every echelon, from HQDA and Senior Leader engagements, to garrison-level resident education. We believe these efforts will lead to proactive reporting of potential hazards that will greatly reduce risk from environmental hazards including lead-based paint.

Additionally, the USACE report provided several key recommendations: 1) increased staff for Director of Public Works (DPW) and the housing offices and seek resources to support as needed; establish programs for monitoring environmental hazards in housing to include continual inspections, 2) reporting and oversight, and replacement of all non-lead free plumbing fixtures; 3) increase training and develop communication plans for garrison commanders, DPWs, Army asset management staff and residents; 4) follow up with all residents to reinforce the importance of previously provided educational materials, with an emphasis on possible environmental hazards; 5) codify and emphasize change of occupancy protocols to include using certified risk assessors to inspect the homes.

We believe these recommendations are valuable and are creating an implementation plan that, pending Army Senior Leader approval, will address them.

MHPI OVERSIGHT

Where the Army has privatized the management of our housing inventory by transferring ownership of the assets to a partner, we continue to retain an essential oversight role to ensure that the partner meets its obligations.

Day-to-day oversight of both Army-owned and privatized housing is performed by the installation garrison commander and his or her housing support team. Our garrison commanders play an important role in the day-to-day execution of housing operations at their installations. By working daily with the installation housing offices, their own maintenance staffs, and on-base private housing management representatives, they ensure residents' housing concerns are addressed in the most expeditious and appropriate manner. Residents play an equally important role by bringing issues to the attention of the Army or privatized-property managers. Additionally, garrison commanders regularly hold town hall meetings or forums at every Army installation to engage with local residents. When we have identified instances where customer service expectations were not met, we have worked with our partners to correct the situation and continue to do so as issues arise.

An additional aspect of the Army MHPI program is its development and construction oversight. Typically, a private partner develops a development and construction plan in conjunction with the garrison commander and installation support team (DPW, Safety, and Army housing staff), and then the Army approves proposed plans, including the budget. The installation support team oversees the development and construction activities, along with a third-party Independent Construction Consultation (ICC) contractor. The ICC contractor inspects any development and construction work to ensure compliance with building codes, and before a home is occupied, it is certified for occupancy.

We have found that as the MHPI program matured, we identified the need to improve our training program for garrison commanders, Army leaders, and soldiers.

In addition, we and our partners will improve communications with residents. For instance, when news outlets reported that some work orders were not being processed in a timely manner, we examined the records related to each. While we found a number of these claims to be inaccurate, there were instances where our partners could have done better. We will direct our garrisons to make a regular review of local work order records to identify opportunities for continuous improvement.

It is also essential to note that our military and civilian tenants have the exact same protection available to anyone living on the local rental market under the Fair Housing Act, without having to face any fear of reprisal. Dissatisfied residents have several avenues for recourse, including a process for escalating their concerns to the private project company, the Government Housing Office, or both in some cases. In fact, we strongly encourage residents to take advantage of this process, as their satisfaction is the goal of the Army and our private partners. Residents always have the option to "vote with their feet" and live off post, as two-thirds of Army families currently do.

Our goal for housing occupancy rates is 95 percent. Our overall occupancy rate from fiscal year 2016 to fiscal year 2018 increased from 91.3 percent to 93.3 percent, and as of 30 November 2018 was at 94.9 percent. While we find this encouraging and tangentially indicative of satisfaction, satisfaction surveys themselves range from only 77 percent-86 percent of residents satisfied. Our stretch goal is 90 percent. Clearly, there is room for improvement.

Our partners have sufficient incentive to make these improvements. Military Housing Privatization Initiative (MHPI) ground leases are typically for 50-year periods and their main streams of revenue (from Soldiers' Basic Allowance for Housing and rent from civilians living on post) are not guaranteed. A rigorous funds-allocation waterfall process dictates how the net operating income is allocated. This includes annual operation expenses (maintenance, capital repair and replacement expenses), as well as long-term reinvestment in properties. Our partners' main objective, which coincides with the Army's expectations, is to ensure that MHPI projects continue to be sustainable, that housing remains attractive to our soldiers and their families, and that housing remains competitive with the local, off-post housing market, where soldiers always have the option of renting. It is also important to note that when there are inadequate funds in the reinvestment account to execute long-term projects—such as renovations, demolition or replacements—the private partners do not retain the revenue as profit. Instead, the long-term project sustainment is postponed until the necessary projects can be executed. Furthermore, the performance of the private partners dictates their incentive fees. These incentive fees are

based on metrics developed jointly between the Army and the individual partners, and are in no way guaranteed.

CONCLUSION

Our mission is to provide high quality homes and living experiences for those who choose to live on our installations, whether the housing is Army-owned or privatized. We remain committed to providing safe and secure housing for our soldiers and their families.

The Army and its private partners have well-established procedures in place to monitor and manage environmental hazards in all homes and are continuing to develop and implement enhanced move-in protocols, maintenance procedures, and oversight responsibilities.

The Army and its private partners will continue to inform and educate soldiers and families about concerns and health impacts of environmental hazards, resources available to tenants, and all available methods to report potential risks.

We believe these efforts will lead to proactive reporting of potential environmental hazards and greatly reduce the risk to our soldiers, families, and civilians.

We have not achieved the level of resident satisfaction that we strive for. There is clearly room for improvement. We believe that increased education for garrison and senior commanders along with initiatives to improve communications with residents will close gaps that exist.

Thank you for the opportunity to present this testimony and for your continued support of our soldiers, families, and civilians.

Senator TILLIS. Secretary Bayer?

STATEMENT OF HON. PHYLLIS L. BAYER, ASSISTANT SECRETARY OF THE NAVY FOR ENERGY, INSTALLATIONS, AND ENVIRONMENT

Secretary BAYER. Good afternoon. Senator Reed, Senators, thank you for the opportunity to have this dialogue. It is a very important topic.

I want to start out first by—I want to—on behalf of Secretary Spencer for the Navy and Marine Corps families and particularly for the ladies here today, I want to apologize for the horrible experiences that you have experienced in your families and in your homes. We are responsible, and we are going to fix it.

With that, Secretary Spencer and I are fully dedicated and committed to ensuring that all marines, sailors, and their families live in safe, secure housing that meet or exceed health and safety standards. We are committed to families first.

Seventy-five percent of our servicemembers live in off-base housing, and 25 percent of our servicemembers are in on-base privatized housing. Across the department, we have 62,700 privatized homes.

Since Congress passed the Military Housing Privatization Initiative, the Navy and Marine Corps have leveraged this private sector investment to obtain the equivalent of \$9.8 billion of improved housing, with only \$1.5 billion of Navy or taxpayer investment.

Prior to privatization, government-owned family housing resident satisfaction scores ranged from average to good. I know you have heard a lot about this, and I am not throwing this up for an excuse. By no means. But today our resident satisfaction scores range from very good to outstanding overall, and it is better than what it was when the government had our housing where we just did not have the discipline to compete with other funding priorities to have quality housing.

As we all know from our own housing, maintenance issues are a constant effort, and we must strive to do better.

In 2001 and 2011, the Department of Navy learned many lessons from a mold incident with our privatized homes in Norfolk, Virginia. Based on that experience, the Navy incorporated better management practices to address the environmental hazards in our privatized housing. From that experience with our Navy CNIC [Commander, Navy Installations Command], we developed a standard operating manual. A copy was sent to each of you. I will only point this out because this SOP was developed for environmental hazards in privatized housing. It is particularly focused on environmental hazards such as asbestos, carbon monoxide, lead-based paint, radon, security, mold, water infiltration, and pest infestation. The SOP provides enhanced oversight of privatized houses through prescribed actions and notifications through the chain of command to ensure our servicemembers' needs are addressed.

The SOP also increases the visibility of property management response times pertaining to health and safety issues, and it helps the Navy hold our partners accountable in their delivery of services to sailors, marines, and their families.

At each installation, the Navy and the Marine Corps maintain an installation housing office that monitors our partners' performance. Any significant or systemic concerns are elevated in accordance with our SOP.

It is evident that there are cases where we and our housing partners did not meet our expectations. We will hold our partners and ourselves accountable. It is clear that our SOP has not always been followed because the procedures here are written with the intent to address these needs. You have my commitment and that of Secretary Spencer that we are looking into this problem.

Thank you.

[The prepared statement of Ms. Bayer follows:]

PREPARED STATEMENT BY THE HONORABLE PHYLLIS L. BAYER

Chairman Tillis, Chairman Sullivan, Ranking Member Gillibrand, Ranking Member Kaine, and distinguished members of the Committees, it is an honor to sit before you today with my fellow Service leaders to testify on the Department of the Navy's (DON)'s oversight of its privatized housing portfolio.

The DON is committed to ensuring that all marines, sailors, and their families live in safe and secure housing that meet or exceed health and safety standards. This commitment stands firm whether our families live in community rentals, government-owned, or privatized houses, or government furnished or leased housing overseas.

Thank you for the opportunity this forum provides for me to voice my commitment to learning where and how we can do better. The DON works very hard to address any complaints of environmental hazard through multiple actions and oversight, however, house maintenance is a constant effort and we continually strive to improve our response. The Navy learned many lessons in 2011–2012 from a mold issue in Norfolk, Virginia, which we incorporated into better management practices for all environmental hazard responses. That experience shaped how we manage and respond to health and safety concerns in DON privatized housing today. It is evident there are cases where our housing Partners failed to meet the standards and we must hold them and ourselves accountable. I am committed to continuing to strengthen our oversight of our Partners to ensure rapid remediation of any reported or discovered environmental hazards. Our privatized housing is ongoing and effective—evidenced by our 82 percent resident satisfaction and 94.3 percent occupancy rate, however there is always room for improvement.

The Military Housing Privatization Initiative (MHPI) legislation passed by Congress in 1996 empowered the Military Departments to leverage private sector expertise and investment to more quickly improve our military family housing inventory. The DON successfully leveraged private sector investment to obtain the military

equivalent of \$9.8 billion of improved housing with a DON investment of approximately \$1.5 billion. This infusion of private sector resources improved the quality of our privatized housing and increased resident satisfaction across the portfolio. The DON has 62,713 privatized houses across the United States, and all are currently financially stable.

PRIVATIZED HOUSING OVERSIGHT

Our Partners are required to immediately notify the DON Installation Housing Office of any resident concern involving asbestos, carbon monoxide, lead based paint, radon, security, mold/water infiltration and pest infestation. These issues are documented by our Partners and addressed in accordance with hazardous material management plans, emergency/urgent/or routine maintenance service calls, depending on the severity and situation, and established action plans, including applicable laws and regulations. When issues arise, our Partners perform preliminary investigations to collect relevant and detailed information about the concerns or incidents, and record all health and safety issues in a commercial real estate property management database. Our Partners and government housing staff track all maintenance actions and perform follow-up inspections to ensure resident satisfaction. For mold, water intrusion, pest, drinking water and hazardous material responses, Partners mitigate issues and monitor for recurrence. The DON has full access to the database and, if there is a health and safety concern identified, DON personnel engage in accordance with our Health & Safety Standard Operating Procedures (SOP). The SOP, developed from lessons learned from the Norfolk incident is intended to ensure Navy is aware of potential health and safety risks to residents in privatized housing and they advocate for our servicemembers and families. The SOP also increases visibility of property management responses pertaining to the health and safety of residents living in privatized housing.

Our Partners routinely monitor houses for Lead Based Paint (LBP), in accordance with all laws, including state laws which vary and may be most strict in locations with old or historic homes. Prior to signing a lease agreement, our Partners provide tenants with a LBP Disclosure Form, and educational materials. At change of occupancy, and/or in response to resident requests, as well as any other requirements for more frequent inspections, our Partners have trained personnel who examine lead-positive components to confirm that all lead-containing components are intact and managed.

The DON implements robust tools and processes to perform oversight of our privatized housing. We have Business Agreements with each of our Partners across 14 projects that allow us direct access to data to analyze trends, identify systemic issues, and resolve conflicts. At each installation, the DON maintains an Installation Housing Office that performs oversight of the partner's property management performance. Our DON Housing directors and staff monitor monthly the partner's property management performance. Any significant or systemic concerns are elevated to the Navy/Marine Corps Region Housing Staff and/or the NAVFAC Business Agreement Managers (BAMs) to engage with the Partners and resolve issues.

INSTALLATION HOUSING OFFICES

Every Navy and Marine Corps installation has a Housing Office that is responsible for providing advice and advocacy for servicemembers and families. If a resident believes our Partner is not responsive to their needs or concerns, they can report the issue to the Installation Housing Office. If a resident is dissatisfied with our Partner's response, the resident may contact a Navy or Marine Corps representative at the Installation Housing Office and speak with a military liaison trained in Landlord-Tenant relations. DON government housing counselors receive issue resolution training from the Navy Housing Learning Center to facilitate resolution of landlord—tenant disputes in community rentals as well as privatized housing. Military members may also report issues to their chain of command or installation Commanding Officer. DON Installation Commanding Officers and Senior Enlisted Advisors receive training on privatized housing during their pre-command course. In the Navy, a Partner representative usually assists in the training and provides the property manager's perspective to installation leadership. In the Marine Corps, the Installation Leadership Management Program provides training in privatized housing to new Installation Commanders and Sergeants Major.

In accordance with the established Business Agreements, all Partners conduct Resident Satisfaction Surveys (RSS) using a private sector third party company to measure performance against private sector best practice benchmarks. The satisfaction survey is also structured to seek best practices to continually improve customer satisfaction. As previously mentioned, over the past 5 years, the DON's resident sat-

isfaction scores for privatized housing have averaged 82.2 percent and the occupancy rate is 94.3 percent. Prior to privatization, government-owned family housing RSS scores ranged from Average to Good. Today, our resident satisfaction scores range from Very Good to Outstanding across the program.

CONDITION OF MHPI HOUSING

The DON team (NAVFAC BAM and Navy/Marine Corps Region and Installation housing staff) performs annual condition assessments of privatized housing. These assessments review curb appeal, resident compliance, ancillary amenities, common areas, and private partner compliance with environmental regulations. The assessment also identifies noticeable and identified health and safety issues. Pre-work for condition assessments includes review of maintenance logs for residences with multiple service calls for health- and safety-related issues. These are targeted for resident interviews, which allow the Navy team access to the homes as part of the assessment. Our Partners are required to supply documentation that they are in full compliance with all environmental regulations/requirements.

The condition of the DON portfolio is at levels comparable to or better than surrounding community housing properties near our installations. The DON selected privatized housing Partners based on qualifications and likelihood for success due in no small part to their experience managing, maintaining and recapitalizing their commercial residential portfolios. Overall, the privatized housing initiative is financially healthy, having recovered from the housing market crash of 2007–2009.

INCENTIVE STRUCTURES

The DON uses an incentive structure within the Business Agreements to motivate the Partners to deliver quality performance in their property management and service. Should a project not perform to the agreed upon levels of performance (i.e., service call response time, work order completion rates, and resident satisfaction scores), it can negatively impact the incentive fees. Moreover, should private sector management companies fail to perform, the DON has the authority to issue Cure Notices to elevate concerns to bond holders financing the projects; potentially affecting a Partner's credit rating. Our goal is to resolve issues before a project goes into extremis, however, our agreements allow us to take this level of action.

CONCLUSION

In closing, I want to reemphasize that we take the health and safety of our servicemembers and their families very seriously and believe the incidents highlighted in the recent media represent opportunities for us to improve. Thank you for your unwavering support of our sailors, marines and their families, and I look forward to your questions.

Senator TILLIS. Secretary Henderson?

STATEMENT OF HON. JOHN W. HENDERSON, ASSISTANT SECRETARY OF THE AIR FORCE FOR INSTALLATIONS, ENVIRONMENT, AND ENERGY

Secretary HENDERSON. Mr. Chairman, Ranking Members, Ranking Member Reed, Ranking Member Kaine, and distinguished Members of the Committee, it is an honor to represent our airmen and our Air Force civilian and our senior Air Force leaders at this hearing today.

My full written statement is submitted for the record where we articulate some of the background about the Air Force privatized housing initiatives, some of the challenges we are currently having, and what specifically we are doing about it.

The safety and health of our airmen is our highest priority, and we share their frustration with the housing challenges that they are experiencing at some of our bases. These challenges distract our airmen from their mission. This is unacceptable and we all must do better.

Now, my assessment—and that is an assessment based on spending 18 years during my Active Duty career in some of the very

housing run by the folks behind me and my assessment based on my time in this position. What ultimately determines whether a military family has a positive or negative experience in military housing has everything to do with the on-site leadership managing the housing at each location.

Generally speaking, where the Air Force has had problems with poor construction quality, which has led to a lot of the mold problems, mismanagement of maintenance requirements, or unresponsive customer service, ultimately the root cause can be linked to a breakdown in communications and a breakdown in oversight and leadership at the site where it matters the most.

Now, challenges with facility degradation can be expected and are unavoidable in property management, but there is no excusing any instance where these issues go unaddressed or are allowed to persist to a point where they are impacting the quality of life of airmen and their families. Whether it is the construction companies who build our homes, the project owners who operate and maintain them, or the on-site management teams who serve our airmen. If their highest priority is not aligned with our highest priority, there is no room on the Air Force team for them.

To this end, the Air Force will continue to exercise proactive leadership and own these challenges by holding our private sector partners and our on-site leadership accountable for meeting our quality of life, health, and safety requirements for our airmen and their families.

Please accept our sincere gratitude for your demonstrated support for the Air Force and the opportunity to testify today. I look forward to your questions.

[The prepared statement of Mr. Henderson follows:]

PREPARED STATEMENT BY HONORABLE JOHN HENDERSON

INTRODUCTION

The United States Air Force endeavors to build, operate, and maintain installations which serve as power projection platforms in support of multi-domain joint warfighting operations, the foundation for generating combat power, and safe and healthy communities for our airmen and their families. The health and safety of our airmen, their families, and the communities in which we serve is our priority, and the quality of life of our airmen is key to meeting our recruiting and retention goals. A significant component to the quality of life of our airmen is access to adequate housing. We share the concerns of our airmen as well as the concerns of this Committee when we are confronted with instances where our housing objectives have not been met. When there are challenges, Air Force leadership owns it. We intervene with the project owners, advocate for our residents, and support installation commanders in our mission to take care of our airmen and their families.

Currently, the Air Force provides 74,500 family housing units worldwide for use by our airmen and their families. In 1997, the Air Force began a journey to privatize its stateside housing inventory in an effort to improve the quality of housing for the servicemembers and families living on our Air Force bases. We sought to leverage private sector funding and expertise to provide quality housing for our members while shedding a non-core warfighting function. In the first 16 years, the Air Force completed 32 projects that privatized housing at 63 installations with a total end state of 53,237 homes. Of these, 18,028 existing adequate homes were conveyed at closing, and \$619 million in Air Force scored costs were used to obtain \$8.3 billion in total development through private partnerships to renovate 12,595 homes and construct an additional 22,219 homes. Of the 32 projects, 28 are now complete (42,786 homes) and four are still in development (10,451 homes). Twenty-two years into this journey, we're focused on overseeing the long-term project health and sustainment of these projects with a focus on providing a quality housing experience for our servicemembers.

Today, the privatization of our military housing has been generally successful in providing quality communities that our airmen choose to live in. As evidence of this, our 2017 customer satisfaction survey, conducted by a third-party agency, returned a rating of “Very Good” (81.8 percent) with military occupancy rates of 90 percent across the Air Force. As can be expected with any housing portfolio of this size and scope, we certainly have some challenges at a few of our installations as well as opportunities to improve. Recently-published articles critical of military privatized housing have highlighted these known challenges that we were already actively working to resolve with the project owners, residents, and installation commanders.

To this end, the Air Force has a comprehensive portfolio management process. Specifically, the Air Force has housing offices at each of our installations that serve as advocates for our families. They engage daily with the project owners’ staffs and residents, visit housing units, and assess compliance with transactional documents for privatized housing. Additionally, the Air Force established a centralized organization within the Air Force Civil Engineering Center (AFCEC/CI) to work directly with our installations and privatized project owners to address both individual project and broader portfolio concerns. When local housing offices are unable to resolve residents’ housing issues, they can elevate those issues through their chain of command or directly to AFCEC/CI. Finally, AFCEC/CI works directly with project owners and with the Deputy Assistant Secretary for the Air Force for Installations (SAF/IEI) as necessary to resolve resident’s concerns with privatized housing.

Through these Air Force resources, we conduct oversight of the 32 projects across our 63 installations. We focus on proactive interventions in an effort to identify and prevent problems before they happen. For instance, AFCEC/CI conducts quarterly project reviews that include meetings with installation leadership, project owners, and the housing offices to address project performance. Where warranted, AFCEC/CI will establish corrective action plans to bring performance back into alignment with transactional documents. AFCEC/CI also conducts annual site visits to each installation, visiting a sample of the housing units and assessing compliance with project requirements. AFCEC/CI and SAF/IEI conduct regular Program Management Reviews to address a wide range of issues across the entire portfolio of privatized projects and work closely together on an almost daily basis with installations to resolve resident concerns. Finally, AFCEC/CI, SAF/IEI, and the project owners meet twice a year to share best practices, discuss lessons learned, and conduct one-to-one feedback sessions with the partners. Through this process, the Air Force works diligently with installations, residents, the chain of command, and project owners to resolve all concerns to ensure that our servicemembers have a positive family housing experience and that any challenges they have are resolved quickly and fairly.

CURRENT FOCUS AREAS FOR ADDRESSING PRIVATIZED HOUSING CHALLENGES IN THE AIR FORCE

Tyndall Air Force Base Rebuild

On October 10, 2018, Category 4 Hurricane Michael made landfall near Tyndall Air Force Base, Florida. With sustained winds of 155 miles per hour, Hurricane Michael remains the strongest hurricane on record to hit the Florida Panhandle. Tyndall Air Force Base sustained catastrophic damage from the eyewall of the hurricane. The storm resulted in the largest loss in the Air Force Privatized Housing Program history: all 867 Tyndall Air Force Base homes were damaged, from roof and siding damage to complete losses. Immediately following the hurricane, the project owner initiated response efforts to preserve salvageable structures, clear debris from the neighborhoods, and create safe access for residents to recover their belongings. Additionally, they immediately stopped collecting Basic Allowance Housing payments (Oct 11, 2018), began the process of cancelling tenant leases, and engaged with their insurer to begin casualty insurance damage assessments and invoke business interruption insurance to ensure the solvency of the larger project. The Air Force is currently working to provide housing to support Tyndall Air Force Base’s enduring missions and to assure financial stability to the Air Education Training Command Group 1 Housing Privatization Project that includes Tyndall, Sheppard, Altus, and Luke Air Force Bases. The Air Force is working with the project owner and its private lender to develop a viable course of action to meet these objectives and is fully engaged with the Project Owner, the Office of the Secretary of Defense, and the Office of Management and Budget to map the execution of this project to meet recovery goals. The severity of the damage is still so great that the Air Force, and project owner and its lender need to pursue a formal restructuring of the project, which requires Office of the Secretary of Defense and Office of Management and Budget approval, in order to continue meeting the Air Force’s long-term housing

requirements for our airmen at all four installations and assure financial stability within this project.

Lead-Based Paint

The Air Force conveyed 13,426 homes built before 1978 to the privatization projects. Those homes may still contain some form of lead paint or leaded materials. The status of the lead-based paint program at each installation and each project is evaluated annually. Additionally, the Air Force visits a random selection of these homes during the annual visit. While we have identified some documentation issues, the project owners are complying with statutory requirements in the management of lead-based paint in these homes. In areas where we have found elevated levels of lead in homes, like at F.E. Warren Air Force Base where we had a family that resided in privatized housing and whose child had elevated blood levels, the project owners have proactively stepped up to assess the full scope of the problem and are working with residents to ensure their homes are safe.

Mold

Mold is always a challenge in perennial high-humidity climates. Environmental mold spores grow readily when the right moisture conditions are present. Even the best facility designs cannot eliminate the risk. Residents living in areas susceptible to mold growth are provided a mold addendum to their tenant leases, which recommends specific measures they can take to prevent mold growth. Facility design, construction and maintenance are also key to controlling mold. We have identified three installations where facility design, construction, or materials are a key contributor to mold growth in 1,667 homes: Tinker Air Force Base, OK, Keesler Air Force Base, MS, and MacDill Air Force Base, FL. Seventy-six percent of these 1,667 homes were conveyed to these housing privatization projects from the government's inventory.

At Tinker Air Force Base, 398 homes constructed from 2009 to 2012 by the project owner, Balfour Beatty Communities, experienced mold issues. These homes were built using cross-linked polyethylene water lines which were later found to have systemic manufacturing defects. The water lines developed pinhole leaks in the wall system, providing the moisture for mold growth. In May 2018, the Air Force approved \$6.1 million in project funds to replace the water lines and relocate families to fully furnished homes (at no cost) while whole-house water line replacements are being conducted; the estimated completion date is May 2019. In June 2018, Balfour Beatty Communities also discovered that roughly 200 newly constructed homes were experiencing moisture problems in mechanical rooms resulting in mold growth. In consultation and with direction from the Air Force, Balfour Beatty Communities remediated the mold. Furthermore, they hired to a third-party engineering firm to assess the mechanical room heating, ventilation, and air conditioning systems to determine the causes of moisture issues and recommend further corrective actions. The estimated completion date is May 2019.

At Keesler Air Force Base, the Air Force conveyed 1,028 homes built by Hunt Companies in 2010 to Forest City Military Communities in 2011. Poor workmanship in both the air conditioning systems and the building envelope resulted in condensation. Forest City treated mold as it occurred while seeking remedies from Hunt Construction.

In 2015, Hunt Military Communities purchased the project from Forest City. The Air Force insisted on a Mold Remediation Settlement as a condition of sale. The settlement required Hunt Companies to correct the construction defects within the scope of the original construction contract, representing a \$6.4 million exposure to Hunt Companies. The Air Force worked with Hunt Companies on a multi-phased Moisture Remediation Plan with an estimated completion date of June 2020. Hunt Communities has completed the Test Pilot Phase, Immediate Response Phase, and the first of three stages of the Sustainment Phase. All 1,028 units have received some work. Stage Two of the Sustainment Phase is 33 percent complete and involves 255 units. Once complete, the project owner will conduct an assessment, and will correct any residual facility moisture issues in the final stage. AFCEC/CI continues to monitor the project owner's compliance with the action plan, including eradication of the mold and correction of the root cause.

At MacDill Air Force Base, 241 units previously built for the Air Force were conveyed to Clark/Harbor Bay. Due to breaches or lack of a vapor barrier, systemic moisture issues were present in these units. The project owner treated the mold while designing projects and plans to correct the underlying cause. In 2017, 94 units were reclad at a cost of \$3.7 million. In 2018, interstitial spaces and stucco repairs were executed, dehumidifiers were added to homes where the air conditioning units

were not controlling moisture adequately on their own, and 19 homes were treated for mold growth. This year, an additional 68 units will be reclad.

At all three installations, the Project Owners have taken steps to correct the underlying causes. The corrections have not been as quick as we would like, and there have been instances where the project owner's response has lacked the urgency we would expect. Air Force leadership has engaged with the project owners, retained Performance Incentive Fees, and implemented corrective action plans to address project owner underperformance and inadequate oversight.

CONCLUSION

The Air Force privatization effort enabled the Air Force to modernize its housing, shed a non-core warfighting management function, and support our members with a significantly higher quality of housing by leveraging private sector funding and expertise. The Air Force takes our responsibility to provide safe and healthy living conditions to our airmen and their families very seriously. When we identify challenges, we have a consistent history of proactively resolving these issues with the project owners. While we remain focused on addressing sites with facility issues and projects that are struggling financially, these represent a small percentage of the housing inventory. The underlying causes have been identified and corrective actions are underway. As we move forward, our focus is on oversight, sustainment, and the long-term success of the privatized housing portfolio in order to provide safe and healthy housing for our airmen. We view this as an essential activity to support ready and resilient Air Force installations, which serve as power projection platforms for our nation.

Senator TILLIS. I am going to defer to Senator Reed. He has another commitment. He will go ahead of me.

Senator REED. Thank you very much, Mr. Chairman.

Thank you, Secretaries, ladies and gentlemen.

Since you are literally the partners of the private housing companies, I want to ask you the same questions I asked them, and I think a yes or no answer is appropriate, beginning with Secretary McMahon.

Do you affirm today that you will do everything in your power to immediately address the issues raised today by military families here and also by those who have testified and submitted material to the Committee? Mr. Secretary?

Secretary McMAHON. Yes, Senator, I will.

Secretary Beehler?

Secretary BEEHLER. Yes, Senator.

Senator REED. Secretary Bayer?

Secretary BAYER. Absolutely, Senator.

Secretary HENDERSON. Absolutely, Senator.

Senator REED. As the Chairman stresses, communication with Congress in any form is a protected communication of the whistleblower statutes. Do you affirm today that you will do everything in your power to protect the military families who have appeared here today, as well as those who submitted testimony and information to the Committee, the Inspector General, and the chain of command from reprisal? Just as a caveat, I was a little distressed when the implication is that the chain of command was not as responsive, in fact, indeed, retaliated against some of these complaints. Secretary McMahon?

Secretary McMAHON. Yes, Senator, I will.

Senator REED. Secretary Beehler?

Secretary BEEHLER. Yes, Senator. I find retaliation totally unacceptable and will do everything in my power to make sure it never happens.

Senator TILLIS. Secretary Bayer?

Secretary BAYER. Absolutely, Senator.

Senator TILLIS. Secretary Henderson?

Secretary HENDERSON. Absolutely, Senator. I would follow on that the Secretary of the Air Force and Chief of Staff have initiated an IG investigation to look exactly into those mechanisms that allow our families to raise these concerns in an environment that is free for communication and allows the chain of command to act.

Senator REED. Well, thank you very much.

I think one of the things that we have to do is provide incentives and appropriate disincentives. It strikes me, listening to the testimony and the questions of my colleagues, particularly the very, very thoughtful testimony of the family members, that what we need is, in some respects, a military housing ombudsman on every post that is empowered. We have them but they are not empowered. That they would be the ones as a representative of the families, not the company or the chain of command, that would certify that the housing is quality housing, not just adequate, but quality housing, and from that certification might flow the retention of the housing allowance, some financial indication that would be appropriate.

Secretary McMahon, let me just ask you. Is that something that you could work on or will work on?

Secretary McMAHON. Senator, we have to find a different way to both incentivize and disincentivize. I would have to have a lawyer in the room to figure out what we can do with the legal documents and what is within the art of the possible. But we have to find solutions to get to a better position than where we are today.

Senator REED. I understand, but part of this I think is sitting down with the companies and, if necessary, renegotiating aspects of the contract so that we can protect the families. That is something I think should be done.

Secretary McMAHON. Yes, sir. I agree with that, and we have already begun that process. I meet again with them next month to continue this journey to figure out how we can collectively provide a better level of service to our residents.

Senator REED. Just a final comment. It is surprising to me and I think my colleagues on the Committee that—particularly let me commend Senator Tillis and his colleagues on the Personnel Subcommittee. They spend a lot of time with DOD personnel, service personnel asking questions about what is going on, how can we help the service men and women and their families. This issue seems to have caught us by surprise, which suggests that we have to go back and look at—you know, you are doing surveys. I reviewed the surveys showing 85 percent approval. The companies are doing surveys showing 85 percent. But then an independent party does a survey and it is 55. I think we have to go and step back, among our many missions we have, and not be caught by surprise again.

I am pleased by the testimony in some respects of the companies admitting that they were themselves somewhat taken aback when they discovered that these issues were so flagrant and so serious. Again, all of you, I would hope you would take that back and do it.

Secretary McMAHON. Yes, sir.

Senator REED. Thank you.

Thank you, Mr. Chairman, for your kindness.

Senator TILLIS. Certainly, Senator Reed.

I am going to defer my questions till the end and give Senator Rounds an opportunity to go.

Senator ROUNDS. Thank you, Mr. Chairman.

Let me just begin by just saying, I appreciate the service that you have all provided to our country. But I also want to point out something here. I think we have an obligation to call you on the carpet when it does not appear that you are getting your job done.

Secretary McMahan, I just want to understand. You pointed out that you have an 85 percent positive rating, and I want to allow you a few minutes of my time to clarify. That means 15 percent of all the folks who are out there are telling you that they were not satisfied. What is an acceptable number? What did you do when you found out that you had 15 percent of these young men and women that were in these housing locations, that they had a problem, enough to where they would report up the line? Can you clarify for us that that was not necessarily something that you were bragging about?

Secretary MCMAHON. Yes, sir, I would. Senator, to your question, the acceptable number is 100 percent. Although we may fail at times of being able to support the resident, the question then becomes how responsive and how do we respond to the failures that we have. The clear answer today, as you have heard and as we have seen, is that we have not responded collectively well enough as we have.

Senator ROUNDS. So we got a lot of work to do. You would say that in terms of your role and responsibility on this, we have got a commitment that this is one that you are going to be working your way from the top down to find a better way to do it.

Secretary MCMAHON. Sir, let me be clear. I am the accountable person in the Department of Defense for ensuring that we provide quality homes to our residents that elect to live on base, and ultimately it is my responsibility working with my partners here and our privatization partners. So, yes, I am committed to that.

Senator ROUNDS. Thank you, sir. I suspect that this Subcommittee may very well be visiting with you again in the future on it.

Colonel Henderson, as I know you, but Secretary Henderson, you have over a period of years proven to me that you are a person that is very capable of coming up with solutions and working with people. I have a two-part question for you, and I have got about a minute and 53 seconds left.

First, could you please discuss with the Members of this Committee what recourse the Air Force currently has at its disposal to hold accountable under-performing privatized housing owners that are on your bases?

Secondly, what tools or mechanisms could this Committee help provide you with to better hold them accountable in the future?

Secretary HENDERSON. Thank you, Senator.

First, we have a myriad of tools that I will not talk about now where we measure performance, and there is a number of those. But when we see those performance indicators start to lag, which

we have with a few of our companies, we have these options inside the transactional documents to retain incentive pays. How much incentive pay we have the discretion kind of varies from partnership to partnership. But we have that option and our Air Force team would tell you in a lot of cases we have never paid the full incentive pay, but we always end up having to pay partial.

When things get really bad, as they have at Tinker Air Force Base, we have had to stop. We have had to get with the project owner and put them on a very deliberate corrective action plan, which is part of the transactional documents. That is what we can do inside of the programs.

We do have the ability to go out with State and local authorities for violations for the EPA [Environmental Protection Agency], for building codes, and for landlord-tenant laws. For some reason or another, it sounds like at some of our bases that is mixed up, but we do have those authorities.

Additionally, in places where we have found suspected fraud or malfeasance, we have initiated Office of Special Investigation (OSI) investigations, and we are working with the FBI [Federal Bureau of Investigation] on some of those currently.

Senator ROUNDS. I am going to ask if you could respond for the record with the remaining portions of answers to my question.

But I want to know one more thing. If we could put together a bill of rights, a tenants bill of rights, do you believe that the Air Force—I know you cannot speak for all of the others, but do you believe the Air Force could participate and work through the issue of creating a bill of rights that the private contractors will use if we do a good job of putting something like that together?

Secretary HENDERSON. Absolutely, sir. Inside the bill of rights—we talked about this thing of accountability earlier—there are some important things in there. For instance, the resident should have the choice of whether they pay their rent or not if they feel like their landlord has not given them a healthy and safe place to live. That makes the landlord responsive financially to the resident.

Additionally, I think there should be rebates for untimely repairs, for power outages, and those things that they have to do for self-help. Some of our project owners already do things like that. I would like to see that franchised a bit because that is where we are seeing our positive satisfaction ratings.

Finally, it would be nice if we could look at something where we had a little bit more discretion over the entire incentive fee so when we were not getting the response out of our project owners that we expected, we had a little bit bigger hammer inside the partnerships to influence that behavior.

Senator ROUNDS. Thank you. Thank you all once again for your service. I appreciate that.

Mr. Chairman, thank you for allowing me to move forward.

Senator TILLIS. Senator Kaine?

Senator KAINE. Thanks to all of you. You have heard the same testimony that I have heard. Secretary McMahon, you used three very good words in your opening comment: “communication,” “engagement,” “responsiveness.” Those are things that are needed. Clearly the frustration of family members not feeling like they have a place to go, they are getting turned away here, turned away

there. They do not have an avenue where they can approach to get an answer is really, really important. So those are good words.

I want to say, Secretary Beehler, you used great words. You used “accountability” and “apology.”

Accountability, Secretary McMahan, you said you are the accountable person, but I think what we are going to want to see as we work on the NDAA over the course of the next couple months, where is the accountability for poor performers, where is the mechanism that is a fair mechanism in connection with contracts that exist already and cannot just be torn up. What can we put in that creates accountability for poor performers? Is it a withholding? Is it access to bases by local building officials with the ability sanction poor performers? There has got to be accountability. The communication mechanism is really, really important because it is so frustrating to not get an answer, but there have to be accountability mechanisms.

Secretary Bayer, you used the “apology” word, and I highly, highly commend you for that because these folks are owed an apology. Frankly, they are owed an apology more by panel 3 than by panel 2. We ought to hold panel 2 accountable for living up to their contract, but these folks did not volunteer to be a Lendlease tenant or a Lincoln tenant. They volunteered to be a member of the military. They volunteered with their spouses to be soldiers and military families, troops and military families. To the extent that there is an apology owed, it is more from you all. It is more from the command structure that has let them down by not having the accountability mechanisms so they can live.

I asked the panel of the business folks just that simple question. Have any of you ever served? Have any of you ever lived in military housing for the obvious reason? There is no shame in not serving. I did not serve in the military. But if you have not lived the life that these people live, you guys understand the life, but they do not necessarily understand the life. These military spouses—first, they are in a joint project to patriotically serve this country. Second, they deploy and move around and change locations repeatedly in ways that are extremely stressful. Third, they are dealing with the military deployments of their spouses and family members in the longest war in the history of this country, multiple deployments again and again and again, and worried about the physical safety of their loved ones.

Then on top, military spouses have an unemployment rate that is three to five times the national average because it is very difficult to find jobs as a military spouse either because of the absence of high-quality child care or an employer that looks at you and thinks, well, boy, you are really qualified but you are going to move in the next year and a half, so I am not going to hire you.

There is a particular set of challenges that these families deal with that you understand. I am not sure that the private housing providers even after all these years fully understand that. For most of them, it is a division of a big housing enterprise where they are dealing with all kinds of tenants who are not military spouses, not military families to deal with these issues.

So this is incumbent upon you to get right in the accountability mechanisms that you set up, and to the extent that we have fallen

short, hey, there may be things that we need to apologize for. To the extent that problems are the most persistent in legacy housing, you know, if we did not build it right or maintain it along the way and then it is causing problems, then that is something that we need to fix from a budgetary standpoint.

But they are owed an apology and I am glad that you made one, Secretary Bayer.

The last thing I would love to ask Secretary Beehler. I know about the GAO investigation. Tell me about the IG investigation you mentioned.

Secretary BEEHLER. Yes, Senator, a couple things.

First, when we were made aware of the situation at Fort Benning last—my office—I was not in the office, but last August, my office immediately launched an investigation by the Army Corps of Engineers. That report took 10 percent of all—

Senator KAINE. Because I am way over time. Just the IG investigation you mentioned. Tell us about that.

Secretary BEEHLER. Yes. The IG investigation is being called by the Chief of Staff of the Army to do spot, swoop-down, splash type of inspections on designated installations that obviously we are not going to reveal in advance in order not to compromise. When we have those results, I would be happy to share them with the Committee and engage in further discussion.

Senator KAINE. That would be enormously helpful.

Thank you, Mr. Chair.

Senator TILLIS. Senator Sullivan?

Senator SULLIVAN. Thank you, Mr. Chairman.

I appreciate some of the initial testimony, Secretary Beehler, with your statement from the Secretary of the Army and the Chief of Staff.

Secretary Bayer, I think it takes—it is not always easy to apologize, but I think that is warranted here.

Secretary McMahon, I appreciate your written testimony on the moral obligation that we have, that you, the Pentagon has, as you mentioned as a military member. I did not like the statement in your testimony about, well, they are not required to live on base. That is kind of a non sequitur in my view. I mean the whole point of this hearing is that if they are going to live on base, it should be appropriate, outstanding housing. I think you might want to relook at that one because that is not the point in my view at least.

Secretary McMAHON. Senator, may I respond?

Senator SULLIVAN. Yes, you may.

Secretary McMAHON. Senator, the intent of that is to say what we want to do is create on-base housing where our residents, our military members and families, want and desire to live. That is a matter of motivating our private sector partners to build something so that it becomes the first choice. If I implied something other than that, I apologize. Our goal is to make it so good that they want and desire to live there and that is where they choose to live.

Senator SULLIVAN. No. I think that is a good goal. Maybe I read it differently, but I just kind of read it differently. Anyway, the point is if we are providing housing on base, it should be outstanding and it should not be, well, you can always go off base. I

do not think anyone believes that. That is how I read yours and maybe I will take a look at it and reassess it.

I want to go to this issue that the first panelist, Ms. Cornwall, raised. I think she called it an unholy alliance or a marriage that exists between the housing kind of entities and maybe even the senior chain of command and the private companies. I think she was making a good point where it seemed like they seem to be very closely aligned, almost opposed to the interests of the servicemembers, which is the whole damn point of good housing. It is for the men and women in the military and their families.

Can any of you address that? I think she is raising a good point. How do we address that?

Let me just throw out another question because, again, I do not have a lot of time here. But the chain of command failures. It does seem like something happened or something has happened, not in every case, but where the chain of command, the unholy marriage, as she mentioned, seems to create a situation where the people we are all dedicated and supposed to serve, including this housing situation, gets forgotten or thought about last. I would like you to comment on that. I know you were all here for her testimony, but it seems to me it was powerful.

Secretary McMAHON. Senator, if I could comment on your second question first, and that is this concept of leadership. Whether it is on the private partner side or whether it is on the military side, it is clear to, I think, all of us that there has been breakdown in leadership. We have senior NCOs [non-commissioned officers] who ought to represent the needs of their soldiers, sailors, airmen, and marines. We have first sergeants. We have commanders at all levels whose job it is to take care of the individual and take care of the family. We recruit the individual. We retain the family. If we are not doing that on the military side, we are failing.

If, on the other side, that first line of defense is the manager on the local base, if they are not sensitive to those requirements, we failed there.

This is a failure of leadership on both sides that we need to address and figure out how we change the way we attack this.

Senator SULLIVAN. How about this unholy marriage or alliance that she was referencing?

Secretary McMAHON. Sir, as you know from your private sector time, it is about partnerships. I will tell you that it is absolutely essential that we are partners, that we understand what each brings to the table. These homes, as you know, are not government homes. They are private homes. We have to acknowledge that and the legal elements associated with that. At the same time, we have to partner with them in a way that provides, at the end of the day, the best quality home that we can to our residents.

Senator SULLIVAN. Thank you, Mr. Chairman.

Senator TILLIS. Senator Warren?

Senator WARREN. Thank you, Mr. Chairman.

Ultimately, each of you are here representing the services, and you are responsible for making sure that these private partners are providing safe housing, responding to maintenance on time, generally satisfying the terms of their agreements. In practice, these

private housing providers are virtually guaranteed to make a profit. They get a base fee plus costs. Your big tool is the incentive fee.

Now, DOD told the Committee that the incentive fees were paid out about 95 percent of the time, and you heard the testimony from the companies themselves. Not a single one said they were ever denied all of their incentive fees, at the same time that we are receiving testimony about appalling conditions.

I just want to understand what has gone wrong here, how it is that these guys can get 95 percent of their incentive fees, plus their base fee, plus their expenses at the same time that we are hearing this kind of testimony.

Let me ask my first one. Secretary McMahan, tenant surveys are your main tool to determine whether private partners are meeting their obligations, but those surveys evidently did not alert you to the mice, the mold, and the lead poisoning. Do you agree that surveys are not giving you a complete picture of what is going on?

Secretary McMAHON. Yes, Senator, I agree with that, and just so you know, what we see in returns on an annual basis is somewhere between 35 and 50 percent from our residents. So we are only getting a partial picture.

Senator WARREN. All right. Do you independently verify what you are getting on surveys through inspections?

Secretary McMAHON. Senator, the data that I just gave you is from a third party independent. So it is not—

Senator WARREN. No, no. I am asking whether or not you do any inspections or contract with someone to do independent inspections. Do you only do the surveys?

Secretary McMAHON. That is correct, ma'am, at the Department of Defense level. We defer the rest of that to the services who actually own the—

Senator WARREN. Is anybody doing anything beyond the surveys? Secretary Beehler?

Secretary BEEHLER. Senator, we have conducted annual ground lease surveys of the condition of the outside of the houses. As I started to refer, we launched an Army Corps of Engineers investigation where we surveyed 10 percent of all properties.

Senator WARREN. Let me just stop then. You have a housing portfolio that is more than 200,000 units. Are you telling me you surveyed 20,000 units last year?

Secretary BEEHLER. Senator, we focused on—no. We did investigations inspections of the houses that had—they were pre-1978 that had lead—

Senator WARREN. I appreciate it. Listen, I am sorry, but I am short on time here, and I know we are trying to stay within a time limit.

I am just trying to ask, out of 200,000 housing units, how many inspections did the services do last year?

Secretary BEEHLER. For the Army we have roughly 100,000. We have done inspections both inside and outside all of the houses, to the best of my understanding.

Senator WARREN. So you are telling me you did 100 percent inspections last year?

Secretary BEEHLER. During the course of a year, yes.

Senator WARREN. In the course of a year, you inspect 100 percent of the housing, and you did not find any of this?

Secretary BEEHLER. What we found we took and made repairs and instigated work orders.

Senator WARREN. Okay. So you inspected but you did not see the rats? I just do not understand what that means.

Secretary BEEHLER. I will take for the record and go back and provide what our inspections found that were not acceptable and what actions were taken to address it.

[The information follows:]

Secretary BEEHLER. During the USCAE 10 percent Environmental Hazards inspections, there were 60 percent positive visual findings. These findings included nicked/scratched wood on doors, door frames, and banisters, cracks/scratches in window frames, peeling paint on porches/carports/exterior doors. The RCI Project Companies took immediate action to test to verify if the paint was lead-based, followed standard maintenance procedures nor non-lead-based paint, or remediated. HQ IMCOM is tracking all findings and remediation efforts to ensure all findings are repaired/remediated. Over the last two months, the Army has inspected all homes and barracks. All findings are placed in the RCI Project Company work order system or in the DPW work order system and monitored until completion by Army leadership.

OACSIM conducted project compliance and partnering visit, development and special purpose reviews on approximately 71 homes. These visits verified work that was completed, identified discrepancies in bid processes, and way-ahead discussion on the next phase of development.

USACE conducted 15 annual lease compliance reviews. During the compliance reviews, environmental management plans, lessee response plans, and natural resource management plans were outdated or not signed by the garrison commander; support leases needed renewal; pesticide usage reports not being provided to the Army monthly; and maintenance concerns of storm water retention structures.

Senator WARREN. How many State and local housing inspectors were invited onto base last year?

Secretary BEEHLER. Senator, I will have to take that for the record and provide.

[The information follows:]

Secretary BEEHLER. The Army is not aware of any State or local housing inspectors being invited onto base last year.

Senator WARREN. You know, I will quit because I understand where we are on this.

But this just is not right. These contracts are bad enough as they are. A guaranteed profit—virtually guaranteed in return for which they are supposed to provide decent housing, and the one tool you have got is to say there has got to be some performance evaluation here. And to give away 95 percent of the performance-based money at the same time that we are hearing from the people who live in this housing that it is rat-infested, that it is dirty, that things leak, that is just not right. You are not using the tools that Congress gave to you on behalf of our servicemembers. Until this gets fixed, we got a real problem.

[Applause.]

Senator TILLIS. Senator Blumenthal?

Senator WARREN. Thank you. Sorry, Mr. Chairman.

Senator BLUMENTHAL. Thank you, Mr. Chairman.

I am going to begin where Senator Warren ended because when I first learned about this absolutely outrageous scandal, in effect, hiding in plain sight, my first question was when did you know

about it. Maybe you can tell me, Secretary McMahon, when you first knew about this problem.

Secretary McMAHON. Senator, as you know, I was reconfirmed for the position that I am in and took over this responsibility effective 1 November. Part of the conversation as I prepared for this was to find out that there were issues. As such, as early as middle January, I scheduled to meet with my partners here, as well as the privatization partners, to look into the details.

Senator BLUMENTHAL. Did your predecessor know about it?

Secretary McMAHON. Sir, I do not know the answer to that question.

Senator BLUMENTHAL. When you were briefed about it, I assume the folks who briefed you had known about it for some time.

Secretary McMAHON. Sir, I cannot put words in their mouth. I do not know the answer to that question.

Senator BLUMENTHAL. Well, I would like to ask you for the record to provide us with information about what was known, who knew it and when.

Secretary McMAHON. Yes, Senator. I will take that for the record.

[The information follows:]

Secretary McMAHON. My predecessor first learned of the issues regarding lead and mold in December 2017 when Ms. Crystal Cornwall from the Safe Military Housing Initiative provided information to OSD. This information was forward to the Military Departments for resolution. The Reuters articles, the first of which was published in November 2018, identified resident issues warranting immediate attention, with more extensive and wide-ranging resident concerns subsequently surfacing.

Senator BLUMENTHAL. I would like to know also what accounts for the disparity between the Department of Defense 85 percent satisfaction survey versus the Military Family Advisory Network survey which shows 50 percent satisfaction.

Secretary McMAHON. Senator, I will take that for the record as well and provide——

[The information follows:]

Secretary McMAHON. The survey performed by the Military Departments and the survey conducted by the Military Family Advisory Network (MFAN) utilize vastly different methodologies and their results cannot be meaningfully compared. The Military Departments' surveys have been conducted since the early years of the MHPI program by a nationally-recognized independent firm using industry best practices to ensure the statistical validity of the responses. The surveys included strict controls to ensure that responses were only sent to MHPI households and to avoid duplicate responses. While the 85 percent average satisfaction rate statistic is based on resident responses to whether or not they would recommend privatized housing, the survey also contains multiple questions about many other aspects of the privatized housing to help the Military Departments gain a better understanding of resident experiences. In comparison, the MFAN survey was an online questionnaire administered via a freely-available web link. At this time, it is unclear what survey controls were put into place to ensure that each response was unique and to verify that the respondents are currently residing in privatized military housing or lived in private military housing within the last 3 years. While the two survey results cannot be compared with the appropriate statistical rigor, the MFAN survey raised important issues that the Department must address. We appreciate the MFAN's efforts to bring these issues to our attention and are committed to working with all stakeholders to ensure that military families have safe, quality housing.

Senator BLUMENTHAL. Well, what would be your response right now?

Secretary MCMAHON. Senator, I cannot comment on the study or the survey that was done by the family group. I do not know how widespread it was or whether or not everyone was offered the opportunity. I do know that on the annual survey, it sounds like there is a much larger population that is surveyed.

Senator BLUMENTHAL. Would you support the proposal that has been advanced by the military families—I certainly support it—that the basic allowance for housing payments should be cut until housing conditions, acceptable standards are met?

Secretary MCMAHON. Sir, working with the lawyers, something along those lines I think would be prudent to ensure that we incentivize our partners to respond rapidly.

Senator BLUMENTHAL. I am going to take that as a yes because I think that more than an apology needs to be provided. I accept that you are new and all of you may have come into these positions after the problems arose, but now more than apologies, I would like to see accountability imposed on those providers of housing, the landlords, the renters because if we were in the private sector and I were still attorney general of the State of Connecticut, I would be saying let us sue the—and there would probably an expletive. Let us sue them. Right?

[Applause.]

Senator BLUMENTHAL. That option for the families is costly, burdensome, and frankly risky. But for the Department of Defense to take their side and be their advocate and champion it seems to me is basic accountability. Would you agree?

Secretary MCMAHON. Senator, I would agree that there is additional accountability on both our private partner side as well as on the military side.

Senator BLUMENTHAL. Let me just ask you one more question. If those families were to withhold housing payments from their private landlords, I assume there would be no retaliation by the Department of Defense.

Secretary MCMAHON. What I would tell you, Senator, is there should be absolutely no reason for retaliation whatsoever on any of these issues as our job is to take care of our military members and their families.

Senator BLUMENTHAL. It is a matter of military readiness. Would you agree?

Secretary MCMAHON. Yes, sir.

Senator BLUMENTHAL. Because no one is going to want to put their families through this kind of hardship.

Secretary MCMAHON. Senator, as I mentioned earlier, we recruit the individual. We retain the family. It is absolutely essential that we take care of both.

Senator BLUMENTHAL. Thank you.

Thanks, Mr. Chairman.

Senator TILLIS. Thank you.

I actually deferred to the end. My colleague, Senator Rounds, probably thought I was doing it because I was nice, but this way I can talk longer and I am not holding anybody else up.

[Laughter.]

Senator TILLIS. Except for the ranking member.

Now, I want to be very brief because, as I said to the first panel, this is the beginning. This is more or less the tip of the iceberg. There is a lot of work that has to be done here. I think it was Senator Reed who said that he remembers the military housing back when leisure suits were popular. About that time.

Senator REED. Yes.

Senator TILLIS. It was a horrible situation. That is when DOD was doing it.

Quite honestly, I do believe that the public-private partnership is a way to be able to have a better chance and a more consistent, reasonably priced property. I think most of us agree with that. If not, those who testified or otherwise, please provide the feedback. But there are a lot of structural things that we need to do differently.

Secretary McMahon, as the convener in all of DOD with the lines of service, I have heard Secretary Bayer talk about the standard operating procedure for the Navy.

Now, I know the lines of service come in here and they will often-times say that they have to do things differently because of their mission set. I cannot imagine that there is a different best practice for Air Force housing than there is for Marine housing or Army housing.

One thing I would like for you all to start doing very quickly is figure out who is doing things right or better and start building best practices and not have variations, which I think exist.

I think we also need to go back to the 82 or so contracts that are out there and determine to what extent they need to be modernized that is a fair and equitable treatment for the DOD, for the private sector, but mainly for the tenants, the people who are renting these houses.

Finally, I was trying to figure out—I think, Secretary Bayer, when you were talking about the standard operating procedure and you were listing off some of the hazards, is there like a trip mechanism now to where if somebody called up and called whoever their private housing provider is and said I see black mold, I see mushrooms growing in my second story bathroom, I see these things that I have a reason to believe that I have lead paint exposure—is there any tripping mechanism right now that just absolutely escalates that to make sure that they are being handled within the Navy?

Secretary BAYER. Yes, Senator. The processes and the procedures are in the SOP.

Senator TILLIS. Are they being followed?

Secretary BAYER. Exactly.

Senator TILLIS. If they are not being followed, what is the recourse for the people not following them?

Secretary BAYER. It is a leadership issue. When I look at the SOP and—we have these maintenance calls. There are emergency maintenance calls, urgent maintenance calls, or routine maintenance calls.

Senator TILLIS. Well, I would argue that that is one thing, without getting into the SOPs of the other lines of service. Secretary McMahon, I believe there is a right and wrong way to do that. The

escalation procedures and the repercussions for when the escalation does not occur need to be very clearly spelled out.

Secretary BAYER. The point is there, Senator, is we just need to hold leaders accountable that we are following our procedures.

Senator TILLIS. Well, that is right.

That actually gets to the last thing that I wanted to talk about, and it has to do with retaliation. Nothing irks me more than abuse of authority. I consider retaliation from somebody in a position of authority is the worst kind of leadership you can possibly exhibit. As the chair of the Personnel Subcommittee and someone who gets consulted with on future promotions, I can assure you if there is even a whiff of retaliation among leaders that come before my committee, they better find a different line of work.

This is a very important issue that needs to be solved quickly. I hope that you all will convene and come back and give us suggestions particularly with respect to any additional authorities or revisions that we need to make in advance of the National Defense Authorization Act. If there are things that you need, we need to know that fairly quickly.

I also want to see evidence pretty quickly that you are engaging the two dozen or so private housing providers in each of your lanes and solving this problem and coming back with very different results in the near future.

I also want to—on behalf of the chair, he appreciates all of you coming in today and he wants to assure you that he is clearly—on the one hand, this is a joint committee between my Personnel Subcommittee and Senator Sullivan's Readiness Subcommittee. The chair and the ranking member thought enough of this that they want to elevate this to the full committee level. At the same time, both the chair and the ranking member have encouraged both me and Senator Sullivan and our respective ranking members to go through our own process, probably hold other hearings so that we are moving this along.

So you can expect in my capacity as the Personnel Subcommittee chair that you will be getting an invitation to come back, and we will be wanting some specific answers to questions. You can also expect questions for the record from many of us, particularly those of us on the subcommittees, other members. We would expect or would appreciate a prompt response because we want to produce a result.

Again, in the meantime, anybody out there, all the networks, all the interest groups that are watching this, please make sure they know that the Senators are here to do the casework.

Actually there is one other thing and then I will stop.

By the way, I yielded back 1 and half minutes from my first line of questions.

[Laughter.]

Senator TILLIS. So I am only 30 seconds over so far.

Is there anything that would prohibit any of you all from sending a letter to current military housing tenants saying we are concerned about this? You may have a work in progress. We want to know about it. Is there anything within the contracts that would prevent you from doing that?

Secretary BEEHLER. Sir, on behalf of the Army, I will double check. I do not know of anything, but I will definitely check and hopefully we can do as you suggest but I need to check.

Senator TILLIS. Whatever is most expedient, whether it is snail mail, email communication. But I think that we owe to these tenants, particularly these young people, to know that we have their back and that you are willing to help them. And while the private providers are helping, I think you owe it to the current base and maybe over some recurring period until the foreseeable future when we are convinced we have got a handle on this problem. I think you should do that to your base.

Thank you all for being here today, And again, stay tuned. We will be reaching back out to you and look for questions for the record.

The meeting is adjourned.

[Whereupon, at 5:07 p.m., the Committee adjourned.]

[Questions for the record with answers supplied follow:]

QUESTIONS SUBMITTED BY SENATOR JACK REED

MILITARY FAMILY HOUSING

1. Senator REED. Secretary McMahon, Secretary Beehler, Secretary Bayer, Secretary Henderson, Mr. Williams, Mr. Piscerne, Mr. Ehle, Mr. Hickey, and Mr. Bliss, are each of you 100 percent confident that every military family is living a safe and healthy home today and what steps have you taken to alleviate family perceptions of potential retribution for reporting issues of maintenance and hazards?

Secretary MCMAHON. The health and safety of our servicemembers and their families is a top priority for the DOD. Although privatization has dramatically improved the quality of on-base housing, there is room for improvement, including in those areas raised in recent media coverage. Under my leadership, working together with the Military Departments and the MHPI partners, inspections of individual homes are underway, resident communication has increased, and development of an MHPI Resident Bill of Rights, with input from families and family advocates, is underway. We are committed to improve communication with residents, without fear of retribution, and to quickly identify and address health and safety issues going forward.

Secretary BEEHLER. The health and safety of the Army's soldiers, civilians and their families is an enduring priority. With over 100,000 Army-owned, leased and privately-managed homes, the Army can never be 100 percent certain that every military family home is free of deficiencies.

All residents have an Army advocate at each installation housing office. The Army and RCI Project Company's collaborate to ensure all reported problems and issues are heard and resolved. We are communicating to residents to ensure they understand that they have the exact same protection available to anyone living on the local rental market under the Fair Housing Act without having to face any fear of reprisals.

The Army will not tolerate reprisals and will hold accountable any person who engages in such acts. Army senior leaders and Garrison Commanders have disseminated this zero tolerance policy to families at every Army installation through housing town halls February 2019. While 100 percent certainty that every family is living in a safe and healthy home is difficult to achieve, the Army is striving to improve visibility of conditions in family housing and to inform residents of the proper mechanisms to effectively communicate and obtain remedies for any identified deficiencies.

Secretary BAYER. General Neller and Admiral Richardson have each issued orders requiring commanding officers to afford the opportunity for every family in military housing to receive a voluntary visit by April 15, 2019. The purposes of these visits are:

1. to raise command awareness of family living conditions to ensure that they are safe, secure and environmentally healthy;
2. to personally observe any issues affecting the home and to understand any actions being taken to address them; and

3. if a problem is found, to help servicemembers and their families get the problem resolved, and ensure that all families understand the help and resources available to them.

Marine Corps Commanders will use the Marine Housing Outreach program to improve their awareness of concerns and better advocate for military families. Commanders will leverage appointed servicemember advocates and the base housing office to streamline communication with providers. Both commanders and appointed advocates will ensure effective oversight and remediation are in place, operating with the full authority and support of the chain of command. The DON will streamline its reporting process so that no sailor (or soldier or airman living in DON privatized housing) has to exceed two calls before achieving resolution—the first to the housing company, and the next to their chain of command, which can then properly advocate on their behalf with the government base housing office, base leadership, and Commander Navy Installation Command (CNIC) to ensure resolution. Simultaneously, families will continue to have an open channel to the base housing office. Our guidance regarding the home visits and resolution of issues states: “there cannot be even the hint of retaliation or retribution. It should be the goal of every command that their sailors bring these and other issues to their command leadership for resolution. Leadership, especially small unit leadership like division officers and division chiefs, should be eager to resolve these problems on behalf of their sailors.”

Secretary HENDERSON. The health and safety of our airmen and their families is a leadership imperative. This is about taking care of people. There is nothing better than engaged leaders with eyes on the problem. Therefore, the Secretary and Chief of Staff of the Air Force directed each of our wings to conduct a health and safety check for our airmen living in privatized and government owned homes and government leased housing worldwide. We found that of the almost 51,000 airmen contacted, almost 9,900 expressed concerns about their home. We were only able to reach 89 percent in the short time before this hearing, and we will continue our efforts until we reach 100 percent.

Of those contacted, over 14 percent were concerned with the health and safety of their homes. Wing leadership offered members a home visit to view the problems firsthand. Installation commanders are taking immediate action to address health and safety concerns of these members as well as the concerns from those who directly contacted the Senate Armed Services Committee. I sent an update letter to the Committee on March 26, 2019 regarding those families who directly contacted the Committee.

The Secretary and Chief have conducted visits to the most troubled bases and met with residents, installation leadership and, in some cases, the project owner. The Air Force Inspector General is performing an inspection of housing privatization policies, procedures, and best practices for handling resident complaints and protecting residents. While we have not found any cases of retribution, we take this issue seriously and this is an aspect of the Inspector General’s investigation. The Air Force Judge Advocate General has provided guidance to legal offices to educate tenants about the services available through military legal assistance, tenants’ rights under leases and state law, and the process for filing claims. Finally, the Air Force established a toll-free housing call center for residents to report concerns with privatized housing to the Air Force Civil Engineer Center Housing Division.

Mr. WILLIAMS. To the best of my knowledge, I am not currently aware of any occupied homes across our military housing portfolio that exhibit habitability concerns or are non-compliant with applicable health and safety laws and regulations. BBC maintains extensive lead-based paint, moisture/mold remediation and other health and safety policies and procedures designed to ensure that resident concerns are addressed promptly and consistently. Once a work order request made by a resident is received, BBC staff respond to it based on the appropriate service level priority (emergency, urgent, routine). With regard to work order requests placed by residents after regular business hours, we assign “on-call” duty to BBC maintenance staff to ensure an appropriate response regardless of the time of day. It is BBC’s policy that all emergency and urgent work order requests made by residents also receive a follow-up satisfaction call. BBC also maintains a preventative maintenance program that is designed to proactively identify maintenance issues, and ensure homes are monitored on a continuous basis for needed repairs. As part of this program, BBC maintenance staff conduct the following procedures, among others:

- Comprehensive check of all life safety systems (smoke/carbon monoxide detectors, fire extinguishers, range hood fire suppression canisters) as part of every work order/service visit to the home;

- Annual and visual inspection of lead-based painted surfaces in pre-1978 homes to identify compromised areas in need of repair/remediation;
- Annual checks of all housing components and systems, interior/exterior; and
- Review of repeat work orders to identify any systemic issues.

See our response to question 28 below regarding steps taken to alleviate family perceptions of retribution for reporting maintenance or health and safety issues. We stand alongside our service branch partners in condemning any actions that involve retaliation against servicemembers for reporting housing concerns. To the extent BBC were to become aware of any employees or contractors engaging in such activity, we would take immediate disciplinary action.

Mr. PICERNE. Based on our own records as well as the results of recent inspections performed by the Army and Air Force, we are confident that more than 99 percent of the homes we manage are safe. The remaining less than 1 percent have varying issues that may impact the habitability of the home to the point where residents must be offered temporary alternative housing (i.e. hospitality suite home or hotel) while necessary repairs are made. In any situation where there is any concern about issues that could potentially adversely impact the residents' health or safety, appropriate steps are taken to ensure the home is fit for re-occupancy following completion of repair work.

Corvias is partnered with the Army and Air Force on projects that in total include approximately 27,000 homes. One of the key drivers behind the Program was the private partners' ability to bring significant private financing (via long-term debt) to an on-post housing program that was traditionally woefully underfunded via annual federal budget appropriations. The deferred maintenance issue is simply too great to overcome without the addition of significant additional capital. The initial capital infusion was never intended to be enough to completely transform what was a very old and neglected housing stock during the initial development period (the first 7 to 10 years of each 50-year partnership). As such, the private partners' ability to continue to improve the military housing is heavily influenced by the revenues and capital available to the partnerships. The reality is that while great strides have been made over the past 15+ years including thousands of newly constructed homes and renovations of thousands of others, these partnerships between the government and private sector still own thousands of very old homes that needs to be replaced.

With respect to concerns about potential retribution for resident's reporting maintenance issues or hazards, we have stated publicly that we agree with our military partners' policy against retaliation. If we are made aware of any resident's concerns about retaliation, we will cooperate in a thorough review of the situation, and if necessary will take appropriate disciplinary action.

Mr. EHLE. At Hunt Military Communities ("Hunt"), we have no higher priority than ensuring the health and safety of our resident servicemembers and their families. Every resident deserves our best. We recognize, however, that there is no such thing as maintenance-free housing and that issues will inevitably arise that must be remedied with both our historic and newer homes. When that happens, we strive to address the situation in a timely and transparent manner.

We value and are committed to maintaining regular communication and an open dialogue with all resident families. In support of this, we strive to continually improve our customer service and communication skills among our personnel, particularly those management and maintenance teams that are focused on assisting residents and addressing their concerns every day. In recent weeks, we have undertaken refresher training among our community directors, maintenance directors, and other leadership to ensure that communications with our resident families are effective and reflect the high-quality customer service our families deserve.

Mr. HICKEY. We believe that all residents have the right to reside in homes and communities that are safe and meet health and environmental standards. Our portfolio consists of over 40,000 homes, including 24,142 legacy homes built prior to privatization. We actively manage many issues in our portfolio as they arise, and work with residents and installation leadership to resolve them. Lendlease encourages residents to report housing issues, and any confirmed incidents of retribution will be dealt with swiftly and appropriately. Based on our own inspections, command inspections and feedback available to us, to the best of our knowledge, we are confident that every military family in one of our properties is in a safe and healthy home and that any maintenance incident that arises to change that status will receive a very prompt and satisfactory response. There are no circumstances under which any retribution is condoned, to the best of our knowledge this has not occurred.

Mr. BLISS. I am 100 percent confident that Lincoln Military Housing (LMH) has a process in place to make homes ready for occupancy that are safe and of high

quality. We are in the process of an in-depth review with our Department of Defense (DOD) partners to confirm the condition of our homes and the processes in place for maintaining them. LMH completes annual preventive maintenance checks on every home in the LMH MHPI portfolio. Thorough checks are made by LMH personnel for signs of water intrusion, mold growth, peeling/flaking paint in pre-1978 homes and other potential life/safety concerns (i) during the make ready process, (ii) at change of occupancy, and (iii) during the annual preventive maintenance process. While LMH makes every effort to identify issues and remedy them in advance, LMH also relies on its residents to abide by established residence guidelines, which require the residents to immediately report any issues so that LMH personnel can promptly address them. LMH's call center is staffed 24 hours/7 days a week to address service calls.

LMH was disappointed to hear stories of retribution. Accordingly LMH has again communicated with its on-site teams that, as service providers, we want and need our residents to report maintenance needs and potential hazards. In addition, in 2017 LMH expanded its communication of the escalation process for unresolved resident concerns. The escalation process in place entails the following:

- (a) contacting LMH's maintenance hotline with a concern or maintenance request,
- (b) if the resident's concern is not resolved, LMH asks the resident to call LMH's Regional General Management Office, and
- (c) LMH encourages the resident to contact the Government/Base housing office at any time during the process to further advocate on their behalf to resolve any concerns.

In addition, LMH follows strict protocols for homes that (i) exhibit mold (in accordance with EPA guidelines and industry best practices), (ii) are of pre-1978 construction where lead-based paint (LPB) may be present (specific lease disclosures and EPA information pamphlets notify residents of this in accordance with applicable laws), or (iii) are known or suspected to contain asbestos-containing materials (ACM). As part of the military housing privatization program, DOD was required to report any existing hazards, including but not limited to LBP and ACM. The public-private ventures (PPVs) took the information presented by DOD and completed Phase I environmental site assessments.

No landlord can guarantee that all health and safety concerns are reported. At the same time, LMH's residents are routinely informed of how to report any instances that might affect their safety and health, whether it be through LMH's 24-hour call center, its online service request system, the resident's district office or the resident's Command.

2. Senator REED. Secretary McMahan, Secretary Beehler, Secretary Bayer, Secretary Henderson, Mr. Williams, Mr. Piscerne, Mr. Ehle, Mr. Hickey, and Mr. Bliss, how do each of you define family satisfaction, what kind of questions do you ask in your resident satisfaction surveys, what is your survey response rate and have you ever taken any steps to incentivize families to respond to surveys (if so, please detail)?

Secretary MCMAHON. Annual resident satisfaction surveys are performed by a nationally recognized independent third party. The surveys include a set of core questions asked of all residents, supplemented by questions that are Military Department specific. One of the key questions asked is whether the resident would recommend privatized housing. In 2018, the resident satisfaction survey was distributed to 184,345 military households and had a response rate of 43.6 percent. The Department is unaware of any instances where steps were taken to incentivize families to respond to the third party surveys, but private partners may have incentivized other surveys they use to monitor staff performance. Resident responses on the third party survey of MHPI housing exceed national averages based on data reported by Multifamily Executive Magazine in 2018, and consistently produced ratings considered by the independent firm to be outstanding.

Secretary BEEHLER. The Army Annual Housing Survey is focused on three key satisfaction: Service, Property, and Overall Resident Experience. These metrics provide a good indicator of how well or poorly the RCI Portfolio partners are performing. Nine (9) Business Success Factors in the survey, which may vary slightly from year-to-year, also provide specific insight into which functions have a high level of satisfaction and which may require improvement. The most recent completed survey for 2018 reported a response rate of 38.5 percent (30,241 respondents out of 78,515 surveys sent). Response rates for the previous 3 years were between 38.2 percent and 39.8 percent. The Army does not incentivize respondents to respond to the Army Family Housing Survey.

Secretary BAYER. The surveys DON's MHPI partners use are directed by the DON and developed by CEL & Associates, LLC. The surveys provide a benchmark and allow DON to compare pre- and post-privatization satisfaction ratings as well as compare privatization project satisfaction ratings to community rentals/industry standards. A copy of DON's Resident Satisfaction Survey (RSS) have been retained in Committee files. The full survey includes 55 questions, some of which are highlighted below:

With regard to the appearance and condition of the community, how satisfied are you with ... How would you evaluate the property management of Privatized Housing with regard to the following ... How would you rate your satisfaction with maintenance services ... ? How satisfied are you with each of the following features of the community ... How would you rate your satisfaction with the following characteristics of your home ... How would you evaluate the leasing process: ... Please indicate how much you agree or disagree with each of the following statements ...

The survey includes satisfaction questions related to responsiveness and follow through, property appearance and condition, quality of management, leasing, maintenance, customer service, property rating, relationship rating, and intention to renew housing. The RSS survey also gives respondents the opportunity to provide to open-ended comments and request to be contacted.

The average response rate for 2017 to 2018 was 45 percent.

Secretary HENDERSON. The Air Force measures resident satisfaction for all but one of our 63 installations using an industry standard third party Resident Satisfaction Survey. The third party company reviews responses for signs of tampering. The survey questions are standardized across the military and the private sector and the survey process allows residents to respond anonymously. The 2018 response rate was greater than 46 percent. Each question is rated on a scale of 1 to 5 and the survey includes 53 questions on appearance and condition of the community, management of the property, maintenance services, community amenities, characteristics of the home, leasing process and overall morale. In addition to the annual survey, customers are provided feedback cards for every work request, which seeks ratings and comments regarding ease of reporting, timeliness of response, whether the work was performed correctly the first time, professionalism of the technician, and whether they want a follow up. The Air Force is exploring potential improvements to both the Resident Satisfaction Survey and the Work Order Survey to improve response rates, detect trends, and provide a picture of the overall satisfaction, while not diluting the minority with serious problems.

Mr. WILLIAMS. BBC utilizes a third party independent electronic driven touch point survey (SatisFacts) to track customer satisfaction response and customer service for each service request and each resident move-in. While we work with this third party service to develop proper survey questions to ensure reliable data, generally our questions are selected to obtain satisfaction with work order response time, quality of work order responses, professionalism exhibited by staff and satisfaction with housing conditions.

Generally, BBC's response work order response rate is 13 percent (industry standard 10 percent to 20 percent) and its move-in response rate is 29 percent (industry standard 10 percent to 15 percent). From time to time, BBC has used contests (through random drawings) to encourage resident completion of surveys, such as winning a rent credit. These surveys and the drawings are promoted on housing Facebook® pages, by site personnel and in marketing collateral in order to promote increased response rates.

Mr. PICERNE. Our goals are aligned with our military partners. We agree that we should work together to ensure that we can provide on-post military housing that is safe, comfortable, and affordable, such that it is considered the housing of choice by servicemembers and their families. Along with the housing, we must also provide excellent customer service to all of our residents. We have acknowledged that in some instances, the quality of our service had slipped. We have undertaken a concerted effort to quickly improve our performance, with the goal of returning to the gold standard of resident satisfaction.

Our residents are all offered the opportunity to respond to independent surveys, approved by our military partners and administered by unbiased third-party survey firms, including annual resident satisfaction surveys and satisfaction surveys after the completion of work orders.

As is the case with all surveys, one goal is to find ways to encourage as many people as possible to take the survey, so the surveys represent a wider cross-section and representation of the population being surveyed. To that end, we have worked with the independent survey companies to get the word out about surveys and en-

courage residents to respond to the surveys, including e-mail blasts to all residents. In the past, we have held resident events during which we encouraged participation by allowing servicemembers to be eligible for a raffle for gift cards, etc., once they submitted their survey. Our military partners encouraged efforts to increase resident participation in the surveys, however, based upon recent feedback we acknowledge how such events could be perceived differently, as such, we've suspended those events moving forward.

Mr. EHLE. Hunt does not have control over the annual resident satisfaction survey. It is administered by an independent third party, CEL & Associates, Inc., and delivered electronically directly to residents to maximize response rates. The survey invites residents to answer questions about Hunt's readiness and willingness to solve problems, its responsiveness to resident concerns, the physical appearance and condition of Hunt properties, overall resident satisfaction, including resident intention to renew their lease, and other topics.

While response rates vary from property to property, Hunt is proud of the overall response rates across its communities. In recent years, response rates have exceeded 50 percent at some properties, and we strive to obtain increased response rates year after year.

Hunt values resident feedback and takes steps to increase response rates. Internally, Hunt publishes response results to further motivate staff teams to improve resident service. Externally, Hunt holds community events to encourage residents to complete the survey through the independent, third-party administrator.

Mr. HICKEY. Family satisfaction is primarily measured using two methods:

1. Military service-sanctioned, independent CEL & Associates (CEL) resident satisfaction and performance improvement surveys. They have performed this for our MHPI portfolio for over a decade. CEL annually surveys every MHPI project within each branch of the Military Services using a core set of questions for all surveys to generate a like for like comparison. Surveys are conducted online using strict quality control measures.
2. A separate SatisFacts survey is conducted following each time a work service order or key event occurs. These surveys are sent out by Lendlease service teams immediately after a service order event (see results below).

Projects from time to time offer incentives (such as raffle prizes) to drive survey participation as survey results are more valid the higher the participation as a percentage of total population surveyed.

The 2018 CEL portfolio response rate across the full Lendlease portfolio was 44.2 percent reflecting approximately 17,680 responses. The CEL survey questions identify nine (9) Success Factors (SF—2018 score and CEL overall rating are reflected):

- SF1: Readiness to Solve Problems—84 "Very Good"
- SF2: Responsiveness & Follow Through—80.6 "Very Good"
- SF3: Property Appearance & Condition—80.9 "Very Good"
- SF4: Quality of Management Services—83 "Very Good"
- SF5: Quality of Leasing—87.9 "Outstanding"
- SF6: Quality of Maintenance—86.1 "Outstanding"
- SF7: Property Rating—79.8 "Good"
- SF8: Relationship Rating—83.1 "Very Good"
- SF9: Renewal Intention—77.5 "Good"

The 2018 SatisFacts response rate across the full Lendlease portfolio was 13.0 percent reflecting approximately 37,150 responses across all survey types (conducted post Leasing, Move-in, Service Order, Resident Experience and Point of Service). The 2018 scores and SatisFacts ratings were:

- Leasing: 4.52—Exceptional
- Move-In: 4.56—Exceptional
- Service Order: 4.39—Superior
- Resident Experience: 4.25—Superior
- Point of Service: 4.24—Superior

Whilst these scores for both surveys are strong, we do pay specific attention to the negative feedback we receive and address it directly, both at an individual level as well as through our business planning cycle. In addition, we are focused on lifting our response rates.

Mr. BLISS. LMH defines family satisfaction as being a time when all residents enjoy their living experience and when issues arise, as they will, LMH personnel quickly resolve such issues with excellent customer service and quality workmanship.

The third-party resident satisfaction survey mandated under the project documents is anonymous and extensive. This independent survey also affords residents

the opportunity to provide comments either anonymously or with an option to be contacted to follow-up on their comments. These comments are reviewed by both LMH and its DOD partners. LMH understands that all branches of the military utilize substantially the same third-party survey form (a sample of which is attached hereto).

LMH's resident survey response rate is typically in the 35 percent to 50 percent range, which we understand is typical. To increase the response rate, LMH has utilized tools to encourage increased participation by residents. Such incentives are never offered in an effort to influence how LMH is rated. LMH welcomes any and all feedback, positive or negative, as it continues to seek ways to improve resident satisfaction.

3. Senator REED. Secretary McMahon, Secretary Beehler, Secretary Bayer, Secretary Henderson, Mr. Williams, Mr. Piscerne, Mr. Ehle, Mr. Hickey, and Mr. Bliss, have any of you ever had fees withheld for failure to perform, and if so please describe?

Secretary McMAHON. The Military Departments, as part of their respective oversight programs, are in a better position to respond to this question.

Secretary BEEHLER. Garrison Commanders in the past have withheld a portion of incentive fees when the MHPI partner failed to meet the criteria of an objective metric. We are assessing this area and believe we need to make improvements and will be working with the MHPI partners to ensure that metrics are quantifiable and reflective of desired performance objectives.

Each Military Housing Privatization Initiative (MHPI) project, other than Fort Carson, has an individual incentive fee management plan based on objective and subjective metrics.

Secretary BAYER. Yes, on a few occasions the DON has withheld fees for failure to perform or for other reasons. Please refer to our response to question 72 below. DON's privatized housing is owned, operated and maintained by privatization (*i.e.*, Military Housing Privatization Initiative or "MHPI") project entities which are Limited Liability Companies (LLCs). It is often referred to as public-private venture, or "PPV" housing. The Managing Members (Private Partners) of the LLCs hire and pay fees to service providers, such as a property managers, to carry out the purposes of the LLCs. These fees are paid out of funding available to the LLCs, primarily revenue. Although in many instances the service provider is a related entity of the Managing Member, each of the fees are customary for the particular service provided, would have to be paid regardless of who provides the service, and are in line with market rates for the fees. Wherein the service fee includes a base and incentive, the total of the two is in line with market rates for that particular fee. Both base & incentive fees, including incentive fee performance requirements, are documented in the operating agreement of the LLC or attachments to that operating agreement, and cannot be revised without DON Member approval.

Secretary HENDERSON. Over the last 12-month period, the Air Force has withheld \$1.2 million in Performance Incentive Fees out of a potential \$19.7 million. We withheld these fees based on project owners' failures to meet standards established in the Performance Incentive Fee Plans. In the case of Keesler, MacDill, and Tinker Air Force Bases, inadequate mold remediation efforts were specifically cited in the decision to reduce the performance incentive fee.

Mr. WILLIAMS. We have been debited portions of our fees in instances where we have not achieved our defined metrics. Examples of these would be exceeding budgeted controllable expenses, occupancy targets going below 95 percent, not completing turnover work within the defined timeline (specific to each project but range is generally 4 to 7 days), not meeting response and or completion times of a portion of work orders or not meeting customer satisfaction ratings for a defined period (varies based on project; either annual or quarterly and benchmarks range from 85 percent to 95 percent).

Mr. PICERNE. On occasion, we have received less than 100 percent of our incentive fees for failing to meet the metric necessary to earn 100 percent. Some examples include failure to comply with adherence to budget metrics (mostly related to timing of expenses), failure to manage occupancy expectations, etc. Admittedly, these examples/instances are not the norm, but we have on multiple occasions, earned less than 100 percent of incentive fees.

Mr. EHLE. Under our agreements, Hunt is compensated for services associated with the management of rental real estate housing complexes, such as property management and, as applicable, asset management. The fee arrangement typically includes two components:

1. a base fee, which includes (a) property management fee and/or (b) asset management fee, if applicable; and

2. a performance incentive fee. The rates for these fees, and the ways in which they are earned, are established during the competitive bidding process for the award of the MHPI project, and are then negotiated and agreed upon in definitive documents. The amount of fees received is not guaranteed.

Incentive fees are discretionary and are based upon performance. The criteria that factor into incentive fee calculations vary from project to project, but, generally, they include at least:

1. resident satisfaction (via annual surveys);
2. maintenance response times; and
3. other performance metrics as decided by the particular military department for a given project. Installation base commanders can also weigh-in on the performance of the property manager and adjust the incentive fee accordingly.

If we fail to meet performance expectations outlined in the agreement, as assessed by our military partners, some or all of the incentive fee may be withheld. There have been times when Hunt has not received the all available incentive fee. This has occurred, for example, when Hunt received low resident satisfaction survey scores, when percentage of response times for work orders has exceeded the allowable threshold, and when we have exceeded acceptable variances for expenses within our operating budget.

Mr. HICKEY. All Lendlease project's asset and property management agreements include an element of incentive fee to promote performance. The Military Services can withhold and/ or not award full incentive fees if agreed performance metrics are not achieved. Project performance is measured against incentive criteria established in project business agreements and each military service determines the resulting award percentage in accordance with those agreements Lendlease has had incentive fees withheld.

By way of example, as a part of our SASC response, we reviewed our incentive awards over the past 3 years (fiscal year 2016 through fiscal year 2018). Eighty-eight incentive awards were analyzed and of these, 53 had their incentives reduced from the full 100 percent possible. Fees were reduced for;

- Not achieving service completion times
- Not achieving change of occupancy completion times
- Not achieving customer satisfaction ratings from CEL or SatisFact scores

Lendlease provided 3 specific examples of instances in which incentive fees were withheld from its projects to Senator Warren's team on March 9, 2019. The Lendlease team would be pleased to provide a similar briefing to SASC, if additional information is desired in response to this question.

Mr. BLISS. LMH has had a portion of our fees withheld. The incentive fees that are included in LMH's project documents are determined by a variety of metrics, including but not limited to: (a) resident satisfaction survey results, (b) completion of change of occupancy maintenance and service requests within specific thresholds, (c) LMH's participation with small businesses as part of its vendor pool and (d) evaluation by LMH's DOD partner. While incentive fee calculations differ by project, LMH generally receives 80 percent to 90 percent of the fees. LMH is committed to achieving the highest level of service for our residents.

4. Senator REED. Secretary McMahon, Secretary Beehler, Secretary Bayer, Secretary Henderson, Mr. Williams, Mr. Piscerne, Mr. Ehle, Mr. Hickey, and Mr. Bliss, what are the most common housing hazard issues you're tracking today, how widespread are they, and how do you know?

Secretary McMAHON. The Military Departments, as part of their respective oversight programs, are in a better position to respond to this question.

Secretary BEEHLER. Based on work orders submitted to MHPI partners from February 15 to March 20, 2019, the most common housing deficiencies are plumbing, electrical, and elevated moisture levels leading to mold. Based on review of these work orders and installation-led visits to 100 percent of the inventory, The Army has determined that life/health/safety work orders account for less than .2 percent of current work orders in the queue (47 out of 29,217).

The Army is inspecting 100 percent of all work /service orders relating to life/health/safety; contacting 5 percent of all residents with a completed maintenance call within the last 72 hours to assess the results of the maintenance performed; and visiting 100 percent of those called who indicate dissatisfaction with the maintenance performed.

Secretary BAYER. The issues raised in recent housing dissatisfaction reports are: poor workmanship/construction, mold, pests, water intrusion and lack of air conditioning. The DON and PPV partners are currently evaluating all relevant data to

determine the magnitude of the problems raised. The results of this analysis will help us develop the best way ahead.

Secretary HENDERSON. The most common housing hazard issues we are tracking today are mold/moisture intrusion, pests, and chipped or flaking paint that may be lead-based. Based on the health and safety review we conducted, the Air Force is tracking that 14 percent of our military residents have health or safety concerns. Of the 9,980 members that accepted a visit from the installation leadership team, they confirmed that 2,421 had evidence of mold or moisture, 1,234 had evidence of pests, and 482 had peeling or flaking paint. These same concerns were also the most common raised during recent Air Force leadership visits to our most troubled installations.

Mr. WILLIAMS. We track our service requests by category (asbestos, lead based paint, fire/safety, water intrusion, mold, pest, electric, HVAC, plumbing) and also by priority of emergency, urgent and routine. We respond to all emergency work orders within one hour and all urgent within four hours. If there are any situations that cannot be corrected immediately and rise to the level of a hazard (environmental) and/or compromises quality of life (lack of heat, lack of air conditioning), the resident is offered alternative accommodations for the duration of the repair.

General plumbing maintenance requests make up the majority of our service requests. Mold/mildew maintenance related requests represent less than 1 percent of service calls and are classified as urgent. Additionally, a community management and facility management representative responds to all moisture related calls and we invite our government partner to join us on these visits to the resident's home.

Mr. PICERNE. More than 99 percent of the homes we manage are safe, meaning no hazards. The remaining less than 1 percent have issues that may impact the habitability of the home to the point where residents must be offered temporary alternative housing (i.e. hospitality suite home or hotel) while necessary repairs are made. In any situation where there is any concern about issues that could potentially adversely impact the residents' health or safety, appropriate steps are taken to ensure the home is fit for re-occupancy following completion of repair work.

The more common housing hazard issues that we're currently tracking are related to water intrusion that may create an environment for mold growth. These problems are most persistent in the older homes in our portfolio. Of the approximately 27,000 military homes we manage on behalf of our partnerships with the Army and Air Force, approximately 10,000 were built prior to 1978. While several of these instances are tied to roof and/or plumbing leaks, there are also instances where our failure to continually educate our residents has led to some of these issues. For example, we have several cases of aluminum windows sweating (condensation), especially in the winter months. If left unaddressed, the window sweat can lead to mold spores collecting on the sides of the window as well as the window sill. However with proper routine care given by the resident in the form of simply wiping up the condensation on a regular basis, the likelihood of any mold related challenges related to window sweating is reduced to virtually zero.

Mr. EHLE. Hunt currently owns and operates 21 separate projects in partnership with DOD. All of Hunt's projects, some of which include multiple property sites, are located on or near Air Force, Navy, Marine Corps, and Army bases throughout the country. Specifically, Hunt own interests in approximately 52,000 homes on or within close proximity to 49 military installations located in 21 states and the District of Columbia. Of that number, we manage about 32,000 units across 44 installations and serve more than 165,000 residents.

Across this diverse portfolio, we would not characterize one type or group of complaints as most common. Rather, resident issues typically vary according to geographic location, age of housing stock, and other factors.

One challenge that we have experienced at more than one of our properties involves moisture issues. For example, our communities at Keesler Family Housing in Biloxi, Mississippi. The previous homes there were largely destroyed by Hurricane Katrina in 2005 and rebuilt via MilCon before privatization. After privatization, we found that residents were consistently identifying moisture-related issues. Addressing these issues proved difficult, but we took ownership of the situation and executed a multi-phase moisture remediation project, which included assessments of each of the approximately 1,100 homes at Keesler, and completed all necessary remediation work. We have received some reports of moisture issues at other Hunt properties, and we address them promptly and diligently.

Mr. HICKEY. The most common maintenance and hazard issues the Lendlease team is currently tracking include mold and lead-based paint concerns. For calendar year 2018, a total of 2,001 mold service orders and 582 lead-based paint service orders were received across 400,000 service orders. These reflect 0.50 percent and 0.145 percent respectively of total service orders during the calendar year.

All work orders with homes that have potential environmental conditions are pre-stamped and identified directly on the service order to notify the technician that they need to take appropriate precautions and employ EPA guidelines to appropriately remediate issues. Preventive maintenance occurs on all homes each year with special attention given to those with known environmental conditions.

Issues are tracked and logged via Yardi property management software, an industry-leading product as well as the primary standard for property management software across the privatized military housing program.

Mr. BLISS. We take any health and safety hazards very seriously and treat such work orders as emergencies, which require a 30-minute maximum response time. In addition, we review our work orders to identify trends. Emergency work orders represent approximately 10 percent of our total service requests.

Based on a review of service request histories, mold is the most common environmental service request LMH receives, although it is not widespread. We follow EPA guidelines and industry best practices for addressing mold. LMH follows a multi-step process to address and follow up with mold, both from when a resident calls in for potential mold or when one of our Preventative Maintenance Teams discovers mold during their annual walks. Resident education is also a crucial aspect regarding mold. In 2018, we began an outreach program to ensure residents understand what they can do to prevent/mitigate mold and what to expect from LMH when it is reported. Whether the result of a leaking pipe, leaking roof or a housekeeping issue, we treat any occurrence of mold with the same level of urgency and care.

5. Senator REED. Secretary McMahon, Secretary Beehler, Secretary Bayer, Secretary Henderson, Mr. Williams, Mr. Piscerne, Mr. Ehle, Mr. Hickey, and Mr. Bliss, how do you use maintenance and work order histories to inform your housing maintenance plans?

Secretary McMAHON. The housing privatization projects own, operate, and maintain the privatized housing under the Military Housing Privatization Initiative and, therefore, are the entities who develop and maintain all associated housing maintenance plans.

Secretary BEEHLER. Maintenance and work order histories are a critical resource in all housing (Army-owned, leased, and privatized) to identify maintenance trends and validate long-range plans for repair and replacement. These histories allow the Army to gauge the timeliness and thoroughness of responses and may identify the need for more, or better trained maintenance personnel. Feedback from work orders allows us to identify recurring issues and details of any equipment failure, to analyze the quality of preventive maintenance for improvement, and to assess the project Capital Repair and Replacement Plans and operating budgets for adequacy.

Secretary BAYER. Maintenance plan development is the responsibility of the partners, based on recurring maintenance, the age of the home, and resident feedback. Maintenance plans are included in the Partner's annual budget and 5-year plan, both of which are reviewed by the DON.

Secretary HENDERSON. Project owners are required to maintain, sustain, and operate housing in a safe and healthy condition. Installation commanders and the Air Force Civil Engineer Center review both the Operating Budget and Sustainment Plans and the Air Force Civil Engineer Center approves the Operating Budget. Where we know of specific issues, such as moisture issues or other major complaints, these budgets and plans are questioned to ensure they are addressing those concerns.

Within our government owned housing, we conduct a Housing Community Profile every 5 years, which includes condition assessments to inform our Housing Master Plan and program for larger projects. In addition to these assessments, we use trends in maintenance data to develop smaller repair and upgrade projects by facility maintenance teams at each installation.

Mr. WILLIAMS. Maintenance and work order histories are used to identify systemic issues and to develop short term and long term action plans to correct. These histories are also the benchmark for the development of our annual operating budgets, our annual and 5 year capital replacement plans and the more far reaching sustainment plans for our projects, which are reviewed and approved by the military services.

Mr. PICERNE. Maintenance and work order histories are used to inform both our housing maintenance plans and our short and long-term capital repair and replacement plans. For example, if we observe a high number of work orders relating to a certain condition in homes, we take steps to immediately address those issues, if possible, and if not then take steps to ensure the condition is addressed via either specifically addressing that issue across similar housing stock or, if necessary incor-

porating means to address the issue as part of our annual budgeting for capital repairs and replacements.

Mr. EHLE. Resident complaints and reports of issues are logged into Hunt's housing maintenance software, Yardi. Hunt monitors this information closely and works proactively with residents to address issues as they arise. In situations where we have found that residents are consistently identifying specific issues, we use that information to help us understand and identify potential underlying causes and develop a comprehensive solution.

For example, when we found that Keesler residents were consistently identifying moisture-related issues, we took a broader look at the challenges they were experiencing, and we were ultimately able to identify repairs that needed to be made to the ventilation system in many homes in the community. With this information, we were able to address an underlying cause of the moisture-related issues throughout the community.

Mr. HICKEY. At each project, Lendlease and its partners use historical trend analysis to inform assumptions about future maintenance needs. Along with other analyses, these form the basis of the Project's annual budget and business plan (PBBP). The PBBPs rely on trend analysis to forecast changes of occupancy, maintenance service orders, and replacement of minor capital items such as home appliances, HVACs and roofs. PBBPs for each Project are presented to the military services for input and then approval each year.

Mr. BLISS. We use work order histories extensively. All of our maintenance systems are online (Yardi system) and we can pull emerging trends at all properties in order to formulate effective maintenance plans, both for our operating and capital budgets. Annual preventative maintenance inspections for each housing unit are custom tailored as they are based on maintenance and work order histories at specific locations. This allows LMH staff to inspect and address typical problem areas in each specific type of housing unit.

6. Senator REED. Secretary McMahon, Secretary Beehler, Secretary Bayer, Secretary Henderson, Mr. Williams, Mr. Piscerne, Mr. Ehle, Mr. Hickey, and Mr. Bliss, if any of you fail to timely and properly remediate an issue in a home, or fail to meet your agreement obligations, what corrective actions can DOD take?

Secretary MCMAHON. The housing privatization projects own, operate, and maintain the privatized housing under the Military Housing Privatization Initiative and, therefore, are the entities responsible for timely and properly remediating any issue in a privatized home, not the Military Departments. If a project fails to timely and properly remediate an issue, the existing deal structures provide the mechanisms for the Military Departments to hold the MHPI private partners accountable for substandard housing. In addition to withholding of incentive fees, the Military Departments have certain rights regarding major decisions made by the privatization project, to include the right to require replacement of the housing management and maintenance service providers if warranted based on overall poor performance as defined in the deal structure documents. In a small number of cases, a Military Department has required the housing privatization project to replace the property management service provider. While the ground lease and associated legal agreements that comprise the project deal structures include termination clauses that can be exercised in extreme cases, DOD is focused on ensuring the long-term success of the existing partnerships and projects rather than considering their termination, whether for either re-competition/selection of new private partners or for resumption of government owned and operated housing. Termination is an extreme step that would impose significant financial cost upon the Department and adversely impact our ability to provide quality homes for military members and their families.

Secretary BEEHLER. The Army's privatized housing project companies are required to comply with all applicable federal and state laws and regulations, including those that regulate housing and response to environmental hazards. The Ground Lease is the controlling document that sets the framework on which our partnerships are based; there is a mechanism in place to remove a property management, construction company or RCI Privatized Partner. If a RCI Private Company continually fails to adhere to the terms of the ground lease, the Army may be able to either withhold incentive fees or terminate the lease.

Secretary BAYER. DON leaders have various tools available to ensure our PPV partners meet their obligations. Oversight and monitoring authority is set forth in 10 U.S.C. 2884 & 2885 and in associated legal agreements. The operating agreement of each PPV company defines the rights and responsibilities of the DON in the company. DON leadership exercises oversight of privatized housing projects with the aid of a "monitoring matrix" based on the PPV's obligations in each business deal. The managing member (or in one instance, the general partner) of each PPV

company is tasked with management of the company. While DON does not participate in the day-to-day management of these private companies, DON's daily interaction with these companies is the DON's first level of oversight and issue resolution. DON is specifically prohibited from managing the company except with regards to certain consent rights, and other specifically defined rights, such as the ability to initiate the process for replacement of the property manager. DON reviews and approves the annual budget and incentive fees, and can request reporting to provide oversight and make well-informed consents. In addition, DON can enforce performance from the privatized housing projects by engaging bondholders to work with the projects to meet the commitments under the project legal agreements. DON can also issue cure notices or use the court system, if needed, to seek resolution for poor performance. Each PPV partner has the opportunity to earn performance incentive fees based on several criteria, such as resident satisfaction, maintenance responsiveness, and property condition. Poor performance in any of these areas will reduce the amount of the fee earned.

Secretary HENDERSON. If the project owner fails to properly remediate or meet other obligations under our agreements, the Air Force can leverage all tools available to ensure the project owner takes corrective action. These tools include:

- *Performance Incentive Fees:* Withholding performance incentive fees when remediation efforts are inadequate or unsuccessful, or other obligations are not met. However, under the current Incentive Fee Plans, project owners generally earn at least a partial incentive fee.
- *Formal Dispute Process:* Initiating a Formal Dispute process in accordance with closing documents ranging from cure notices to termination of the leases.
- *Enforcement Agencies:* Air Force can initiate a complaint with the Environmental Protection Agency or state and local agencies, which can levy fines and punitive actions against the project owner for violations of environmental, health, or safety laws

Mr. WILLIAMS. The applicable Ground Lease for each of our MHPI projects contains provisions regarding "Events of Default", which identify the events upon which the government may terminate the agreement. Generally, these events of default include any failure to materially comply with the representations, obligations and covenants contained in the Ground Leases. These include, but are not limited to, compliance with: applicable environmental and health and safety laws and regulations; leasing requirements outlined in the Ground Lease; use of the improvements and premises only for the purposes set forth in the Ground Lease; obligations to repair and restore the improvements after casualty events; and requirements to maintain minimum levels of insurance. It should be noted that with regard to environmental hazards, generally the project owner/lessee is not liable for any pre-existing environmental conditions prior to effectiveness of the Ground Lease or for any hazards that are created by the government/lessor or its agents.

Mr. PICERNE. As a technical matter, our military partnerships are with the Army and the Air Force, not the Department of Defense. Our military partners have various rights and remedies pursuant to the legal agreements that govern our partnerships, including entity (i) Operating Agreements (for the Army partnerships in which Corvias and the Army are members in the project-specific entity/LLC), (ii) Ground Leases (Army)/Lease of Property (Air Force), (iii) Master Development and Management Agreement (Air Force), Project Operating Agreements (Air Force).

Mr. EHLE. Hunt is subject to financial or other penalties if it fails to perform its contracts. Under the terms of our project agreements, a military partner may terminate our agreement if we are in material default of our obligations. Alternatively, if we are not in material default of our agreements, but we have, nevertheless, failed to meet performance expectations, a military partner may withhold all, or a portion of, our incentive fees.

Mr. HICKEY. Each of the Military Services has rights to exercise remedies as stipulated in the various project business agreements. This can include withholding incentive fees in accordance with management agreements and at its highest, a declaration of potential default for failure to meet contractual obligations.

Mr. BLISS. DOD has extensive oversight and review capabilities under our project documents. If DOD finds that a PPV is not performing its contractual obligations, then DOD can take specific actions under the Ground Lease and other project documents to which they are a party. DOD can also actively support the PPV's enforcement of its service contracts. LMH supports the development of a more clear and well-defined protocol among the PPV, property manager, DOD and our residents regarding follow up on maintenance issues.

7. Senator REED. Mr. Williams, Mr. Piscerne, Mr. Ehle, Mr. Hickey, and Mr. Bliss, what do you charge families if they have to break their lease due to health or maintenance hazards?

Mr. WILLIAMS. BBC (through its affiliates) does not charge families to break their lease where a health or safety/hazardous condition exists.

Mr. PICERNE. Nothing. If a military family elects to terminate their lease due to health and safety concerns with the housing, we do not charge an early termination fee.

Mr. EHLE. When health and maintenance hazards are reported, Hunt's first priority is ensuring resident safety. As issues arise, we want to know about them, and we aim to fix them promptly. In most instances, when a resident voices a concern, we work with them to address the issue, and, if necessary, we relocate the resident into alternative housing. On rare occasions, residents are not amenable to repairs or relocation and wish to leave a Hunt property altogether. We assess such situations on a case-by-case basis and may release residents from their leases without penalty. In either scenario (*i.e.*, whether a resident remains a Hunt resident or not), health and maintenance hazards are corrected.

Mr. HICKEY. Protecting the health and safety of all who have a relationship with Lendlease is a core value of our organization. As such, we take resident concerns about health and safety extremely seriously. When a resident identifies a health or safety issue, there is an interactive process to address those issues. If a home has a health or safety hazard that would put the family at risk, temporary lodging or other accommodations are made immediately. Generally, this would occur if residents will be without heat, water or electricity for more than a day or where there is an environmental hazard that is deemed to be unsafe. If it's determined that the issues in the home cannot be remedied in 30 days or less, (for example fire or significant structural issues), the family would be offered a permanent move-over to a safe, comparable home. If residents decline the move, or in the rare situation where a comparable home is not available, a lease break is offered. In these situations, Lendlease charges no break fees. There are circumstances in which repairs become more complicated or require more time than estimated as they unfold. In those cases, the same remedy approach set forth above is applied. Ultimately, if we are not able to satisfy the resident through any other means, we relieve the resident of their lease obligations, and do not charge any fees. Given the quality of our inventory, this does not happen frequently. In most cases, we can provide a suitable replacement home and/or address the issue in an expeditious enough time frame to not unreasonably inconvenience the resident.

Mr. BLISS. We typically do not charge residents who break their leases due to health or maintenance hazards. If this were to occur, we would coordinate the effort with the local government housing office or Commands.

8. Senator REED. Mr. Williams, Mr. Piscerne, Mr. Ehle, Mr. Hickey, and Mr. Bliss, what access do families have to work order history and home test results of hazards in their home, and if none, do you have any issues with sharing those with families going forward?

Mr. WILLIAMS. Residents have access to their work history through our software resident portal and/or app. In select circumstances where BBC contracts with an independent firm to perform testing, a member of our management team, and often a member of our health/safety/environmental staff, meet with the resident to review and provide an explanation of the data and results.

Mr. PICERNE. Currently, upon request we provide copies of work order histories to residents. In addition, if any tests are performed in a home, we provide copies of the tests along with a summary explanation of the test results, which is provided by the independent third party testing firm.

Mr. EHLE. Hunt residents currently have access to the work order history pertinent to their home from the time of their initial move-in through the time they move out. We are also putting in place additional measures to facilitate residents' access to their work orders.

Mr. HICKEY. Lendlease believe that residents should be informed about the homes they will be living in and are committed to providing information in a transparent and timely manner. At move in, all residents are provided the requisite disclosures regarding pre-existing environmental conditions and are educated about their associated management regimes in accordance with applicable laws and regulations.

Residents have full access to work order histories of their homes during the length of their residency. This information is available on the MilitaryCafe resident portal (both desktop and via an app) or upon request to the community and maintenance management teams.

Mr. BLISS. Families are able to track their work order histories online. If LMH identifies a current health or safety issue with a home, we share that information with the current resident.

9. Senator REED. Secretary McMahon, Secretary Beehler, Secretary Bayer, and Secretary Henderson, what steps have each of you taken over the past several years to ensure private housing companies are being held accountable where remediation efforts have failed and what forcing mechanisms do you have to ensure that MHPI partners are living up to their commitments?

Secretary McMAHON. As ASD(Sustainment), I have met three times with the housing privatization partner CEOs to ensure their commitment to the shared goal of providing safe, quality and affordable housing where servicemembers and their families will want and choose to live. Additionally, I have been working closely with the Military Department Assistant Secretaries to ensure that they are taking steps to reinvigorate their oversight of privatized housing projects, to include quality assurance, monitoring, and enforcement of performance requirements by privatization projects, and withholding of incentive fees and other forcing mechanisms provided for in the existing legal deal structures. I am also working with my staff to implement new performance metrics to better monitor Military Department oversight and privatization partner performance to help ensure that the Department addresses housing concerns raised by residents and keeps this commitment over the long-term.

Secretary BEEHLER. The Army is not aware of instances where remediation of unsatisfactory conditions deemed necessary by the Army has "failed." If such failure were to occur, however, the Army could decrement incentive fees or require the replacement of the responsible unresponsive Project Company contractors. For unresolved conditions creating a significant health or safety concern, the Army could also declare the Project Company in default of the Company's ground lease with the Army.

In order to improve MHPI performance and to ensure that MHPI partners continue to live up to their commitments The Army leadership has directed several initiatives:

1. Drafted a tri-service Tenant Bill of Rights in coordination with the Navy and Air Force.
2. Worked with the RCI Project Companies to eliminate non-refundable pet fees.
3. Suspended the RCI Energy Conservation Program.
4. Moved incentive fee approval to HQDA.

Secretary BAYER. Oversight and monitoring authority is set forth in 10 U.S.C. 2884 & 2885 and in associated legal agreements. The operating agreement of each PPV company defines the rights and responsibilities of the DON in the company. DON leadership exercises oversight of privatized housing projects with the aid of a "monitoring matrix" based on the PPV's obligations in each business deal. The managing member (or in one instance, the general partner) of each PPV company is tasked with management of the company. While the DON does not participate in the day-to-day management of these private companies, DON's daily interaction with these companies is the DON's first level of oversight and issue resolution. DON is specifically prohibited from managing the company except with regards to certain consent rights, and other specifically defined rights, such as the ability to initiate the process for replacement of the property manager. DON reviews and approves the annual budget and incentive fees, and can request reporting to provide oversight and make well-informed consents. In addition, DON can enforce performance from the privatized housing projects by engaging bondholders to work with the projects to meet the commitments under the project legal agreements. DON can also issue cure notices or use the court system, if needed, to seek resolution for poor performance.

Secretary HENDERSON. The Air Force has withheld performance incentive fees at Keesler, Tinker, and MacDill Air Force Bases for failures in their remediation efforts for mold. While not a formal mechanism, we have also placed both Hunt and Balfour Beatty Communities on corrective action plans due to performance failures by their maintenance teams that exacerbated the moisture and mold issues. The forcing functions at our disposal today include withholding of performance incentive fees, invoking the formal dispute process, and raising complaints with an enforcement agency such as the Environmental Protection Agency.

10. Senator REED. Secretary McMahon, Secretary Beehler, Secretary Bayer, and Secretary Henderson, how often are each of you paying out fees to housing companies and how often have each of you withheld from paying fees?

Secretary McMAHON. The Military Departments, as part of their respective oversight programs, are in a better position to respond to this question.

Secretary BEEHLER. Incentive Fees are typically paid quarterly in accordance with the project legal documents.

Prior to February 2019, the RCI Project Company would submit a request for the amount to be awarded. The installation housing office would validate the request and make a recommendation to the Garrison Commander. The Garrison Commander determines the appropriate incentive fee payment to the MHPI partner based on the agreed upon metrics, to include incentives paid and incentives withheld. The Office of the Assistant Secretary of the Army for Installations, Environment and Energy (ASA IE&E) transferred approval authority of the performance incentive fees to their office in February 2019 effective 2d quarter fiscal year 2019. As a result, incentive fees awarded and withheld with the reason why, will be tracked and monitored by ASA IE&E.

Secretary BAYER. Base fees to housing companies are paid monthly with the operating draw. Incentive fees are paid to housing companies on at least a semi-annual basis. Incentive fees are tied to performance measures and unearned fees go back into the project.

Secretary HENDERSON. Performance incentive fees are paid out quarterly by the project (not with appropriated funds) except for four projects (Robins I and II, Offutt and Dyess (off base site only)) which do not have performance incentive fees. In the past year, seven of ten project owners have seen reductions in their performance incentive fees.

11. Senator REED. Secretary McMahon, Secretary Beehler, Secretary Bayer, and Secretary Henderson, have any of you ever issued cure notices to elevate concerns to bond holders financing these MHPI projects (and if so, please detail)?

Secretary McMAHON. The MHPI project legal agreements between the private-sector project entity, private-sector partners, and the Military Departments are not contracts. As such there is no protocol for the Department to issue a cure notice to the partner or the respective bondholder representative.

Secretary BEEHLER. The Army has not issued a cure notice designed to elevate concerns to bond holders. At least one lower level cure notice has been issued to improve performance.

Secretary BAYER. Issuing cure notices is one of the tools available to DON. Cure notices are sent to the project owner, not the bond holders. DON would engage the bond holders when the project owner fails to remedy issues in a cure notice. Examples of cure notices sent include:

- 2007 June—NAVFAC HQ SVA letter to American Eagle Communities LLC (PACIFICNORTHWEST) to cure Operating Agreement Defaults
- 2010 July—NAVFAC PACIFIC letter to Hawaii Military Communities LLC on Asset Management Agreement deliverables
- 2011 December—NAVFAC HQ SVA letter to Lincoln Military Housing LLC on Norfolk Mold plan of action
- 2012 January—NAVFAC HQ SVA letter to South Texas Military Housing on Development Agreement and Ground Lease potential defaults

Secretary HENDERSON. Cure notices were issued to four military housing privatization initiative projects held by American Eagle early in the program for performance failures. American Eagle was not meeting its construction obligations during the initial development phase of the project. Ultimately, the projects were taken over by a new project owner, Hunt.

12. Senator REED. Secretary McMahon, Secretary Beehler, Secretary Bayer, and Secretary Henderson, what steps are each of you taking and what information are you providing to installation commanders to ensure they are holding housing companies responsible for timely and high-quality service to families?

Secretary McMAHON. As ASD(Sustainment), I am working closely with the Military Department Assistant Secretaries who directly oversee their respective privatized housing projects to establish near-term, mid-term, and long-term actions that the Department needs to take to address conditions in privatized housing, to include the need for Military Departments to reinstate quality MHPI training for installation commanders and housing staff regarding their responsibilities so that they are able to provide quality assurance, monitor and hold privatized housing projects accountable for providing timely, responsive, high-quality service and housing for servicemembers and their families. This includes understanding their authority to withhold incentive fees and other forcing mechanisms provided for in the

existing legal deal structures, or to raise significant concerns to high leadership, as appropriate.

Secretary BEEHLER. In order to re-establish its oversight of housing services and maintenance, the Army is re-establishing the number of personnel (an increase of 114) across its installations over the next two months to ensure that Quality Assurance and Quality Control is at or above levels utilized in the early years of the MHPI program. We will emphasize and educate our soldiers and families about the concerns and health impacts of indoor contaminants, resources available, and methods to report potential risks.

The Army has introduced enhanced quality assurance procedures to be conducted by Army Housing careerists that includes:

- a. Inspection of 100 percent of all homes having completed between occupancy maintenance to ensure families are moving into homes that have no outstanding maintenance issues
- b. Physical inspection of 100 percent of all maintenance work orders relating to life, health or safety issues.
- c. Contacting 5 percent of all residents who have had recently-completed work orders to determine if they are satisfied with the work performed. Army Housing Management staff will visit all of those expressing dissatisfaction with the maintenance conducted.
- d. Hosting quarterly town hall meetings for residents hosted by the Garrison Commander and including the MHPI partner attendance and participation.
- e. Establishing a Hot Line phone number which can be accessed by any housing resident should they prefer privacy to report any housing issue.
- f. Improving the training plan for Garrison Commanders, DPW staff, and Army Housing staff to ensure the appropriate training and certifications are obtained.

Secretary BAYER. On February 22, 2019, the commander, Navy Installations Command, directed all installation commanding officers to contact 100 percent of PPV residents informing them how to raise issues with their homes. Installation Commanding Officers also held town hall meetings to hear privatized housing residents' concerns first-hand. Within the DON, prospective installation leaders attend senior shore leadership training (Navy) and the Installation Leadership Management Program training (USMC) that includes a segment on privatized housing.

Installation housing managers support Installation commanding officers and executive officers in overseeing privatized housing. The housing installation program manager has the responsibility for resolving issues and/or escalating issues and concerns to installation leaders. Both Navy and USMC are reviewing their leadership and staff training on privatized housing oversight responsibilities and will modify this training as appropriate to address recent oversight concerns.

Secretary HENDERSON. The Air Force is collaborating with our Army and Navy counterparts on a Resident's Bill of Rights, to educate military residents on their rights when a project owner fails to correct health or safety problems. Senior Air Force leadership recently issued a letter reiterating and clarifying chain of command responsibilities to ensure the safety and welfare of our airmen. We are also increasing our current oversight policies and revitalizing local commander engagement in the oversight processes. We are reviewing manpower in the local Air Force housing management offices to ensure commanders have sufficient oversight resources. We will update our training on these new processes and oversight tools to the one-on-one training we provide commanders on privatized housing when they assume command.

13. Senator REED. Secretary McMahon, Secretary Beehler, Secretary Bayer, and Secretary Henderson, what authorities to installation commanders have to exercise oversight and how, if ever, have they been used?

Secretary MCMAHON. In general, installation commanders have authority and responsibility for day-to-day oversight and quality assurance regarding housing privatization project compliance with the ground lease and associated legal agreements. This includes responsibility for assessing project performance against metrics defined in the legal agreements, such as responsiveness to resident maintenance, and recommendations or approval regarding the withholding of any performance fees. The Military Departments, as part of their respective oversight programs, are in a better position to provide details regarding installation commander oversight authorities and how they have been used.

Secretary BEEHLER. Each MHPI project has a Ground Lease, which denotes specific authorities, including reinforcing the garrison commander's inherent responsibility for command and control. The Ground Lease also identifies the MHPI partner as responsible for providing safe and habitable homes to residents, establishes the

provisions for default, and the Contract Disputes Act as the method for settling disputes. Garrison commanders, as the local military representatives for the project, have the responsibility for ensuring compliance with the various legal documents covering requirements such as the Davis-Bacon Act, Municipal Services, National Historic Preservation Act (NHPA), and those authorities included in title 10 of the United States Code Sections 2884/2885. Compliance checklists are provided to the garrison commander to document and report on their oversight functions throughout the year and these are reviewed as part of the annual project Compliance Site Visit conducted by higher headquarters.

Secretary BAYER. Installation commanders have overall oversight of the program, and they are the primary advocate for servicemembers and their families living in privatized housing on DON installations. They are responsible for ensuring privatized housing at their installation meets DON and DOD policies and procedures. Installation Commanders report to Region Commanders, who are also held responsible for ensuring installations in their Region comply with DON and DOD policies and procedures.

Secretary HENDERSON. All of the Air Force's project documents expressly state that commanders retain all of their inherent authority to protect the life, health and safety of persons on their installations. Additionally, most commanders (32 of 63) have direct input and discretion into the performance incentive fees earned as part of their oversight and performance feedback. As we work to improve our oversight of the program, we will work to reach mutual agreement with our project owners to amend those agreements where commander input for performance incentive fees is not currently required. Our goal is for all 63 of our commanders to provide direct input and feedback into the performance incentive fees to be awarded to project owners.

14. Senator REED. Secretary McMahon, Secretary Beehler, Secretary Bayer, and Secretary Henderson, how many people in each of your departments are dedicated to the oversight of MHPI?

Secretary MCMAHON. Within my organization, the Office of the Deputy Assistant Secretary of Defense for Facilities Management [ODASD(FM)] provides oversight for the Military Housing Privatization Initiative. One civilian employee with contract support conducts this oversight as part of a broader range of duties.

Secretary BEEHLER. At the various headquarters levels the Army has 17 manpower authorizations dedicated to oversight of MHPI. The Deputy Assistant Secretary of the Army for Installations, Housing, and Partnerships (DASA IH&P) is resourced for 4 manpower authorizations and will be hiring one additional full-time employee. OACSIM Privatized Housing and Lodging Branch has 9 manpower authorizations. HQ IMCOM has 4 manpower authorizations. The Army Installation Family Housing offices currently have 104 manpower authorizations providing oversight for 49 MHPI projects. The installations are in the process of hiring additional manpower. By the end of May, IMCOM will have an additional 114 permanent positions filled to perform quality assurance and quality control of the 49 MHPI projects.

Secretary BAYER. The DON has a total of 191 positions dedicated to MHPI oversight. For the Marine Corps, there are approximately 46 people dedicated to the oversight of MHPI, most of whom are at the region and installation levels. The Marine Corps also funds approximately 17 additional positions at NAVFAC for their support and oversight of the business agreements. The Navy has 128 positions that support the MHPI program overall; 88 of these positions are at CNIC and are mostly at the installation-level; and, 40 positions are funded through NAVFAC for additional support and oversight of the business agreements.

Secretary HENDERSON. The Air Force has roughly 100 full time equivalents dedicated to the oversight of the Military Family Housing Privatization Initiative.

15. Senator REED. Secretary McMahon, Secretary Beehler, Secretary Bayer, and Secretary Henderson, how do each of you ensure that privatized housing companies are complying with all environmental, health and safety laws and regulations?

Secretary MCMAHON. As part of my oversight of the Military Housing Privatization Initiative, I've directed my staff to expand their monitoring of each Military Department's oversight of its respective housing privatization projects. This includes establishing metrics and collecting and reviewing data to ensure each Military Department is monitoring and ensuring project compliance with environmental, health, and safety laws and regulations, consistent with the project legal agreements. I defer to the Military Department Assistant Secretaries to explain their respective oversight measures.

Secretary BEEHLER. The Garrison Commander (GC) is responsible for ensuring privatized housing management companies are maintaining on-post housing at an acceptable standard of comfort and safety for servicemembers and their families through his/her installation support staff. The Director of Public Works (DPW) provides the bulk of installation support to the GC for environmental, cultural resources, safety, and housing.

The housing manager is responsible to the GC and DPW for all housing related issues on-post or as may be brought to them from off-post. The housing manager will coordinate with other DPW support staff on housing matters such as ensuring the partner environmental management plans are reviewed and approved or coordinating with the cultural resources offices for historical homes during renovations.

Secretary BAYER. Private housing partners are required to comply with all applicable federal, state, and local laws and regulations, including those related to environmental, health, and safety hazards. These requirements are generally included in the project ground leases and augmented by Environmental Management Plans or other legal agreements that are part of the MHPI project deal structure.

Partners are required to immediately notify the DON Installation Housing Office of any resident concern involving asbestos, carbon monoxide, lead based paint, radon, security, mold/water infiltration and pest infestation. Such environment, health and safety issues are documented by our Partners and addressed in accordance with hazardous material management plans, emergency/urgent/or routine maintenance service calls, depending on the severity and situation, and established action plans, including applicable laws and regulations.

In addition, DON requires the Managing Member to certify on an annual basis that:

The Managing Member is in compliance with the environmental requirements contained in the business agreements that are applicable to the Managing Member's activities on the leased premises, and that the Managing Member has all environmental permits (including air permits) or authorizations required for its operations under the ground lease or environmental laws.

2. The Managing Member has developed, implemented and is in compliance with all Environmental Management Plans (including, as applicable and without limitation, hazardous materials, pesticide management, storm water pollution prevention, lead based paint, and mold management) required pursuant to the ground lease, and has updated such plans from time to time as required by changes to environmental laws or at the reasonable request of the government.

Secretary HENDERSON. Our housing privatization projects include the broad requirement that project owners must comply with all applicable laws, which would include all environmental, health, and safety laws and regulations. If the Air Force becomes aware of non-compliance with a specific environmental, health, or safety law, we immediately engage with the project owner and, if necessary, the applicable regulatory authority to ensure that the issue is resolved.

In addition, the local housing management office provides day to day oversight to ensure compliance with specific performance requirements under the transaction documents, including those relating to maintenance and repair of housing units. Monthly reviews are conducted at the installation level between project owner and housing management office representatives using a compliance checklist. Quarterly Management Reviews take place between installation commanders and project owners. Annual site visits are conducted by the Air Force Civil Engineer Center to include review of all compliance checklists.

When necessary, senior Air Force leadership may engage project owners at corporate levels, withhold performance incentive fees, engage enforcement agencies, issue cure notices for performance failures, and initiate other formal dispute actions.

16. Senator REED. Secretary McMahon, Secretary Beehler, Secretary Bayer, Secretary Henderson, Mr. Williams, Mr. Piscerne, Mr. Ehle, Mr. Hickey, and Mr. Bliss, what legal recourse options do families have when they cannot resolve an issue with their housing and how often have you seen families exercise these options?

Secretary MCMAHON. Military families living in privatized housing are encouraged to report housing concerns to the privatized housing property manager, and then the government housing office on the installation, but they always have the option to elevate concerns to their installation commander or the Inspector General. The military legal office at their installation can help provide guidance regarding their legal options depending on the issue of concern. The Military Departments, as part of their respective oversight programs, can provide specifics in response to this question.

Secretary BEEHLER. Army leadership and chain of command are responsible for ensuring residents are satisfied with their housing. Dissatisfied residents have several avenues for recourse, including submitting complaints through Army leadership, their chain of command, the installation housing hot line, the Army housing office, or the MHPI partner.

We will continue to strongly encourage residents to take advantage of this process, as their satisfaction is the goal of the Army and our partners. Our military or civilian tenants have the same protection available to anyone living on the local rental market under the Fair Housing Act without having to face any fear of reprisals. Finally, if a family is unable to resolve an issue with a privatized housing company, they can bring legal action in a state or federal court that has jurisdiction over the parties. The Army has not tracked such litigation but is aware that such litigation has occurred several times in the past.

Secretary BAYER. Complaints arising out of PPV partner concerns are adjudicated in accordance with processes defined in the PPV/tenant agreement. A dispute is between the tenant and the landlord, the PPV partner. Legal Assistance attorneys assigned to DON Legal Service Offices are authorized to provide eligible PPV tenants with the same scope of services currently offered to eligible legal assistance beneficiaries engaged in housing disputes with non-PPV entities. These services include advising, consulting with, and negotiating on behalf of eligible tenants in PPV housing.

Secretary HENDERSON.

- The housing management office is the primary interface to assist residents in disputes with the project owner. This occurs on a daily basis.
- Residents may also seek their commander's support, who can independently exercise command authorities to ensure the health, welfare, safety, or security of Air Force families. This occurs when the housing management office has not been able to resolve the dispute with the project owner.
- The local housing management office or commander may elevate the dispute to the Air Force Director for Installations at the Air Force Civil Engineer Center, which may lead to direct engagement with the project owner at the corporate level and the use of informal and/or formal dispute process. This may include issuing cure notices, withholding performance incentive fees, and developing corrective action plans. It is rare for a resident to directly raise a concern to this level, but our addition of a toll free number to reach the Air Force Civil Engineer Center will likely change this paradigm.
- Residents can raise a complaint with federal, state, and local enforcement agencies. Projects have had "no-notice" inspections of lead-based-paint" programs brought on indirectly by resident complaints raised through the media.
- Tenants can independently take legal action in accordance with the tenant lease agreement and seek advice from the local base legal assistance office. We are aware of residents at four installations that have exercised their legal options and secured counsel at Tinker, Keesler, Los Angeles and MacDill Air Force Bases.

The Air Force Judge Advocate General has provided guidance to legal offices to educate tenants about the services available through military legal assistance, tenants' rights under leases and state law, and the process for filing claims.

Mr. WILLIAMS. Residents are able to address housing issues with the local housing management office/housing office administered by the service branches which oversee and monitor MHPI housing and/or with their local command. In addition, residents are able to raise legal concerns with their local legal assistance/JAG office or through the engagement of a private attorney. In addition, residents may file lawsuits against the landlord/project owner and property manager under relevant state and local law.

Mr. PICERNE. If a resident is dissatisfied with how a housing issue is being addressed by Corvias staff at the project, they are encouraged to contact our corporate leadership at our corporate office. Our military partners are also encouraged to bring housing related issues to their respective housing office, or installation/base leadership. If neither of those avenues result in resolution satisfactory to the resident, the resident may seek recourse through the appropriate legal avenues by (i) working with the military's lawyers, (ii) retaining a private lawyer, and/or (iii) filing a lawsuit.

Mr. EHLE. In the event that a resident has a complaint or dispute with the landlord, the resident can follow the dispute resolution procedures outlined in their lease, handbook, and resident guidelines. Hunt interacts with its residents via these procedures on a regular basis. Under the current procedures:

- The resident should raise the complaint or dispute with the neighborhood property management office.
- If the resident feels that the issue has not been adequately resolved by the neighborhood property management office, the matter will be immediately raised to the Landlord's Community Director.
- The resident may request a meeting with the Community Director and Housing Military Office ("HMO") to present their concern or dispute.
- If the resident feels that the issue has not been adequately resolved, HMO will elevate the request to the Installation Commander ("IC"). The HMO, IC, and the Landlord's Director of Operations will evaluate the issue and seek to resolve it within 30 days. The Landlord will notify the resident in writing of the final decision.
- If a resident is not satisfied, he or she may, at any time, seek to enforce his or her legal rights under the lease agreement as well as applicable law and standards. The resident may also retain independent legal counsel.

We are also working with our military partners to develop a consistent approach to the MHPI experience, including uniform lease agreements, resident guidelines, a Resident Bill of Rights and Responsibilities, and a uniform dispute resolution process that could be invoked by the landlord or the resident and would be incorporated as an addendum to the Resident Lease Agreement. We expect to seek the input of our residents before any proposal is adopted.

Mr. HICKEY. Residents can elevate their concerns in the first instance through several channels including;

- the Projects local Community Managers (responsible for the management of their neighborhood) as the first point of contact,
- then in escalation, Property Management Directors (who oversee the whole project).
- Additionally, Lendlease Project Directors at each site (overall responsibility for the entire Privatization on an installation) are directly and immediately accessible to residents.
- Further, the Government partner's local installation housing office, and military chain of command are other avenues for residents to raise their concerns,
- Resident lease agreements also have a *mediation clause*, a mechanism that residents can employ to formally seek and enter mediation via an independent arbitrator. In Lendlease's experience, it is a very rare occurrence where residents use this facility
- Generally, local State courts resolve landlord tenant issues, but there are some State courts who shy away from issues related to federal jurisdiction matters.

Lendlease is currently revisiting this structure, to implement a more effective complaints/arbitration process for residents and this is currently being finalized with the respective military partners.

Mr. BLISS. Families are able to legally enforce the terms of their resident lease through the local court systems. Although some residents have sought this recourse, LMH strives to resolve all issues with our residents before they feel that court proceedings are necessary. A critical component to effective resolution is communication. While we believe we provide quality housing to military families, LMH is exploring new ways to communicate with residents about service issues, especially mold prevention and remediation. While we encourage families to utilize the escalation process to ensure issues are resolved to their satisfaction, we never want a family to feel that they have to go somewhere else to have their concern heard. LMH commits to doing more to foster better lines of communication with residents. We welcome each residents' input into how we can improve our responsiveness to their concerns in a productive way. LMH has been working collaboratively with one of the military families that testified at the February 13 SASC hearing to develop reforms which will improve the experience of military families. We understand the urgency with which we must act to regain the trust of our servicemember families, and we look forward to working with SASC and our DOD partner to ensure a great living experience for our men and women in uniform and their families.

17. Senator REED. Secretary Beehler, what have been residents' response to the Army's efforts over the past six months to address concerns about lead-based paint in family housing?

Secretary BEEHLER. Resident responses have generally been positive over the last six months. Some feedback has been that residents are appreciative about the response to their concerns, are pleased with how the remediation is being managed, and the education provided by Army and Partner sources has been an eye-opener.

Most families welcomed the Army's additional inspection of their homes by EPA-certified staff as well as the sharing of the inspection results.

We received a few negative responses where a couple of partners did not confirm the visual findings with testing before they remediated the areas identified and some residents noted the appearance of a lack of urgency in mitigating the areas of visual findings identified during the inspections.

18. Senator REED. Secretary Beehler, how does the Army justify a 10 percent sampling of homes as an "enhanced" review and what is the Army doing to ensure all problems are being addressed, given the 60 percent hit rate at just those 10 percent of homes?

Secretary BEEHLER. The Army inspected Army-owned, privatized, and leased homes in response to concerns of environmental hazards in Army housing. USACE recommended the Army identify a random sample of pre-1978 homes with children 6 years of age or younger as this group is considered at higher risk by EPA. This 10 percent sample was the focus of the USACE effort.

The visual assessments were simply a snapshot in time of conditions. USACE did not see a value in more visual inspections beyond the first phase. USACE concluded the Army and the RCI Project Companies have procedures in place to manage hazards in the interior of the homes between occupants. Due to these procedures, USACE's review of the inspection results found little to suggest a risk to current occupants on the interior of the homes as long as encapsulated lead-based paint was not compromised.

USACE recommended the Army implement a robust monitoring program to manage potential hazards, address concerns identified during the visual inspections, regular interior and exterior inspections, establish and track inspections in Defense Occupational & Environmental Health Readiness System—Industrial Hygiene (DOEHS-IH), and foster an understanding of potential environmental hazards in housing through resident education as well as housing and garrison staff.

19. Senator REED. Secretary Beehler, many families at Fort Bragg have reportedly signed a petition demanding improvements to their housing. Have those issues been addressed, and if so, how have they been addressed?

Secretary BEEHLER. Army staff and Fort Bragg are aware of the petition and are working to address issues reported by residents. The Army is fully committed to taking care of soldiers and families and will thoroughly investigate all reported concerns.

20. Senator REED. Secretary McMahon, the Department's program evaluation report to Congress on MHPI is consistently late. For example, the report covering 2014 to 2016 was not delivered to Congress until the end of September 2018. Why are these MHPI evaluation reports so late and going forward do you commit to having them delivered on time?

Secretary McMAHON. We acknowledge the delays in providing the Department's program evaluation report to Congress, primarily due to resource constraints. However, we are implementing streamlined data collection and verification processes to expedite submission of this report in the future.

QUESTIONS SUBMITTED BY SENATOR RICHARD BLUMENTHAL

PRIVATE HOUSING COMPANIES

21. Senator BLUMENTHAL. Mr. Williams, Mr. Picerne, Mr. Ehle, Mr. Hickey and Mr. Bliss, the Military Family Advisory Network reported a disconnect between the experiences of military families in privatized housing, and company reports of resident satisfaction. Why is this disconnect so stark, and how do your companies plan to address it?

Mr. WILLIAMS. BBC agrees that the data resulting from these two sources raises questions. The MHPI projects, together with the military services, engage a third party survey organization, CEL, which is professionally accredited to conduct surveys and to provide analysis of the data.

There are stringent controls used by the third party to ensure that there are not duplicate responses by any one party; and are based on a strong forensic program to review response anomalies. Conversely, the Military Family Advisory Network performed a survey without any of these controls and without a formal analysis program.

Mr. PICERNE. The military service branches and the private partner firms engage independent, unbiased third party professional survey firms to conduct resident satisfaction surveys. By contrast, the Military Family Advisory Network (MFAN) is not an unbiased third party, nor is it a professional survey firm that can/should be counted on to create or administer resident satisfaction surveys. MFAN is a non-profit that was founded by a for-profit marketing and communications firm (Reingold) that pushes social media campaigns. The MFAN survey was flawed because (i) it was a completely “open” survey, meaning anyone could go on line and complete the survey, whether they lived in on-base military housing or not, and (ii) there was no limit to the number of times someone could complete the survey.

Mr. EHLE. Communication is an area that Hunt can improve with its residents. We understand that when residents report maintenance issues, keeping them informed of the maintenance response plan and process is empowering and makes them an integral part of the process. As with other areas, when we fall short in our communication goals, we take steps to fix it. As noted in response to question 1 above, we have recently undertaken to provide refresher or enhanced communication training for key personnel within the Hunt organization to improve our future communication efforts.

Hunt cannot speak to the methodology used by the Military Family Advisory Network in conducting its survey or the validity of its reported results. Nevertheless, any time Hunt’s performance falls short, Hunt takes action. We are committed to being responsive to the needs and concerns of our residents suggested by the survey report and, in particular, have continued to work directly with the affected families to address the issues they raised.

Mr. HICKEY. The MFAN survey lacks transparency to determine the valid authenticity of survey results. When the survey results were released there was, and still is, no transparency around the basic survey controls.

- Anyone could complete the survey multiple times (allowing distortion/manipulation)
- Anyone with the survey link could complete a survey, regardless of their connection to MHPI housing.

Based on the information Lendlease has received, MFAN received 16,779 completed surveys (8.8 percent response rate assuming one survey per MHPI household assuming one survey per person, which cannot be confirmed). This is compared to 82,170 received by CEL (43.2 percent response rate). CEL provides one survey link to and accepts one survey response from each MHPI household (190,006 surveys distributed in 2018). That is why Lendlease credits the results of the CEL survey over those from the MFAN survey.

For additional information on the background of each survey and disparities between the two, please see the attached CEL & Associates, Inc.’s Military Housing Partner Briefing to Hon. Robert McMahon from March 8, 2019.

Mr. BLISS. LMH is not familiar with the survey process utilized by the Military Family Advisory Network and so is unable to speculate on whether those survey results are accurate or on the specific reasons for the difference in results from surveys conducted of LMH’s residents. LMH believes that the best way to resolve any confusion regarding the level of satisfaction with military family housing would be to initiate a carefully monitored survey conducted by a third-party service provider across all military branches.

22. Senator BLUMENTHAL. Mr. Williams, Mr. Picerne, Mr. Ehle, Mr. Hickey and Mr. Bliss, who provides oversight of housing management and maintenance? Is oversight primarily conducted by your companies, or by various military services?

Mr. WILLIAMS. The Department of Defense and relevant branch of armed service for our MHPI projects regularly monitor and assess our performance and adherence to MHPI project agreements, including housing management and maintenance. While the types of processes vary by armed service branch, each have implemented a variety of weekly, monthly, quarterly, semi-annual, annual and ad hoc forms of review and reporting. With respect to BBC, organizationally we maintain: (i) local on-site community and facility managers who oversee leasing administration and facilities maintenance staff; (ii) regional community managers and regional facility managers who oversee local project staff within their assigned region; (iii) Vice Presidents who monitor the regional and local staff and report directly into senior management executives at BBC’s corporate office; and (iv) senior and executive level management which monitors the entire MHPI portfolio, and includes subject matter experts dealing with operations, training, legal/compliance, and health, safety and environmental training and administration.

While day-to-day oversight of the housing operations is administered and managed by BBC (by design and purpose of the MHPI program), BBC views each of its housing projects as true partnerships with the service branches. The service branches (i) receive monthly, quarterly and annual reports from BBC regarding project operations, (ii) review and approve annual project budgets, including capital repair/replacement plans with respect to the housing operations, (iii) frequently hold “partner” meetings with BBC and other developers to discuss and address relevant topic affecting the MHPI program; and (iv) perform their own review, assessment and inspections of housing operations, housing conditions, resident survey results, and compliance with law and MHPI project agreements.

Mr. PICERNE. On our military housing partnership projects, oversight is provided by representatives of both parties to the partnership—Corvias and either the Departments of the Army and the Air Force.

For the military service branch partner, oversight is provided at, both at the local installation/base level and at the Pentagon level, through a combination of uniformed and civilian staff as well as third party consultants who are engaged in a variety of expert capacities. For Corvias, oversight is provided at both the local installation and corporate level. In addition, the partnerships engage independent third parties for a variety of oversight and inspections, including construction code compliance, financial compliance, and health and safety compliance.

Mr. EHLE. Our military partners have multiple controls in place to oversee and monitor Hunt’s performance, and we encourage such engagement. Hunt is subject to reporting and inspection requirements that occur on weekly, monthly, quarterly and annual bases. Our military partners have access to our maintenance software, Yardi, and can review work orders and survey responses. They are also able to inspect homes and follow up directly with residents. Each of our military partners has its own unique requirements for reporting and inspection. Please see the response to question 107 below for additional detail.

Mr. HICKEY. At the program level, the first line of military oversight is the Local Installation Housing Office. These military housing professionals are coordinating daily with the installation and the Project Company and report performance up through their chains of command. Housing offices for all service branches, report to both the installation command and the Service’s installations management authority, each of which oversee Project Company performance.

The respective Military Services retain governance oversight and control over all major decisions impacting each Project Company. This is formalized in the contractual rights outlined in the various project documents. Lenders, bondholders and others with financial interests also exercise a high degree of control over the Project Companies’ operations (including scope changes and financial investments of Project Company funds, for example) and have significant rights under the financing documents.

In addition to monitoring and oversight conducted by the Military Services through contractual agreements and processes, independent construction consultants provide oversight on major property development and construction activities, including independent review and approval of construction progress and pay applications. The Project Companies’ assets and operations are also subject to inspection by Federal, Military Services and certain State regulatory authorities.

Mr. BLISS. There are many monitoring and oversight mechanisms built into each of our PPV business agreements. Our DOD partners regularly monitor and assess our performance and adherence to the various PPV business agreements. The PPV documents outline a number of financial, legal, environmental and governmental reporting controls that govern the operation of the PPVs. These controls include, but are not limited to: (a) government approval of major decisions; (b) government approval of annual operating and renovation budgets; (c) government review of financial information, occupancy reports, service request summaries, and reserve account funding activity; and (d) government assessment of community appearance and property manager’s performance. A portion of our compensation for services depends upon our satisfactory completion of our work. Below we list some of the ways in which the provisions for oversight included in the PPV business agreements are put into action on a day-to-day basis:

- *Government partner access to resident service records:* The Departments of the Navy and Army have each been afforded 24-hour/7-days a week online access to the Yardi System (*i.e.*, LMH’s property management tracking software). This access allows the DOD partner to view resident data, including but not limited to resident service request status/completion, make-ready status/completion, and comments regarding resident satisfaction. The Yardi System also allows the DOD partner to filter for service related to various specific areas of concern including mold-related service requests. In addition to being tracked in and avail-

able to the DOD partner through the Yardi System, separate notification is provided to the applicable military branch partner for any resident displacements.

- *Government inspection of PPV property:* The DOD partner conducts announced and unannounced inspections of the PPV's housing communities. The applicable military branch partners also have the right to inspect any housing unit with minimal advance notice (for occupied units, the resident must be present in the unit for said inspection to occur).
- *Financial information shared with government:* Each PPV provides the applicable military partner monthly "Flash Reports" (Navy/Marine Corps) or "Dashboards" (Army) that summarize occupancy levels, expenses (detailed variance analysis), performance with regard to completion of resident service requests and completion of turn-over/make ready units, reserve account funding, etc. In addition, each PPV provides quarterly reporting to the applicable service branch, which includes construction activity updates, reporting on Flag/Executive housing units, operational highlights and other items as may be requested by the applicable military partner. Detailed budget submissions (both operating and capital) are presented to the applicable military partner annually for their approval. Annually, each of the PPVs' updated 5-year plans are reviewed by the applicable military partner. The applicable military partners also receive copies of the annual financial audits, monthly account reporting to the Trustees (inflows and outflows of various accounts related to the PPVs) and monthly financials which are also sent to Bondholders, Trustees and Credit Providers for the applicable PPVs.
- *Meetings between the Government and Private Partner:* There are scheduled as well as informal meetings (in person or via conference call) that occur on a weekly to monthly basis with Headquarters, Regions (Federal personnel, Flags), Bases, NAVFAC (Navy Partner), and the Army.
- *Specific Navy reporting includes, but is not limited to:* Based upon findings and inspections, the Navy submits monthly, quarterly and annual reports to the applicable oversight divisions within the Navy (LANT and SVA) which oversee the entire privatized housing program. In addition, a Monitoring Matrix (oversight of all aspects of the applicable PPV, including property inspections) is continually updated and presented/completed annually to/by LANT and SVA. A breakdown of these reports is as follows:
 - Monthly Operating Reports
 - Quarterly Operating Reports
 - Annual Program Evaluation Reports (Congressional report)
 - Condition Assessments—environmental and property management review via regular neighborhood visits
 - Monitoring Matrix—ongoing annual report on property management, development, financial, and environmental oversight
 - YARDI access by Navy Partner
 - Service branch notifications on all resident displacements
 - Local Navy housing representatives on site at all installations for day-to-day oversight
 - Navy ad-hoc site visits to check on the specific issues for the properties
 - Annual Resident Satisfaction Surveys
 - Ongoing case-by-case interpretation and compliance with all PPV obligations
- *Specific Army reporting includes, but is not limited to:*
 - *Daily*—Army verifies a sampling of work (inspecting) for move-in and move-out inspections, make ready, and renovations.
 - *Weekly*—Army verifies a sampling, via phone calls, residents' maintenance satisfaction, move-in satisfaction, move-out satisfaction, and office service satisfaction. Army also verifies renovations, a sampling of lead based paint repairs, and capital work. LMH meets at least weekly, and often daily, with Army (RCI) regarding any issues that arise.
 - *Monthly*—Army performs neighborhood drive through and walks, Davis-Bacon wage inspections, and renovation inspections. Army consultant, Jones Lange LaSalle (JLL), and analysts for the Army's Office of the Assistant Chief of Staff for Installation Management (ACSIM), review applicable PPV reports and financials. Army/Installation Management Command (IMCOM) and ACSIM review all monthly "Dashboard Reports" delivered to Army (RCI).

- *Quarterly*—Army performs maintenance shop inspections and reviews results from the J. Turner Resident Satisfaction Survey. Army, IMCOM, and ACSIM review the Portfolio Asset Management report. Incentive fee submissions are reviewed by RCI, ASA and the Garrison Commander before approval. Additionally, a quarterly Portfolio Evaluation Report/Plan monitoring matrix (highlights project progress and status during the relevant period) is prepared for the Army.
 - *Annual*—Army conducts separate project site visits by Army representatives, and the IMCOM/ASA and United States Army Corps of Engineers (USACE) conduct ground lease inspections. Annual CEL Army survey is conducted. Annual Army survey by IMCOM/ACSIM is performed. Annual budgets are reviewed and approved by Army, IMCOM, ACSIM, and JLL.
 - *Every 2 years*—Army performs a wounded warrior home inspection.
 - *Environmental Oversight:*
 - *Navy:* Annually, each PPV submits an Environmental Disclosure Report (called the “LLC Environmental Submittal”) to NAVFAC, which summarizes environmental permits, any notices of violations received from regulatory agencies, any spill incidents, abatement projects, copies of any updated environmental plans, and other information concerning radon, pesticides, and cultural resources for the year. In addition, annually, the Navy performs a condition assessment, which includes and environmental oversight inspection of representative properties in each PPV. The Navy checks for complete/accurate tenant lease addenda relating to environmental conditions, water intrusion ticket spot checks, environmental plans/updates, and completes a visual inspection of the hazardous materials storage areas. The Navy includes this information in their overall condition assessment reporting.
 - *Army:* The JBLM and Fort Sam PPVs fall under the base’s environmental program relating to hazardous materials management and are inspected regularly. The JBLM and Fort Sam PPV management plans require particular oversight for property management and development, which include various inspections by the Army. The Army follows an inspection checklist to monitor make ready, work orders, development/capital activities and property inspections based on our management plans. Our PPVs are also subject to the oversight of and regulation by other Federal, state, and local authorities. For example, if there is an environmental permit in place, the applicable local/state/Federal agency may inspect according to the requirements of the permit. In addition, if an ACM or LBP abatement project is underway, the regulating agency may come to inspect at their discretion.
- Beyond government oversight, LMH proactively takes steps to ensure it is using best practices with regards to environmental compliance. These steps include, without limitation: (a) annual environmental training for all maintenance and management staff; (b) maintenance center inspections by construction/LMH environmental services department at least twice annually; (c) annual visual inspection of at least 10 percent of housing units with LBP/ACM; and (d) third-party consultant oversight of projects involving LBP/ACM.

Oversight of the project is primarily conducted by the PPV and its contractors, but our military partner plays an active role in oversight as well.

23. Senator BLUMENTHAL. Mr. Williams, Mr. Picerne, Mr. Ehle, Mr. Hickey and Mr. Bliss, when military families lodge complaints or request maintenance assistance, how long does it take for complaints to be addressed?

Mr. WILLIAMS. Once a work order request made by a resident is received, BBC staff respond to it based on the appropriate service level priority (emergency, urgent, routine). Based on the service level priority assigned, generally a response must be addressed within one hour for emergency matters, within four hours for urgent matters and within 8 business hours for routine matters.

With regard to work order requests placed by residents after regular business hours, we assign “on-call” duty to BBC maintenance staff to ensure an appropriate response regardless of the time of day. It is BBC’s policy that all emergency and urgent work order requests made by residents also receive a follow-up satisfaction call.

Mr. PICERNE.

	Emergency 1		Emergency 2		Emergency 3		Urgent		Routine	
	Response Time (Hrs)	Expected Completion Time (Hrs)	Response Time (Hrs)	Expected Completion Time (Hrs)	Response Time (Hrs)	Expected Completion Time (Hrs)	Response Time (Hrs)	Expected Completion Time (Hrs)	Response Time (Days)	Expected Completion Time (Days)
APG	1	24	4	24	8	24	72	72	3	10
Ft. Bragg ...	1	24	4	24	8	24	48	48	3	6
Ft. Meade ..	1	24	4	24	8	24	48	48	3	10
Ft. Polk	1	24	4	24			48	48	3	6
Ft. Riley	1	24	4	24	8	24	72	72	3	10
Ft. Rucker	1	24	4	24	8	24	72	72	3	10
Ft. Sill	1	24	4	24	8	24	72	72	3	10

Mr. EHLE. Resident reports and requests are assigned into one of three categories: emergency, urgent, or routine. On average, Hunt responds to emergency reports or requests within one hour, urgent reports or requests within four hours, and routine reports or requests within three days. Hunt emphasizes, however, that these numbers are rough averages and that response times vary on a case-by-case basis.

Resident reports and requests are assigned into one of three categories: emergency, urgent, or routine. Hazards to health and safety are treated as emergencies.

Mr. HICKEY. As stipulated in project business agreements, property management is required to respond to service order requests within a specific amount of time by service order category: Emergency, Urgent, or Routine. Service orders are opened upon receipt and remain open until all work has been completed (which spans response to and “arresting” the initial issue as well as all subsequent and follow-on requirements). These response and completion times are typically:

Emergency: Response within 1 hour, Completion—Service orders remain open until full completion of the original issue prompting the emergency as well as all follow-on and subsequent requirements.

Urgent: Response within four (4) to twenty-four (24) hours (depending on operating documents of the project), Completion—Service orders remain open until full completion of the original issue prompting the urgent call as well as all follow-on and subsequent requirements.

Routine: Response is typically three (3) to five (5) days (depending on the operating documents of the project), Completion—Typically within three (3) to ten (10) days (depending on the operating documents of the project).

In 2018, the on-time response rate was 95 percent and the on-time completion rate was 97 percent.

Mr. BLISS. As soon as a call comes in, the work order is classified as either Emergency, Urgent, or Routine. Any call relating to health and safety is classified as an Emergency and is responded to within 30-minutes. Any call that is classified as Urgent is responded to within 4-hours, and any call that is classified as Routine is responded to within 24-hours. The average completion time for a maintenance issue is one (1) day.

24. Senator BLUMENTHAL. Mr. Williams, Mr. Picerne, Mr. Ehle, Mr. Hickey and Mr. Bliss, do customers have a means to track their requests and work orders?

Mr. WILLIAMS. Residents are able to submit, manage and track service requests and work orders online or through a mobile app.

Mr. PICERNE. Corvias is in the process of introducing a new property management software that includes ways for residents to track their work order requests, including an app that will greatly improve the residents’ ability to submit and track work order requests remotely using an app on their electronic devices such as mobile phones.

Mr. EHLE. When a resident calls in or submits a maintenance request online, the resident is provided with a work order number. Residents can call or email their property management office to obtain a status update on the work order. Residents are also able to access the work order history pertinent to their home from the time of their initial move-in through the time they move out.

Hunt is in the process of testing solutions that would allow additional means by which residents can check the status of a work order. For example, we are testing a mobile application that would enable residents and maintenance personnel to track a work order or other maintenance request in real-time on their mobile devices.

Mr. HICKEY. As mentioned in response to question 8, Residents can utilize the Military Cafe app and online portal on the property website to submit work order requests and track their progress. Residents have access to work order status, completion information, and details about the work order.

Mr. BLISS. Yes. Families are able to track their work order histories online.

25. Senator BLUMENTHAL. Mr. Williams, Mr. Picerne, Mr. Ehle, Mr. Hickey and Mr. Bliss, what is the average timeline to address housing concerns?

Mr. WILLIAMS. Once a work order request made by a resident is received, BBC staff respond to it based on the appropriate service level priority (emergency, urgent, routine). Based on the service level priority assigned, generally a response must be addressed within one hour for emergency matters, within four hours for urgent matters and within 8 business hours for routine matters.

With regard to work order requests placed by residents after regular business hours, we assign “on-call” duty to BBC maintenance staff to ensure an appropriate response regardless of the time of day. It is BBC’s policy that all emergency and urgent work order requests made by residents also receive a follow-up satisfaction call.

Mr. PICERNE.

	Emergency 1		Emergency 2		Emergency 3		Urgent		Routine	
	Response Time (Hrs)	Expected Completion Time (Hrs)	Response Time (Hrs)	Expected Completion Time (Hrs)	Response Time (Hrs)	Expected Completion Time (Hrs)	Response Time (Hrs)	Expected Completion Time (Hrs)	Response Time (Days)	Expected Completion Time (Days)
APG	1	24	4	24	8	24	72	72	3	10
Ft. Bragg ...	1	24	4	24	8	24	48	48	3	6
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Ft. Riley	1	24	4	24	8	24	72	72	3	10
Ft. Rucker ..	1	24	4	24	8	24	72	72	3	10
Ft. Sill	1	24	4	24	8	24	72	72	3	10

Mr. EHLE. Resident reports and requests are assigned into one of three categories: emergency, urgent, or routine. On average, Hunt responds to emergency reports or requests within one hour, urgent reports or requests within four hours, and routine reports or requests within three days. Hunt emphasizes, however, that these numbers are rough averages and that response times vary on a case-by-case basis.

Mr. HICKEY. As stipulated in project business agreements, property management is required to respond to service order requests within a specific amount of time by service order category: Emergency, Urgent, or Routine. Service orders are opened upon receipt and remain open until all work has been completed (which spans response to and “arresting” the initial issue as well as all subsequent and follow-on requirements). These response and completion times are typically:

Emergency: Response within 1 hour, Completion—Service orders remain open until full completion of the original issue prompting the emergency as well as all follow-on and subsequent requirements.

Urgent: Response within four (4) to twenty-four (24) hours (depending on operating documents of the project), Completion—Service orders remain open until full completion of the original issue prompting the urgent call as well as all follow-on and subsequent requirements.

Routine: Response is typically three (3) to five (5) days (depending on the operating documents of the project), Completion—Typically within three (3) to ten (10) days (depending on the operating documents of the project).

In 2018, the on-time response rate was 95 percent and the on-time completion rate was 97 percent.

Mr. BLISS. As soon as a call comes in, the work order is classified as either Emergency, Urgent, or Routine. Any call relating to health and safety is classified as an Emergency and is responded to within 30-minutes. Any call that is classified as Urgent is responded to within 4-hours, and any call that is classified as Routine is responded to within 24-hours. The average completion time for a maintenance issue is one (1) day.

26. Senator BLUMENTHAL. Mr. Williams, Mr. Picerne, Mr. Ehle, Mr. Hickey and Mr. Bliss, is there a system to triage these complaints based on urgency and severity?

Mr. WILLIAMS. Once a work order request made by a resident is received, BBC staff respond to it based on the appropriate service level priority (emergency, urgent, routine). Based on the service level priority assigned, generally a response must be addressed within one hour for emergency matters, within four hours for urgent matters and within 8 business hours for routine matters.

With regard to work order requests placed by residents after regular business hours, we assign “on-call” duty to BBC maintenance staff to ensure an appropriate

response regardless of the time of day. It is BBC's policy that all emergency and urgent work order requests made by residents also receive a follow-up satisfaction call.

Mr. PICERNE. On a quarterly basis our teams summarize all work orders submitted, broken down by category, and analyze a) if there are recurring issues that need to be addressed, b) if there are any challenges with response times related to particular issues and/or work order categories, and c) determine how we introduce process improvements in our work order response.

Mr. EHLE. Resident reports and requests are assigned into one of three categories: emergency, urgent, or routine. Hazards to health and safety are treated as emergencies.

Mr. HICKEY. As discussed in response to question 23, all service orders are assigned a response category of Emergency, Urgent or Routine based on the severity and nature of the issue. There are guidelines that identify the appropriate classification of each service order.

Mr. BLISS. Yes. We prioritize the work orders in order of urgency, based on the substance of each request. As soon as a call comes in, the work order is classified as either emergency, urgent, or routine. Any call relating to health and safety is classified as an emergency and is responded to within 30-minutes.

27. Senator BLUMENTHAL. Mr. Williams, in your testimony, you state that Balfour Beatty invites "local Army, Navy, and Air Force housing partners to accompany our staff when inspecting the home to ensure any problems are being adequately addressed with input from the Service partners." How often do service partners conduct this oversight? Should the military services be required to accompany your staff when surveying housing conditions?

Mr. WILLIAMS. A chart identifying monitoring and assessment processes, shown by armed service branch, is provided along with this letter.

BBC welcomes active participation by the military services in the surveying of housing conditions at its MHPI project locations. See Exhibit A which identifies active monitoring and assessment procedures currently employed by the military services. Retained in Committee files.

28. Senator BLUMENTHAL. Mr. Williams, in your testimony, you also mention that Balfour Beatty has created the position of Resident Engagement Specialist to provide customer engagement and ensure residents are receiving responses to questions and concerns. When was this position created, and what kind of outreach was conducted to make sure that military families are aware of the support available to them by the Resident Engagement Specialist?

Mr. WILLIAMS. The Resident Engagement Specialist position was created by BBC in January 2019. The first formal hiring and staffing of this position occurred in February at West Point. BBC is currently recruiting and hiring Resident Engagement Specialists at its properties around the country with a goal to drive greater resident communications and satisfaction. When this position is staffed an email announcement/introduction is sent to each resident and also posted to our Facebook®, which indicates how residents may contact the Resident Engagement Specialist directly (such as via email and telephone). This position is also in attendance at Townhalls, Neighborhood Huddles and all other resident events. When they are not meeting with residents, they will be spotted going through neighborhoods at popular meeting places like the school bus stop and playgrounds to engage and elicit informal feedback from residents.

29. Senator BLUMENTHAL. Mr. Williams, what role does the Resident Engagement Specialist play in ensuring timely responses to concerning maintenance and housing condition concerns?

Mr. WILLIAMS. The Resident Engagement Specialist is charged with aiding customers with service-related questions; and they will continuously identify opportunities to improve the resident experience. The Resident Engagement Specialist also will be tasked with monitoring resident needs and obtaining their feedback.

DEPARTMENT OF DEFENSE OFFICIALS

30. Senator BLUMENTHAL. Secretary McMahon, when did you first learn of these problems with private company abusing military families? Did any of your predecessors know of this problem? If yes, when did you or any of your predecessors learn of the cases we heard from in testimony before the committee?

Secretary MCMAHON. My predecessor first learned of the issues regarding lead and mold in December 2017 when Ms. Crystal Cornwall from the Safe Military

Housing Initiative provided information to OSD. This information was forward to the Military Departments for resolution. The Reuters articles, the first of which was published in November 2018, identified resident issues warranting immediate attention, with more extensive and wide-ranging resident concerns subsequently surfacing.

31. Senator BLUMENTHAL. Secretary McMahon, Secretary Beehler, Secretary Bayer, and Secretary Henderson, who provides oversight of housing management and maintenance? How do the relationships between DOD, military services, and various private housing companies differ across the country? Should we be working toward more standardized contracts and oversight processes?

Secretary MCMAHON. The MHPI partners provide direct daily oversight of each project's property management service provider that is responsible for all aspects of housing management and maintenance; Military Department government housing staff provide daily oversight of the MHPI project from a programmatic standpoint including resolution of housing issues and resident concerns. The Government housing office is the first line of Military Department oversight of a privatization project's housing management and maintenance, with direct daily interaction with the privatization partner's team at the installation. The Military Departments, under the project legal documents administered by their respective oversight programs, have certain rights with regard to decisions made by the project related to the housing manager. These controls can include such items as operating budget reviews, incentive fee awards, capital expenditures, and reinvestment account expenditures. These rights include replacement of the housing management and maintenance firm by the project for poor overall performance, a right that the Military Departments have exercised in the past.

Secretary BEEHLER. Oversight of housing management and maintenance is provided at various levels. HQDA performs RCI project and program portfolio performance oversight management and monitors each privatized project through reviews of monthly, quarterly, and annual reports as well as compliance visits and special purpose reviews. USACE Norfolk visually inspects a sampling of homes and the area specific to the ground lease during annual compliance reviews. Army Material Command (AMC) provides oversight of the work order process and all execution actions to improve the quality of the homes. IMCOM HQs provides installation level operational asset management oversight support and conducts review of reports and annual site visits of each project to ensure compliance with all Army requirements. The Garrison Commander has the responsibility for ensuring compliance with the various legal documents covering requirements and those authorities included in title 10 of the United States Code Sections 2884/2885 as well as the day-to-day interests of the Army.

The Services implemented the MHPI program differently through partnership agreements or through contractual methods. There are different requirements by state that cause the resident leases to differ. Other differences include wait list management, referral processes, and oversight.

The Army agrees that more standardization in our partnerships and in our oversight processes to improve housing for our servicemembers and their families is needed. A few things we are standardizing is the Tri-Service Bill of Rights (currently in draft), developing a common MHPI tenant lease that is augmented by addendums, identifying and sharing best practices, making work orders status and progress visible and transparent, developing a process to potentially withhold rent until life, health, and safety issues are resolved, and evaluating the annual resident survey for additional areas for improvement. Supporting documents have been retained in Committee files.

Secretary BAYER. Oversight and monitoring authority is set forth in 10 U.S.C. 2884 & 2885 and in associated legal agreements. The operating agreement of each PPV company defines the rights and responsibilities of the DON in the company. DON leadership exercises oversight of privatized housing projects with the aid of a "monitoring matrix" based on the PPV's obligations in each business deal via personnel in CNIC and MCICOM housing offices and NAVFAC Business Agreements Managers. DON is actively working with OSD, Army and Air Force on initiatives that include common lease language and a resident bill of rights to create a more consistent privatized housing experience across the DOD.

Secretary HENDERSON. Project owners are responsible for providing quality control over their management and maintenance activities. The Air Force provides quality assurance over these functions using a variety of tools.

- The local housing management office provides day to day oversight and evaluates random samples of the project owner's work to ensure the project owner's

quality control function is effective and maintaining compliance with all requirements of the transaction documents;

- Monthly reviews of metric data and compliance checklists are conducted at the installation level between project owner and housing management office representatives;
- Quarterly Management Reviews of metric data are conducted between installation commanders and project owners; and
- Annual site visits are conducted by the Air Force Civil Engineer Center Installations Directorate to evaluate project owner compliance with transaction documents.
- For Air Force projects, the oversight process is centralized and standardized across the portfolio.

32. Senator BLUMENTHAL. Secretary McMahon, Secretary Beehler, Secretary Bayer, and Secretary Henderson, for each service branch, what is the role of the installation commander in overseeing private sector housing projects? Is there a conflict of interest in the installation commander having direct influence over privatized housing companies?

Secretary MCMAHON. The Military Departments are in a better position to respond to this question.

Secretary BEEHLER. Garrison Commanders and the Senior Military Member assigned to Army Garrison Commander equivalent positions on Joint Bases are appointed by the Deputy Assistant Secretary of the Army for Installations, Housing and Partnerships (DASA (IH&P)) as the Army's senior representative (Designated Member) for the RCI project entity Limited Liability Company/Limited Partnership (LLC). The Garrison Commander/Designated Member is responsible for installation level day-to-day asset management oversight for RCI project execution. The Garrison Commander acts as the Secretary of the Army's local representative for coordination of Major Decisions submitted for the Army's consideration.

There is not a conflict of interest. The Garrison Commander/Designated Member's authority is limited to specific actions as delegated by the DASA IH&P, and defined within the legal framework of the RCI Limited Liability Company (LLC) (or Limited Partnerships) structure for each RCI project. The Garrison Commander/Designated Members shall not authorize health and welfare inspections, participate in RCI project eviction decisions, or influence housing assignment process.

Secretary BAYER. There is no conflict of interest. The DON Installation Commander is the primary person responsible for overseeing the housing program on their base, and for ensuring that the housing concerns of its servicemembers are addressed. The DON Installation Commander works through their housing office and DON's Business Agreement Manager to address issues with the PPV's Property Manager or Managing Member.

Secretary HENDERSON. The installation commander is responsible for the health, safety, and morale and mission effectiveness of the personnel under his or her command. The installation commander partners with the project owner's site lead. The housing management office reports to the installation commander, provides the day-to-day oversight, and advises the commander on housing issues. The commander provides a quarterly evaluation to provide feedback to the project owner on the program—on several projects this evaluation is also part of the incentive fee structure. The commander coordinates on the annual budget, sustainment, and reinvestment plans. Finally, commanders may independently exercise their command authorities to ensure the health, welfare, safety, or security of Air Force families living in privatized housing, although this authority is limited to directing Air Force action and does not include the right to direct project owners to take action.

We do not believe these activities are a conflict of interest, but are essential for the commander to execute his or her responsibilities to protect the health, safety, morale, and mission effectiveness of the personnel under his or her command.

33. Senator BLUMENTHAL. Secretary McMahon, Secretary Beehler, Secretary Bayer, and Secretary Henderson, how are the various service branches ensuring that military installations have a strong military community when the military no longer owns houses in these communities? What improvements should be made to enhance the experiences of military families living in privately-owned housing?

Secretary MCMAHON. The DOD overall has many programs and services in place for the military families on a military installation, anchored by the community of military families living on the installation in MHPI housing. The Military Departments are in a better position to provide further responses on potential improvements.

Secretary BEEHLER. For the Army, a community is more than just the homes. It is about the streets, the parks, the landscape, and the activities. It is having a place for residents to feel like they belong. Our RCI Project Companies provide community centers for residents use to have neighborhood meetings, to have kids' playtime, or mommy and me meetings. The RCI Project Companies typically go above and beyond the requirements of the project legal documents to host monthly and quarterly events to create a sense of welcome and belonging such as Mother's Day Spa day, Father's Day Bowling, Back-to-School Bash, and Christmas parties where kids can make things to give as gifts. The RCI Project Companies also work with the installations for National Night Out events, Easter Egg Hunts, or developing neighborhood watches. The RCI Project Companies also give back through Thanksgiving Dinner giveaways and Scholarships to residents. It is also about giving the residents the ability to collaborate on what is happening within the housing community from activities such as hosting a block party through the Housing Mayor Program to community design such as a dog park. The RCI Project Companies provide outreach services to servicemembers and their families during times of crisis and natural disasters.

The Army will continue to support the existing activities and events sponsored by the RCI project companies and ensure that residents and Army leadership are more involved. We can assist in publicizing these activities and events by increasing awareness through social media.

Secretary BAYER. The DON is executing short- and long-term actions to increase oversight of PPV housing through routine boots on the ground and resident follow-up, spot checks, continued town halls, education, increased leadership engagement, and continued communications with all stakeholders. We look forward to working with Congress to identify additional authorities that may aid in improving the experiences of our military families living in privatized housing.

Secretary HENDERSON. The success of privatized housing was built on the premise that project owners must provide housing desirable to the military members. The requirement in our agreements to first offer a preference in renting of homes to Active Duty families assigned to the installation and resident satisfaction surveys are essential in monitoring the health of the community. Where these tools indicated a project was failing to meet the needs of military families, the Air Force Civil Engineer Center and the installation leadership team engaged with the project owners in those areas that were deficient. However, we have learned these tools alone are not effective. One of the improvements we will be implementing is the use of Resident Councils to provide direct feedback to installation commanders and project owners on the military community needs. We are also adding resident interviews and sensing to our oversight tools. These additional tools will help focus Air Force engagement with project owners and inform Air Force decisions with regard to the project operating budget, sustainment, and reinvestment activities.

34. Senator BLUMENTHAL. Secretary McMahon, Secretary Beehler, Secretary Bayer, and Secretary Henderson, what changes are necessary for existing MHPI authorities to ensure that contractors are held accountable for substandard housing?

Secretary MCMAHON. MHPI partners are not DOD or Military Department contractors. Under the MHPI, Military Departments conveyed their existing government housing units to competitively selected privatization entities (*i.e.*, the MHPI projects). MHPI projects operate under long-term (~50-year) ground leases and associated legal agreements with a Military Department, with one 25-year option period. In return, the MHPI projects assumed responsibility for operation, maintenance, construction, and replacement of the housing during the lease term, in accordance with the MHPI authorities as defined in title 10, United States Code. The main role of the Military Department is to monitor the MHPI projects to ensure adherence to the terms of the project documents, as well as applicable legal and regulatory requirements. Additionally, the Military Departments monitor MHPI projects to ensure project financial performance can sustain quality housing over the life of the ground lease. To this end, the Military Departments monitor housing occupancy and resident satisfaction, as well as revenue, operating expenses, operating budgets, and the overall financial health of each MHPI project, to include the project's sustainment and recapitalization funding as compared to pro forma expectations and project needs. Depending on the particular structure of a given project, the Military Departments may also have approval authority for project budgets, certain major project expenditures, changes in property management companies, or other key project oversight decisions. DOD and the Military Departments are reassessing and enhancing our oversight roles and processes to confirm we are appropriately monitoring the projects and partner performance in providing a safe, healthy, and enjoyable living experience for military members and their families. The existing

MHPI legislation and the agreement documents undertaken pursuant to that legislation give the government the authorities it needs to adequately run a good MHPI program. This is not an issue of lack of authority, rather one of needing to do a better job of exercising the authorities we already have.

Secretary BEEHLER. The existing MHPI authorities are adequate to ensure the RCI Project Companies are held accountable. Even with adequate authorities, we realize that like any other business enterprise, collaboration and oversight with our RCI Project Companies needs to be evaluated on a continual basis. We will work with OSD and the other Services to review current legislation; if we find opportunities to improve, we are committed to do so.

Secretary BAYER. Existing MHPI authorities are sufficient and provide ample opportunities to hold PPV partners accountable for substandard housing. For example, in most projects, the PPV Partner hosts a Resident Advisory Board which consists of military housing personnel, PPV property management personnel and select residents. The goal of the board is to solicit ideas and suggestions for making PPV communities the best option for military members and their families. Additionally, the PPV partner obtains input from residents at move out and when developing the budget. They also receive input from the DON during condition assessments.

Secretary HENDERSON. The Air Force has sufficient authority and will work to negotiate with the project owners and private lenders on changes to existing agreements that are necessary to ensure that privatized housing meets or exceeds applicable standards for the health and safety. The Air Force always strives to ensure that privatized housing is an attractive and safe option for military members that meets or exceeds the standards for safe housing that are available off the installation.

The negotiations with project owners and private lenders will be informed by the Resident Bill of Rights that is developed to inform residents of their rights within privatized housing. To the extent the Resident Bill of Rights provides for additional rights beyond those currently found under tenant leases and state laws, we will need to work closely with project owners and private lenders to amend the existing agreements. We are also evaluating other changes that will be discussed with project owners, to include alternative performance incentive fee metrics to increase commander input and increase overall Air Force leverage when a project owner fails to perform in accordance with the requirements of existing agreements.

35. Senator BLUMENTHAL. Secretary McMahon, Secretary Beehler, Secretary Bayer, and Secretary Henderson, how are you sharing information with VA about these conditions that are a direct result of exposure to environmental hazards and toxic substances encountered during military service?

Secretary MCMAHON. My office is working with the Office of the Assistant Secretary of Defense for Health Affairs [OASD(HA)] to ensure processes are in place for DOD medical or public health officials to share information about potential housing-related health conditions with other health officials, as appropriate. According to OASD(HA), medical conditions for servicemembers are documented in the service treatment record which is shared with the VA during transition for continued treatment and/or disability where applicable. There is currently no information sharing with VA regarding environmental hazards and toxic substances encountered in privatized housing during military service. However, any hazard and/or toxic substances annotated in the service treatment record, regardless of the source, would be shared with the VA during transition. DOD, in coordination with the military Services, is working solutions to make privatized housing environmental health assessment data available to government housing, public health specialists and healthcare providers. DOD will also assess the feasibility of providing the privatized housing environmental health assessment data to VA. Further questions on inter-agency information sharing between DOD and VA should be addressed by OSD.

Secretary BEEHLER. The DOD/VA Deployment Health Working Group meets monthly to discuss issues that relate to servicemembers and Veterans. Frequent topics are environmental exposures. As appropriate, we will ensure care is provided to those eligible at Military Treatment Facilities (MTFs), and we will work with those who are not eligible for care at MTFs in order to identify the best resources available to them.

Secretary BAYER. Medical conditions for servicemembers are documented in the service treatment record which is shared with the VA during transition for continued treatment and/or disability where applicable. There is currently no information sharing with VA regarding environmental hazards and toxic substances encountered in privatized housing during military service. However, any hazard and/or toxic substances annotated in the service treatment record, regardless of the source, would be shared with the VA during transition. DOD, in coordination with the military

Services, is working solutions to make privatized housing environmental health assessment data available to government housing, public health specialists and healthcare providers. DOD will also assess the feasibility of providing the privatized housing environmental health assessment data to VA. Further questions on inter-agency information sharing between DOD and VA should be addressed by OSD.

Secretary HENDERSON. *The answers were provided by AFMSA.*

Upon completion of service, military members can share their medical records with the VA and these records contain occupational and environmental exposure information from in-garrison as well as deployed operations. Furthermore, clinical evaluations, to include annual preventive health assessments are included which can assist with determining disability and healthcare needs for our servicemen and women.

36. Senator BLUMENTHAL. Secretary McMahon, Secretary Beehler, Secretary Bayer, and Secretary Henderson, can you confirm that these families are receiving adequate health care services through TRICARE to address these conditions?

Secretary MCMAHON. My office is working with OSD Health Affairs to ensure military families who have health concerns that may be related to housing receive appropriate health care services, and that there are clear processes in place for medical and public health officials to raise concerns about housing conditions to installation housing offices for investigation and remediation, as appropriate.

Secretary BEEHLER. The Military Health System (MHS) is equipped with medical specialties and can provide the highest standard of care for any medical condition. The availability of specific sub-specialists may be limited to larger MTFs, but in areas where in-house specialty care is not readily available, the MHS provides access to specialists through civilian partners using the purchased care system.

In rare cases where a patient requires sub-specialty care that is not available in the military or local civilian healthcare systems, DOD will pay travel costs to where care is available.

Secretary BAYER. Eligible beneficiaries can access care at their local medical treatment facilities (MTFs). Navy Medicine is ensuring that our MTFs have an internal process that facilitates communication and coordination between providers and public health personnel. We are also working to ensure providers, servicemembers, and families understand the proper procedures for reporting health concerns related to housing discrepancies. If required health care services cannot be provided at the MTF, the TRICARE network is used to ensure all required care is received. Network providers are required to provide reports to the Primary Care Manager or MTF, thus ensuring the MTF tracks all health care provided by the network. The Department of Navy is committed to ensuring the readiness, health and safety of our sailors, marines and their families.

Secretary HENDERSON. *The answers were provided by AFMSA.*

Family members who seek care through military treatment facilities or via off-base using the TRICARE benefit will receive quality healthcare to address their symptoms and conditions. Public health professionals are developing additional guidance for clinical professionals to ensure these patients are adequately tracked and cared for using the best in evidenced-based practices to resolve their healthcare concerns.

37. Senator BLUMENTHAL. Secretary Bayer, in your testimony, you mention that privatized housing partners are required to immediately notify the Navy Installation Housing Office of any resident concern involved asbestos, carbon monoxide, lead based paint, radon, mold, and pest infestation. In your experience with Navy installations, are privatized housing partners consistently and appropriately notifying the Navy of these alarming conditions?

Secretary BAYER. The Business Agreements specify notification time, and the partners are, in general, meeting these requirements. However, we are seeing that concerns are not suitably resolved in a timely manner.

38. Senator BLUMENTHAL. Secretary Bayer, does the Navy often accompany the privatized housing partner to conduct oversight of housing conditions? If not, why?

Secretary BAYER. Navy and Marine Corps military housing personnel accompany the partners on about 3 percent of the visits.

39. Senator BLUMENTHAL. Secretary Bayer, in your testimony you state “partners and government housing staff track all maintenance actions and perform follow-up inspections to ensure resident satisfaction.” What is the average timeline from the initial complaint to resolving the maintenance issue?

Secretary BAYER. In general practice, there are three categories of service. While response times may vary by project, typical response times are:

- Emergency calls should be responded to within thirty minutes (either by phone or in person) and completed as soon as possible
- Urgent calls should be responded to within four (4) hours and completed within one (1) working day.
- Routine calls should be responded to within one (1) day and completed within 24 hours (pending parts).

A “Carve Out” occurs when (a) the resident wishes to schedule an appointment for the time they wish the request to be responded to, (b) after responding to the call, the Manager determines that replacement parts are needed to complete the request or (c) the service request requires completion by a licensed contractor (such as Exterminator, Plumber, Electrician, etc.) after an initial response by maintenance personnel. Most “Carve Outs” are completed within two weeks; however, any “Carve Outs” outstanding (i) for more than two weeks are reviewed by the Regional Property Managers for action, (ii) for more than three weeks are reviewed by the Vice President of Property Management, and (iii) for more than forty-five (45) days are explained in the Manager’s quarterly management report delivered to the housing office. Some “Carve Outs” that require “continual” work, such as water intrusion or roof leaks that damage sheetrock or flooring and require time to dry or cure before repairs can be completed by multiple trades may extend past the typical two week period, but will be monitored accordingly by Property Management.

QUESTIONS SUBMITTED BY SENATOR HIRONO

WAYS TO IMPROVE ISSUE RESPONSE—PPV REPRESENTATIVES

40. Senator HIRONO. Mr. Williams, Mr. Picerne, Mr. Ehle, Mr. Hickey and Mr. Bliss, when determining if an issue is satisfactorily resolved, does the resident have input?

Mr. WILLIAMS. BBC has implemented a policy that gives residents final approval on closing work orders to ensure tasks are completed to their satisfaction. In addition, BBC utilizes a third party to survey residents regarding their experiences with respect to work order submission.

Mr. PICERNE. Yes. We utilize a third party survey company to administer surveys to the residents after work orders are complete in order to help us learn and improve upon our processes and procedures.

Mr. EHLE. Yes. After a work order or maintenance request is completed, Hunt solicits informal feedback from the resident regarding the work that was performed. Hunt also issues work order satisfaction surveys for every visit. Our military partners have access both to our work order survey results and may also follow-up with the resident.

If the resident is not satisfied with a repair, the resident can follow the dispute resolution procedures outlined above in the response to question 9.

Mr. HICKEY. Yes, via the SatisFacts service order survey. These are distributed weekly to all residents who have had a service order performed in their home during that week. For calendar year 2018, approximately 19,900 completed SatisFacts service order surveys were received. These surveys ask if any maintenance problems still exist and if the resident would like to be contacted. Additionally, any survey with an overall score of less than 3.0 is investigated by the maintenance team as to what led to resident dissatisfaction.

Mr. BLISS. Yes. We notify residents when a service request has been closed out. If the resident does not believe the issue has been resolved to their satisfaction, then there is a process to address the issue. In 2017, LMH expanded its communication of the escalation process for unresolved resident concerns. That process involves the following steps:

- (a) Step 1—contacting LMH’s maintenance hotline with a concern or maintenance request,
- (b) Step 2—if the resident’s concern is not resolved, LMH asks the resident to call LMH’s Regional General Management Office, and
- (c) Step 3—LMH encourages the resident to contact the Government/Base housing office at any time during the process to further advocate on their behalf to resolve any concerns.

41. Senator HIRONO. Mr. Williams, Mr. Picerne, Mr. Ehle, Mr. Hickey and Mr. Bliss, what protocol do you have in place to notify the Department of Defense of pervasive maintenance issues, perhaps across communities, bases or states?

Mr. WILLIAMS. The service branches actively monitor and review work order performance by BBC and have 24/7 access to the Yardi software platform through which work orders are logged and tracked through completion. In addition, BBC regularly submits reports to the service branches on the state of housing and recommendations for any unprogrammed and necessary capital repairs/replacements, the presence and remediation of any environmental hazards and work order processing.

Mr. PICERNE. As active partners with the Army and Air Force, we have direct avenues to communicate all manner of issues with the appropriate military officials, both and the installation/base and Pentagon levels.

Mr. EHLE. Hunt values transparency and we are committed to maintaining regular communication and an open dialogue with our military partners. As we discuss in greater detail below (see response to question 31), Hunt is subject to reporting and inspection requirements that occur on weekly, monthly, quarterly and annual bases. Our military partners have access to the Yardi maintenance software and can review work orders and survey responses. They are also able to inspect homes (with notice and consent unless its an emergency) and follow up directly with residents.

When extraordinary issues arise, Hunt reports developments through the chain of command, including the Air Force Civil Engineering Center, the Office of the Assistant Chief of Staff for Installation Management, and the Naval Facilities Engineering Command.

Mr. HICKEY. The entire Lendlease team, from on-site Project Managers to Executives, maintain very regular communication with their counterparts, from local military housing staff and installation command to Pentagon personnel. This is both formal and informal. If a pervasive maintenance issue were to occur, we would work collaboratively with our military partners to comprehensively address the situation. We have regular, formal meetings with the Service Secretary's staff to work through operational concerns.

Mr. BLISS. Primarily, we use informal calls and official meetings with DOD when maintenance trends emerge. We also use the monthly Flash report/Dashboard designed by the Navy/Army and the annual budget process to identify recommended repairs. In addition, DOD has access to our online maintenance system and they perform condition assessments annually.

42. Senator HIRONO. Mr. Williams, Mr. Picerne, Mr. Ehle, Mr. Hickey and Mr. Bliss, how can your organization incentivize greater survey participation and honest responses by residents in order to get meaningful data about issues experienced by families living in your communities?

Mr. WILLIAMS. BBC incentivizes residents with the opportunity to be entered to win a small rent credit by submitting responses to our third party survey firm that contacts residents regarding work order request and move-in satisfaction.

Mr. PICERNE. We have begun participating in discussions with the Offices of the Secretaries of Defense, Army, Air Force, along with the independent survey firms to review the survey questions and the methodologies, all with the goal of ensuring the partnerships all receive meaningful data and increase survey participation.

Mr. EHLE. As stated in response to question 2 above, Hunt values resident feedback, and we take proactive steps to encourage residents to provide feedback and participate in satisfaction surveys. With respect to the annual satisfaction survey conducted by an independent third party, Hunt publishes response results to motivate staff teams to constantly improve resident service. Externally, Hunt holds community events to encourage residents to complete the survey through the independent, third-party administrator. On a day-to-day basis, we reach out to residents to solicit real-time feedback on maintenance requests and work orders that have been completed at their residence.

Mr. HICKEY. Survey participation is encouraged in numerous ways, including community events, social media engagement and personal interaction with residents. In 2018, 44.2 percent/ (17,680) of our residents submitted CEL surveys. Providing residents with general community communications that reflect the feedback provided by the community along with what actions are being taken in this regard builds trust with residents and improves feedback.

We are investigating other ways to collect feedback and increase participation, including proactive outbound calls and/or live feedback on iPads at times of service.

Mr. BLISS. SatisFacts surveys (independent third party), are continuous and ongoing with each service request and move-in assessment. On average, we receive a 13 percent response rate to our survey requests. The Annual Resident Satisfaction Surveys are anonymous. We offer residents the ability to enter a drawing for prizes in order to increase participation, but the drawing is not dependent on whether the resident provides praise or criticism in their survey response. LMH will work with

the third-party survey company to better inform residents that honest and open responses are crucial to the ongoing success of privatized military housing.

43. Senator HIRONO. Mr. Williams, Mr. Picerne, Mr. Ehle, Mr. Hickey and Mr. Bliss, how can your organization better communicate its standard processes and procedures to address concerns with residents?

Mr. WILLIAMS. BBC is in the process of creating resident access to an electronic library of resident informational documents, not only for the resolution process and contact information but also seasonal and educational “how to” guides, tips and tricks, for living in our homes and communities. BBC also is developing a move-in orientation session that will be scheduled and hosted in person, as well as be accessible via Facebook® live.

Mr. PICERNE. Over the past 3 months, we have dramatically increased our efforts to ensure that all of our residents are aware of our standard processes and procedures for contacting us with any concerns they may have with their homes or the services Corvias is providing, including five different ways to communicate with us, 24 hrs/day, 7 days/week.

Mr. EHLE. Hunt strives to keep our residents informed of important environmental and safety matters that may affect them. We have in place the Hunt Safety Zone, an online library of information relevant to residents’ safety, which is regularly updated with new information and seasonally relevant topics. We also provide our residents standard health and safety information upon move-in, as required by applicable law and standards, regarding moisture and mold, lead-based paint, asbestos, radon, and/or pesticides.

As stated in response to question 1 above, we proactively interact with our residents and military partners in a variety of ways, including, among others, routine electronic and written messages, regular town hall-style meetings, and via social media. Nevertheless, we recognize that improving communication starts with us. As such, we have undertaken to provide customer service and communication training for relevant personnel within the Hunt organization to improve our future communication and resident relation efforts. We are also reviewing our operational processes for work order resolution and evaluating whether staffing levels are sufficient to address service requests in a high-quality and timely manner.

Hunt has also implemented an improved helpline, the “Hunt Promise Helpline,” which will be a more efficient way for residents to voice complaints directly to a Hunt senior management team member if a concern has not been resolved by the local housing management or military housing office.

Mr. HICKEY. The Lendlease team are committed to continual improvement in everything that we do, especially in providing clear, consistent and straightforward communications with our residents that is delivered in a variety of formats. Currently, at move in residents are provided information including:

- Reviewing of the lease and its key provisions;
- Explaining how to submit work orders, through what mechanisms, together with an outline of work order classifications, response and completion time expectations;
- Sharing our feedback channels and encouraging residents to complete move-in surveys;
- Reviewing the key points from the resident guide and where to find the guide; and
- Inviting residents to register for the Resident Portal and MilitaryCafe App to allow them to submit work orders and track requests.

An orientation is completed in the home, showing residents how to operate the life/safety components, appliances, etc. Residents have a magnet with contact information on their refrigerator.

The Resident Guide is available on the website and outlines procedures, policies and processes for all areas of their residency. Each project has a local Facebook page which provides periodic posts about procedures and reminders that help residents in their tenancy. Also, residents receive periodic reminder emails. Many properties host or participate in regularly held Town hall meetings which give us an opportunity to provide information and answer resident questions.

Recently, Escalation Posters were posted in all community offices giving residents more awareness of what their escalation channels are and how to utilize them. Our goal is to adapt and change as new communication tools and methods are adopted widely by our residents. Additionally, we are investigating other ways to collect resident feedback proactively and have commenced a program of ‘outbound calls’ to this end as well as securing live feedback using app and iPad at the time of service orders.

Lendlease understand and acknowledge that a need exists to provide more modern, user friendly communications. To this end, we have examined where the most impactful improvements can be made (starting with technology and access upgrades) and are preparing for a refreshed communications plan which is currently in pilot stage at one of our largest installations.

Mr. BLISS. LMH is exploring new ways to communicate with residents about our processes and procedures. This may include revised and simplified lease forms and community handbooks, revisions to our website and online access to address questions and concerns. LMH commits to doing more to foster better lines of communication with residents.

FISCAL YEAR 2018 NDAA REQUIREMENT FOR ASSESSMENT OF CHILD SAFETY

44. Senator HIRONO. Secretary McMahon, the Fiscal Year 2018 NDAA called for the Secretary of Defense to enter into an agreement with an independent entity with experience in performing technical evaluations of the compliance of housing units with the codes and standards of the International Code Council and other relevant codes and standards to conduct and submit to the Secretary and the congressional defense committees an assessment of child safety issues in military family housing units, with an emphasis on assessing hazards that may result in falls. This was to be completed no later than a year after the enactment of the NDAA. I have sent a letter to the acting Secretary of Defense requesting the status of this assessment. To your knowledge, was this assessment done and, if so, what were the results?

Secretary McMAHON. The safety of children residing in military family housing is of the utmost importance to the Department. The Department agrees with Congress that an analysis is necessary to ensure family housing standards are in place to provide for the safety and well-being of servicemembers and their families in accordance with the codes and standards of the International Code Council and other relevant local, state, and federal building codes. In order to utilize the "independent entity with experience" required by the legislation, the Department secured fiscal year 2019 funding to contract for this assessment. We have begun the process to contract with an independent entity that possesses the required authoritative knowledge and experience in performing such technical evaluations, including an emphasis on assessing hazards that may result in window falls. Due to the size and global distribution of the Department's military housing inventory, we estimate any independent entity would require several months to conduct an extensive assessment. Therefore, we anticipate delivery of the assessment by the end of December 2019.

45. Senator HIRONO. Secretary McMahon, I have seen the report for calendar year (CY) 2017 to the Committee on Armed Services indicating there were no window falls from Government-owned family housing and two non-fatal falls from privatized housing units. Do you have the final numbers for calendar year 2018 and, if so, what is your assessment of the results?

Secretary McMAHON. The report on window falls is expected to be provided to the Defense committees in early April. During calendar year 2018 there were no window falls from Government-owned family housing but one non-fatal fall occurred from a privatized family housing unit at Buckley Air Force Base, Colorado, on October 29, 2018. DOD's housing privatization partners provide window safety education as part of their leasing process, supplemented with ongoing education at townhall meetings and other forums.

HEALTH CONCERNS IN PRIVATIZED HOUSING

46. Senator HIRONO. Secretary McMahon, Secretary Beehler, Secretary Bayer, and Secretary Henderson, what mechanisms does your service make available for military families to report health and safety concerns with military housing?

Secretary McMAHON. Military families are encouraged to report any health and safety concerns regarding their housing to their landlord and the government housing office at their installation, regardless of whether the housing is on the installation or not. They can also report any health and safety concerns to Installation Commander or the Inspector General. In all cases, OSD expects the Military Departments to ensure resident reports of health and safety concerns are taken seriously and handled in an expedited manner, without fear of retribution, and will ensure this is included in the Residents' Bill of Rights.

Secretary BEEHLER. In addition to the ability to report health and safety concerns directly using the soldier's chain of command, the Commanders of installations with Army housing were recently tasked to establish and maintain a command hotline

to respond to Army housing concerns of soldiers and families. In addition, Army Medicine is revising policy and implementing oversight procedures to ensure that any health condition potentially associated with an environmental hazard inside the home is documented in the patient's electronic health record, and, where a home assessment is recommended, assisting residents of on-post housing with the coordination of a home inspection and remediation of the potential hazard.

Secretary BAYER. Partners have agreed to immediate notification to the Navy/Marine Corps on issues related to: asbestos, carbon monoxide, LBP, Radon, Security, Mold/water infiltration and pest infestation.

Upon discovery or notification, Partner documents incident, provides service call; follows established action plans:

- Partner performs preliminary investigations to collect relevant and detailed information about the concern or incident
- Partner records all Health and Safety issues in the commercial real estate property management databases
- If hazard suspected, alternate housing provided
- Partners conduct follow up inspections
- Partner maintenance actions are tracked

For Mold/Pests/Drinking water/hazardous material responses:

- No Federal or state EPA/OSHA regulations exist for mold
- Partner cleans hazard and monitors home
- Residents sign mold addendum in lease

Secretary HENDERSON.

- Members can and should immediately notify the maintenance staff, whether privatized or government owned, by submitting a work order.
- Members can and should report failures to perform to the housing management office for resolution and if unable to resolve, elevate their concern through their chain of command.
- The Air Force established a call center for residents to express their concerns and receive direct engagement by the Director of Installations at the Air Force Civil Engineer Center.
- Members can report concerns to the Inspector General
- Members can report the concern to an enforcement agency such as the Environmental Protection Agency or state or local enforcement agencies.

47. Senator HIRONO. Secretary McMahon, are mechanisms for military families to report health and safety concerns with military housing standardized across services and housing properties?

Secretary McMAHON. Each Military installation includes a government housing office to provide housing referral and assistance to servicemembers and their families, to include receiving resident reports of health and safety concerns including issues that residents feel have not been adequately addressed by the privatized housing project. In all cases, residents are encouraged to submit work order requests and report any health and safety concerns to the privatized housing property management office first, followed by raising concerns to the government housing office. Privatized housing residents may always raise any concerns to their leadership chain, the installation commander, the Inspector General, or local or state housing authorities.

48. Senator HIRONO. Secretary McMahon, Secretary Beehler, Secretary Bayer, and Secretary Henderson, do the services have sufficient oversight capability and authority to manage the MHPI program?

Secretary McMAHON. The DOD has the authorities necessary to provide sufficient MHPI program and project oversight. Where DOD needs to improve is in exercising those authorities and funding the level of staff support necessary to fully perform required privatized housing oversight as it was originally envisioned/intended at the outset of the MHPI program. In addition, DOD leadership must re-engage in the oversight process to demonstrate their continued commitment to military families and ensure the continued success of the program.

Secretary BEEHLER. Yes, the Army believes that sufficient authorities exist to oversee and manage the MHPI program. The recent lapse in MHPI oversight was the direct result of budget and personnel cuts that are now being rectified. The Deputy Assistant Secretary of Defense (DASD) for Health Services Policy and Oversight (Health Affairs), in collaboration with DASD Environment, and DASD Facilities Management is evaluating current Service policies and procedures to ensure standardization across the Services and housing properties regarding health and safety concerns with military housing.

Secretary BAYER. Based on the original objectives defined by Congress when the program was initially created in the mid-1990s, the DON has sufficient oversight capability and authority to manage the MHPI program.

Secretary HENDERSON. The Air Force has the necessary capabilities, resources, and authorities to provide sufficient oversight and manage the MHPI program. However, we will need to reevaluate past reductions in our housing management office and program oversight staff required to provide the necessary oversight and support to our housing residents.

49. Senator HIRONO. Secretary Beehler, Secretary Bayer, and Secretary Henderson, what percentage of homes in your service's portfolio did your service independently inspect in 2018?

Secretary BEEHLER. Installation housing offices routinely conduct random sample inspections of homes at every installation but actual numbers of inspections were not tracked. HQ IMCOM, HQ Department of the Army and US Army Corps of Engineers personnel conducted inspections on approximately 2 percent of the homes in the inventory in 2018 during annual site visits. The Army recognizes that it should increase the number of inspections performed. Following the recent surge in complaints, the Army in 2019 conducted visits to 100 percent of the homes in the inventory.

Secretary BAYER. Navy and Marine Corps military housing personnel typically inspect about 3 percent to 5 percent of the homes during changes of occupancy, condition assessments and/or upon following up on action items from residents or maintenance logs.

Secretary HENDERSON. The Air Force independently inspected approximately 3.3 percent of the housing portfolio in 2018.

50. Senator HIRONO. Secretary Beehler, Secretary Bayer, and Secretary Henderson, in Hawaii, we have housing built as far back as the early 1900s. What is being done at your level to address issues regarding lead-based paint and other environmental concerns in these communities?

Secretary BEEHLER. RCI Project Companies are required to adhere to all Federal, States, and local laws and regulations to address environmental hazards. The Army will be randomly inspecting to ensure laws and regulations are followed. The Army is assessing the staffing and hiring needed at each installation. We are increasing ground lease compliance inspections. We are refining existing protocols while simultaneously implementing enhanced move-in protocols, maintenance procedures, and oversight responsibilities.

The Army is ensuring garrisons inspect 100 percent of all homes where between occupancy maintenance / change of occupancy maintenance have been completed and inspect 100 percent of all work / service orders relating to life/health/safety issues. The Army and the RCI Project Companies will continue to inform and educate soldiers and families about the concerns and health impacts of environmental hazards, the resources available to tenants, and all of the available methods to report potential risks.

Secretary BAYER.

- Prior to transferring the property to the PPV Partner, the Navy conducts an Environmental Baseline Survey and provides the PPV partner with a Finding of Suitability to Lease/Finding of Suitability to Transfer, which later transitions to an Environmental Condition of Property. Additionally, LBP Inspections and Risk Assessments are conducted in accordance with applicable regulations such as 24 CFR Part 35. After transfer through Ground Lease, the PPV project becomes responsible at its cost and expense for:
 - Necessary abatement, removal, disposal maintenance and management of LBP located in and on the Improvements
 - Maintenance and management in place of LBP hazards in the soils immediately adjacent to the improvements on the Leased Premises
 - Claims or liability resulting from Lessee's failure to properly manage, remove, abate, or dispose of all LBP in the improvements.
- Lessee must comply with and incorporate a LBP hazards removal, disposal, management and abatement plan into Lessee's plans.

Annually on a routine basis; at Change of Occupancy; and/or in response to Resident Request; partners will: have trained personnel conduct a physical "walk through" to examine lead-positive components; document findings to confirm that all lead-containing components are intact and manageable; reference the original lead survey and any subsequent inspection reports and; identify and track all properties containing LBP and update the inventory records.

Also, regarding disclosure/notification to residents in PPV units: in accordance with Federal regulations, and as specified in the ground lease, prior to signing the lease agreement, partners provide each tenant under a Housing Agreement: a copy of the LBP Disclosure Form, a copy of the Pamphlet "Protect Your Family from Lead in Your Home," and upon resident request, all known records, reports and documents regarding LBP.

Secretary HENDERSON. Within the Secretariat, I am responsible for the lead based paint management policy for Air Force owned facilities. The Air Force maintains records of the program for the housing it manages. For privatized housing, the project owner maintains those records. The Air Force checks the lead based paint program for each privatized project during compliance audits conducted annually. Residents of pre-1978 homes are provided an addendum to their lease that informs them of the potential existence of lead based paint in their home, housekeeping instructions when residing in a home with potential lead based paint, and instructions to contact maintenance if they see degradation to painted surfaces.

51. Senator HIRONO. Secretary Beehler, Secretary Bayer, and Secretary Henderson, besides withholding incentive payments, what additional authority or authorities does your service have to address PPVs that are not sufficiently addressing concerns of servicemembers and their families with regard to their housing?

Secretary BEEHLER. Additional authorities the Army has to address RCI Project Companies that are not sufficiently addressing concerns of servicemembers and their families include:

1. Issue a cure notice when responsibilities in agreements are not met.
2. Notify lenders that issues are not being corrected.
3. Approval authority over operating budgets (operating budget that determines what flows into the Reinvestment Account).
4. Terminate the ground lease.

Secretary BAYER. Oversight and monitoring authority is set forth in 10 U.S.C. 2884 & 2885. The operating agreement of each PPV company defines the rights and responsibilities of the DON in the company. DON leadership exercises oversight of privatized housing projects with the aid of a "monitoring matrix" based on the PPV's obligations in each business deal. The managing member (or in one instance, the general partner) of each PPV company is tasked with management of the company. DON does not participate in the day-to-day activities of these private companies. DON is specifically prohibited from managing the company except with regards to certain consent rights, and other specifically defined rights, such as the ability to initiate the process for replacement of the property manager. DON reviews and approves the annual budget and incentive fees, and can request reporting to provide oversight and make well-informed consents. In addition, DON can enforce performance from the privatized housing projects by engaging bondholders to work with the projects to meet the commitments under the agreement. DON can also issue cure notices or use the court system, if needed, to seek resolution for poor performance.

Secretary HENDERSON. The Air Force can initiate the formal legal action in accordance with the existing agreements. The remedies for the Air Force range from the issuance of a default and cure notice to the extreme remedy of termination of the lease agreement. The remedies are subject to the rights of the private lender to step in and cure any default that has been declared by the Air Force.

The Air Force can also initiate a complaint with the Environmental Protection Agency or state and local agencies, which can levy fines or other enforcement actions against the project owner for violations of environmental, health, or safety laws.

QUESTIONS SUBMITTED BY SENATOR ELIZABETH WARREN

FINANCIAL PERFORMANCE OF MHPI AGREEMENTS

52. Senator WARREN. Secretary Beehler, Secretary Bayer, and Secretary Henderson, do any of your agreements with any of your privatized military housing partners dictate either an expected target profit or a minimum or maximum profit that a partner is allowed or expected to receive through fees and member distributions? If so, please describe each such agreement?

Secretary BEEHLER. Yes. In regards to member distributions, or partner equity return, the majority of the operating agreements include a minimum preferred return and also a maximum total equity return to the partner. The preferred return percentage, if applicable, is included as a portion of the total equity return. In regard to property management fees, the majority of the projects include a cap on total fees

which is adjusted by CPI or other similar benchmark. The idea behind the CPI cap is to ensure property managers do not receive large increases in fees due to a large BAH increase and therefore fees are capped at CPI or other benchmark index increases. The spreadsheet has been retained in Committee files.

Secretary BAYER. The 98.3 percent pays for Operations and Sustainment. The partners' return is 1.7 percent.

Secretary HENDERSON. The Air Force projects are not uniform in the payment of fees or other distributions. The project owners may be entitled to the payment of certain fees (e.g., property management, asset management, or development fees) depending on the revenues of the project and priority payment of other expenses within the project. The project owners may also be entitled, as the last priority for payment, to a percentage of any remaining revenue after the payment of all other expenses of the project. There is typically a Lockbox Agreement for each project that outlines how the rent revenue for the project will be used to pay expenses and other obligations of the project. The financial structure of each project was established in the proposal submitted by the successful developer in a competitive source selection.

53. Senator WARREN. Secretary Beehler, Secretary Bayer, and Secretary Henderson, for each of your respective Military Department's active Military Housing Privatization Initiative agreements, please provide the following information: (1) The date it was signed; (2) installation(s) that it serves; (3) number of housing units provided; (4) year or years that those housing units were first occupied; (5) year or years of any substantial renovations; (6) value of the replacement reserve fund or other funds available for capital expenses.

Secretary BEEHLER. Every project has had some percentage of their respective housing stocks undergo substantial renovation or replacement. The actual percentage varies with each project and is dependent upon the amount and quality of the housing inventory that was transferred, direct government investment (cash) at closing, and most importantly the financial cash flows and loan proceeds used for investment in the initial development period. The portfolio has replaced 26,804 and constructed 8,655 new homes with another 27,026 substantial renovations completed to date. The spreadsheet with response have been retained in Committee files.

Secretary BAYER. Attachments 1 and 2 have been retained in Committee files.

Attachment 1 includes: (1) The date it was signed; (2) installation(s) that it serves; (3) number of housing units provided; and (6) value of the replacement reserve fund or other funds available for capital expenses.

Attachment 2 includes: (4) year or years that those housing units were first occupied; (5) year or years of any substantial renovations.

Secretary HENDERSON. [Deleted.]

54. Senator WARREN. Secretary Beehler, Secretary Bayer, and Secretary Henderson, for each of the last 10 years, please provide the following information for each year for each agreement: (1) How much in total revenues from rental payments did each of your private partners generate from each agreement? (2) How much (in dollars) did each of your private partners receive or retain through member distributions for each agreement? (3) How much (in dollars) did each of your private partners receive or retain through incentive-based fees for each agreement? (4) How much did each of your private partners receive or retain through management, operations, or other non-incentive-based fees or payments for each agreement? (5) How much was the total profit (in dollars) for each of your private partners for each agreement?

Secretary BEEHLER. As for the total profit for each of the Private Partners, the Army doesn't have visibility on the profitability of the individual Private Partners for each Partnership Agreement. See spreadsheet in response to #53 for details by project of the amounts of fees and equity distributions made to the Private Partners from the Project Companies.

Secretary BAYER. Please refer to Attachments 3 and 4 retained in Committee files.

Attachment 3 contains the information requested, broken out by year, from 2009 to 2018. Attachment 4 contains a roll-up of the information requested for the period 2009 to 2018.

Secretary HENDERSON. Attached document [deleted] labeled revenue and fees have separate charts for items (1) through (4). We cannot determine the profit level of the private partners without full visibility of their internal costs, which is not available to the Air Force.

55. Senator WARREN. Secretary Beehler, Secretary Bayer, and Secretary Henderson, do DOD officials or does any third party conduct financial audits of any of your

agreements or partners? If so, please provide copies of any audits conducted in each of the last 5 years.

Secretary BEEHLER. RCI Partnerships are required to have a financial audit completed by a third-party annually. A sample copy has been retained in Committee files.

Secretary BAYER. The DON does not conduct financial audits of our agreements or partners. Nevertheless, DON executes oversight via (1) inspections of, and reports and certifications by the company (all set forth in a “monitoring matrix”), (2) the ability to make the bondholder replace key managers for grave performance issues, and (3) veto power over major decisions including the annual budget.

Secretary HENDERSON. Each project is required to have an annual independent audit of the project’s financial statements by a qualified public accounting firm. Copies of the Audited Financial Statements will be provided to the Committee separately.

56. Senator WARREN. Secretary Beehler, Secretary Bayer, and Secretary Henderson, are you aware of what, if any, capital need plans your private partners have in place for each development, for the next 5 years?

Secretary BEEHLER. Yes, every Partner, as a part of their annual operating budget submission to the Army, provides an updated 5-year Capital Repair & Replacement plan. In addition, all of the Projects submit an Out-Year Development plan in 5-year increments that establishes the development activity for the Project over that time period. These plans are approved by the Army. The amount and type of development activity largely depends upon the needs of the Project and the availability of investment proceeds for utilization from the Project Reinvestment Account. At this time, there are Out-Year Development plans that contain no major development and construction as the project builds up funds in the Reinvestment Account for future construction.

Secretary BAYER. Yes. As part of the budget, the PPV Partner submits their Capital Repair and Replacement (CRR) plans to the DON, and they are reviewed and approval annually.

Secretary HENDERSON. Project owners submit a capital needs plan each year for Air Force review that outlines their plans for capital expenditures. This review includes comparisons to industry standard needs assessments and models.

57. Senator WARREN. Secretary Beehler, Secretary Bayer, and Secretary Henderson, is the balance in the reserve account sufficient to meet the needs of the developments?

Secretary BEEHLER. All projects have funding available to meet the minimum needs of the projects.

Secretary BAYER. All of our PPV Partners’ accounts have sufficient balances to meet required obligations under our agreements.

Secretary HENDERSON. The Air Force has identified six projects for financial restructuring (Robins I, Robins II, Scott, Barksdale/Langley/Bolling, Offutt, and Air Education and Training Command Group I) with insufficient sustainment and reinvestment reserves to fully to sustain and recapitalize for the duration of the lease term. The Air Force has another seven projects (Falcon Group, Buckley, ACC Group II, U.S. Air Force Academy, Dover, and Kirtland) that are on a watch list. These seven projects can meet minimum sustainment needs for the life of the lease term but have insufficient recapitalization reserves.

INSPECTIONS

58. Senator WARREN. Secretary Beehler, Secretary Bayer, and Secretary Henderson, do all applicable state and local housing codes apply to the houses within your privatized housing portfolio? Please provide a list of all bases or installations that are excepted from applicable state and local housing codes.

Secretary BEEHLER. The Army requires all privatized projects to comply with a list of overarching codes including the International Building Code, the International Residential Code, National Electric Code and National Fire Protection Agency (NFPA), as examples.

Historically for privatized housing falling under Exclusive Federal Jurisdiction, state and local codes were not applicable by law. The Army recognized this as an area which required clarification and updated the RCI Construction Standards policy which was issued in October 2018. The policy clarifies the intent of applicable codes; all state and local housing building codes apply to all houses and work completed within the RCI privatized housing portfolio. Even for areas of Exclusive Federal Jurisdiction, the policy states RCI shall comply with state and local codes with

the caveat that in the event of conflict with Federal Regulations, Federal Regulations take precedence. Prior to the issuance of the policy, “applicable” may have resulted in elements of construction non-compliant with state and local standards for RCI projects falling under Exclusive Federal Jurisdiction.

Secretary BAYER. None of DON’s business agreements except the privatized housing companies from applicable state and local housing codes.

Secretary HENDERSON. No project is excepted from applicable state and local housing codes. Project owners are required under the ground leases to comply with all applicable laws, which is typically defined very broadly. For example, the AETC II project defines “Applicable Laws” to include “all federal, state and local laws, rules, regulations, orders, ordinances, and other governmental standards and requirements which are applicable to the Project Owner or the Project.”

59. Senator WARREN. Secretary Beehler, Secretary Bayer, and Secretary Henderson, how many homes within your entire privatized housing portfolio were inspected by Federal authorities in fiscal year 2018?

Secretary BEEHLER. The General Accounting Office (GAO) conducted an audit of the financial health of the privatized housing projects at Fort Knox and Fort Meade. During the visit at these installations, the GAO team visited approximately 10 homes. OMB, OSD, and EPA visited Fort Meade and walked-through approximately 10 homes. OACSIM conducted project compliance and partnering visit, development and special purpose reviews at Fort Wainwright, Fort Greeley, Carlisle Barracks, Picatinny Arsenal, Joint Base Lewis McChord, Fort Hood, Fort Bragg, Fort Hamilton, Fort Meade, Hawaii, Presidio of Monterrey, Fort Rucker, and Fort Benning walking 71 homes.

USACE conducted 15 annual lease compliance reviews for Carlisle Barracks/Picatinny Arsenal, Fort Belvoir, Fort Benning, Fort Bragg, Fort Gordon, Fort Hamilton, Fort Hood, Fort Leavenworth, Fort Leonard Wood, Joint Base San Antonio—Fort Sam Houston, Fort Stewart/Hunter Army Air Field, Hawaii, Joint Base Lewis McChord, Presidio of Monterey, and Redstone Arsenal.

The total percentage of homes independently inspected in 2018 is unknown, however the Army conducted Environmental Hazards screenings in 10 percent (1,360) of all pre-1978 built homes during 2018. During site visits, HQ IMCOM focused on the Army’s oversight roles and did not inspect homes.

Secretary BAYER. We do not track this in a centralized master database. Officials from the Environmental Protection Agency perform inspections as warranted.

Secretary HENDERSON. The Air Force inspected approximately 3 percent of privatized homes at change of occupancy. We have no record of inspection of any homes by other federal authorities. However, the Environmental Protection Agency has conducted “no notice” reviews of the lead based paint program of project owners at several installations. The EPA reviewed records and inspected several homes.

60. Senator WARREN. Secretary Beehler, Secretary Bayer, and Secretary Henderson, which specific Federal authority performed these inspections?

Secretary BEEHLER. The General Accounting Office (GAO) conducted an audit of the financial health of the privatized housing projects at Fort Knox and Fort Meade. During the visit at these installations, the GAO team walked approximately 10 homes. OMB, OSD, and EPA visited Fort Meade and walked-through approximately 10 homes. OACSIM conducted project compliance and partnering visit, development and special purpose reviews at Fort Wainwright, Fort Greeley, Carlisle Barracks, Picatinny Arsenal, Joint Base Lewis McChord, Fort Hood, Fort Bragg, Fort Hamilton, Fort Meade, Hawaii, Presidio of Monterrey, Fort Rucker, and Fort Benning walking 71 homes. USACE conducted 15 annual lease compliance reviews for Carlisle Barracks/Picatinny Arsenal, Fort Belvoir, Fort Benning, Fort Bragg, Fort Gordon, Fort Hamilton, Fort Hood, Fort Leavenworth, Fort Leonard Wood, Joint Base San Antonio—Fort Sam Houston, Fort Stewart/Hunter Army Air Field, Hawaii, Joint Base Lewis McChord, Presidio of Monterey, and Redstone Arsenal.

Secretary BAYER. Officials from the Environmental Protection Agency have inspected DON privatized housing.

Secretary HENDERSON. Home inspections were conducted by the local Air Force housing management office. The Environmental Protection Agency reviewed lead based paint programs and documentation at multiple sites but did not perform any widespread home inspections.

61. Senator WARREN. Secretary Beehler, Secretary Bayer, and Secretary Henderson, how many homes within your entire privatized housing portfolio were inspected by state and/or local authorities in fiscal year 2018? Please provide a breakdown of

which state/local authority conducted these investigations, and under what authority they did so.

Secretary BEEHLER. HQ IMCOM does not have specific data relating to inspections conducted by state or local officials for privatized housing.

Secretary BAYER. The DON is not aware of any investigation by state/local authorities of homes within the DON's privatized housing portfolio.

Secretary HENDERSON. We are not aware of any inspections by state or local authorities in 2018.

62. Senator WARREN. Secretary Beehler, Secretary Bayer, and Secretary Henderson, please provide the inspection results for those inspections undertaken by Federal, state and/or local authorities in fiscal year 2018.

Secretary BEEHLER. While comprehensive data is not tracked by The Army, a sample of inspection results from state and local authorities have been retained in Committee files.

Secretary BAYER. Outside inspection results are not centrally collected.

Secretary HENDERSON. The Environmental Protection Agency has not provided any final reports to the Air Force for the no-notice reviews they conducted.

REPRISAL AND RETALIATION

63. Senator WARREN. Secretary Beehler, Secretary Bayer, and Secretary Henderson, did anyone in your Military Department receive any reports of retaliation or reprisal from any servicemember or their family after they reported unsafe, unhealthy, or unacceptable conditions in privatized housing? Please provide a list of all reports of retaliation or reprisal, if any, that your Military Department received.

Secretary BEEHLER. Army Materiel Command is aware of 4 total reports of retaliation/reprisal by private housing partners. There are 3 reports of retaliation/reprisal by Balfour Beatty Communities (1 each at Carlisle Barracks, West Point, and Fort Detrick), and 1 by Corvias (Fort Riley). The Army Inspector General's office will provide chain of command retaliation/reprisal data when it completes its final report in mid-May.

Secretary BAYER. The DON is not aware of any reports of retaliation or reprisal in connection with a report of unsafe, unhealthy, or unacceptable living conditions in privatized housing.

Secretary HENDERSON. The Air Force Inspector General reviewed 70 substantiated reprisal findings covering the past 5 years (2014 to 2019) and found no record of reprisal based on military housing complaints or concerns raised through official communications to Congress, Inspector General or command. However, the Air Force is currently addressing one allegation of reprisal against command based on a member's protected communications regarding housing issues.

64. Senator WARREN. Secretary Beehler, Secretary Bayer, and Secretary Henderson, what, if any, training or education does your Military Department provide to prospective base or installation commanders regarding their legal authorities and responsibilities with regard to ensuring that privatized military housing under their command is safe, clean, and meets all Federal, state, and local regulations?

Secretary BEEHLER. The Army incorporated into the Garrison Pre-Command Course specific training in housing program oversight, quality assurance, legal documents, financial accounts, and development planning, and developed a chain-teaching program of the same study areas for existing commanders and command sergeants major currently in command.

Secretary BAYER. Prospective Navy installation leaders attend senior shore leadership (SSL) training and prospective Marine Corps installation leaders attend Installation Leadership Management Program (ILMP) training. Both of these training courses include a segment on privatized housing. The installation housing managers also provide MHPI education to Commanding Officers and Executive Officers. PPV executive briefs are provided both at the SSL and ILMP courses and at regions and installations. The housing installation program manager has responsibility for resolving issues and/or escalating issues and concerns to installation leaders.

Secretary HENDERSON. The Director for Installations for the Air Force Civil Engineer Center provides a 2-hour one-on-one leadership orientation discussion tailored to each new installation commander and their leadership team covering roles, oversight tools, communication, project health, resident satisfaction, lessons learned, and command authority. The Director for Installations for the Air Force Civil Engineer Center also offers an open dialogue with the installation commanders throughout

the duration of their commands if they have any issues or concerns regarding privatized housing.

65. Senator WARREN. Secretary Beehler, Secretary Bayer, and Secretary Henderson, what, if any, training or education does your military department provide to employees, civilian and military, in base or installation housing offices, regarding their legal authorities and responsibilities with regard to ensuring that privatized military housing under their command is safe, clean, and meets all Federal, State, and local regulations?

Secretary BEEHLER. Technical training of the Army's Housing Management careerists is a priority. Since 2016, approximately 350 Army Housing careerists have attended the IMCOM-led technical training in Army Housing Management Levels I & II and the Residential Communities Initiative technical training Levels I & II courses. Additionally, almost a thousand careerists have attended 'Housing the Force' training since 2014. 'Housing the Force' is a workshop of seminars and training. These courses provide a wealth of knowledge and best practices for Army Housing careerists in budgeting, management and oversight. The test scores and surveys for these events clearly indicate we are on the right path for providing quality training that is valuable and relevant to our Army Housing careerists.

Housing Career Program 27 provides industry standard training on privatization, finance, real estate management, fair housing, housing inspections, customer service and Basic Allowance for Housing through such as the Institute of Real Estate Management and Military Housing and Lodging Institute.

Secretary BAYER. Local training is provided to Military Housing personnel outlining the provisions of the lease which specifically address the condition of the home at move in, informs the resident of their right to a joint walkthrough inspection, and their right to list any noted defects within a specified period. Additionally each lease specifies the Choice of Law that governs the contractual agreement between the landlord and tenant.

Secretary HENDERSON. The Air Force provides a variety of training to housing management offices on their authorities and responsibilities. These include:

- Bimonthly Housing Management Office Staff Training: The Director for Installations for the Air Force Civil Engineer Center provides a telecom training opportunity to housing management office staff every two months to provide training on privatized housing oversight topics, discuss lessons learned, cross-feed ideas, and receive feedback from the field.
- Biennial Housing Symposium: The Director for Installations for the Air Force Civil Engineer Center conducts a Biennial Housing Symposium to discuss the health of the housing fleet, provide training on housing topics, discuss lessons learned, cross-feed ideas, and receive feedback from the field from the much wider community of housing professionals.
- Air Force Institute of Technology (AFIT) Formal Courses: AFIT provides formal training courses for housing professionals to provide initial skills and enhance skills.
- Civil Engineer Squadron Commanders, who oversee the housing management office, receive training on housing privatization roles and responsibilities prior to assuming command as part of the Civil Engineer Squadron Commander's Course.

OVERSIGHT

66. Senator WARREN. Secretary McMahon, please provide a copy of all regulations, policy, and/or written best practices that governed the formation or set out required elements of new partnership agreements as part of the Military Housing Privatization Initiative.

Secretary McMAHON. These documents will be provided under separate cover in the near future.

67. Senator WARREN. Secretary Beehler, Secretary Bayer, and Secretary Henderson, what mechanisms are in place for your respective Military Departments to amend or alter the agreements following findings of malfeasance on the part of privatized military housing providers?

Secretary BEEHLER. Failure of any privatized housing service provider to comply with laws or contract requirements can trigger termination of the provider's contract or a diminishment of incentive fees that the provider could otherwise be awarded.

Secretary BAYER. The DON has entered into business agreements with private partners which are the Managing Members of each LLC. The Managing Members are responsible for the management of each company, including developing, con-

structing, renovating, maintaining, leasing, operating and managing the housing, as specified in the PPV LLC operating agreements. Should the Managing Member violate provisions within these agreements, the DON has the ability to initiate a process for replacing the Managing Member.

All changes to the business agreements must be negotiated and mutually agreed-upon by the DON and the Managing Member.

Secretary HENDERSON. While the Air Force does not have the authority to unilaterally alter agreements, the Air Force can engage project owners at corporate levels to withhold performance incentive fees, engage enforcement agencies, issue cure notices, and take other formal dispute actions. The Air Force can also work directly with a project owner to mutually agree on amendments to the existing agreements, which also occurs as part of the normal oversight performed on these projects.

The Air Force will work to propose changes to existing agreements that are necessary to ensure that privatized housing meets or exceeds applicable standards for the health and safety. The negotiations with project owners and private lenders will be informed by the Resident Bill of Rights that is developed to inform residents of their rights within privatized housing. To the extent the Resident Bill of Rights provides for additional rights beyond those currently found under tenant leases and state laws, we will need to work closely with project owners and private lenders to amend the existing agreements. We are also evaluating other changes that will be discussed with project owners, to include alternative performance incentive fee metrics to increase commander input and increase overall Air Force leverage when a project owner fails to perform in accordance with the requirements of existing agreements.

68. Senator WARREN. Secretary Beehler, Secretary Bayer, and Secretary Henderson, has your respective Military Department ever taken any action to alter or amend an agreement with a privatized military housing provider after findings of malfeasance?

Secretary BEEHLER. Yes. Between 2010 and 2015, Pinnacle, the property manager for four privatized housing projects (operating on Forts Belvoir, Benning, and Irwin, along with the Presidio of Monterey, Moffett Field, Ord Military Community, and the Naval Post Graduate School), was terminated for multiple acts of civil fraud.

Secretary BAYER. No, we have not taken such action, nor have we encountered instances that would warrant such action.

Secretary HENDERSON. The Air Force has not had any formal findings of malfeasance and has therefore not taken any actions to alter or amend any agreement based on such a finding. The Air Force and project owners routinely alter or amend the agreements for the purpose of incorporating changes that are based on lessons learned and to improve the manner in which these projects are operated.

69. Senator WARREN. Secretary Beehler, Secretary Bayer, and Secretary Henderson, has your respective Military Department ever completely and entirely withheld a performance fee from one of your privatized military housing provider partners, and if so, for what reasons?

Secretary BEEHLER. To the best of our knowledge and specifically within the previous 3 years, the Army has never completely and entirely withheld an incentive performance fee from any Project Partner.

Secretary BAYER. No, the DON has never completely and entirely withheld a performance fee from our PPV partners.

Secretary HENDERSON. The Air Force has not completely withheld a performance fee from any privatized military housing provider. The Air Force administers the performance fee according to the performance fee plan for each project.

70. Senator WARREN. Secretary Beehler, Secretary Bayer, and Secretary Henderson, please provide a list of all agreements under which your respective Military Department has ever wholly or partially withheld performance fees from a privatized military housing partner in the last 10 years.

Secretary BEEHLER. Please refer to the table retained in Committee files.

Secretary BAYER. Please refer to Attachment 3 in response #54 for the 10-year history of incentive-based fees. Retained in Committee files.

Secretary HENDERSON. The Air Force does not generally retain records of working files, which includes the documents that contain the total available performance incentive fee award for a respective time-period. The Air Force evaluates each incentive fee request to verify the proper performance thresholds were achieved. If performance fell short, the project transaction documents specify how much payment to withhold. The Air Force approves the performance incentive fees in accordance with the project transaction documents. Once the appropriate incentive fee award

is determined, an approval letter is created and retained. The approval letter only specifies the award amount, not the total possible award.

71. Senator WARREN. Secretary Beehler, Secretary Bayer, and Secretary Henderson, for each year from 2008 to the present, what was the total value of all available incentive fees for each of your partners?

Secretary BEEHLER. Please refer to the response for question #70, for a list, by project, of the awarded incentive fees since 2016. Retained in Committee files.

Secretary BAYER. Please refer to Attachment 4 (column 3) in response #54, for the Incentive-Based Fees earned by the Partners over the last 10 years. Retained in Committee files.

Secretary HENDERSON. The Air Force does not generally retain records of the working files that contain the total available award amounts. The Air Force evaluates each incentive request against the established metrics and thresholds. If performance fell short of target, the project transaction documents specify how much of the available fee should be withheld. The Air Force then approves the amount to be awarded, but does not retain the working document that indicates how much incentive fee was available during that period.

72. Senator WARREN. Secretary Beehler, Secretary Bayer, and Secretary Henderson, during that same period, if all available incentive fees were not awarded, please provide a brief explanation why.

Secretary BEEHLER. Please refer to the response for question #70, for a list, by project, of the awarded incentive fees since 2016. Retained in Committee files.

Secretary BAYER. Examples of Incentive Fee reductions include:

- April 2014—Letter denying Forest City Hawaii appeal for scoring below 70 in Resident Satisfaction due to high utility costs
- January to June 2018—AMCC (Camp Lejeune, Cherry Point, Stewart)
- 2nd half of 2017—PNC Property Management Incentive Fee (Northwest)
- 1st Half 2017—Ohana Military Communities—Property Management Incentive Fee (Hawaii)
- Marine Corps Hawaii Phases 1 to 3
- Navy Hawaii Phases 1 and 2

Secretary HENDERSON. A project owner must meet multiple performance targets in order to achieve the full incentive fee. Some of the more common reasons for not earning the full incentive award are: occupancy below budgeted expectations, operating expenses or net operating income below budgeted expectations, resident survey results that are below the required threshold, the project not meeting work order response and completion time requirements, and Installation Commanders not awarding their full discretionary award. Each project has different incentive metrics, but most have some combination of those listed.

RESIDENT SATISFACTION SURVEYS

73. Senator WARREN. Secretary Beehler, Secretary Bayer, and Secretary Henderson, the private housing companies all described resident satisfaction surveys as a key metric for them to receive performance incentive fees. Please describe in detail the survey process your respective Military Department uses to determine if military personnel are satisfied with the quality of on-base housing.

Secretary BEEHLER. There are three different survey mechanisms in existence at Army MHPI projects.

- 1) The most comprehensive and scientifically accurate survey is the Army Annual Housing Survey which is contracted by the Army with an independent, third-party contractor (CEL Associates, Inc) through its MHPI financial consulting contract with RER Solutions, Inc. CEL uses a core set of questions for all multifamily surveys. This core set of questions is used by all military and private sector clients year after year to ensure a basis of comparison and reliable trending information. During project setup, the survey instrument for the project is reviewed and approved. The survey sponsor may add questions unique to their population, but the core questions are left intact.

Email addresses are validated in advance to provide opportunity for correction in order to get the survey to each resident. Only one survey response per household is accepted. All occupied homes are included in survey distribution. Those residents without email addresses, or who do not receive the email, may receive instructions to access the survey via a “code letter,” or by contacting CEL directly via email. CEL will email the resident the URL and Survey ID

for their survey. Online surveys are controlled by address. Surveys completed online are accessible only by CEL staff members. Individual survey responses are never available to the Partners or Branches.

CEL scores are a proprietary metric used to measure one population against others, or the same population over time, in multiple categories. They are calculated from the core set of standardized scored questions across CEL's military and private clients. CEL calculates scores for the following categories:

- a. Three satisfaction indexes—overall satisfaction, property satisfaction, and service satisfaction.
 - b. Nine Business Success Factors—readiness to solve problems, quality of management services, property eating, responsiveness & follow-through, quality of leasing services, relationship rating, property appearance & condition, quality of maintenance services, and renewal intention.
 - c. Question scores for each survey question.
 - d. Scores are computed based on all answers for a population (such as a property, installation, or region) using CEL's scoring formula. These calculations result in a CEL score per respective category. Reports contain both results from the current survey and historical data so longer-term trends and patterns can be reviewed. Individual survey responses are never provided to the Partners, Branches, or any other entity outside CEL. All comments are provided verbatim. Action Plan templates containing the current scores are provided as part of the report package. Completed reports are provided to the survey sponsor (Department of the Army). Creating specific, actionable goals—and working towards those goals each year results in satisfaction improvement.
- 2) The RCI Project Company assesses tenant satisfaction at each point of service—move-in, move-out, maintenance, and resident satisfaction. The RCI Project Companies in coordination with the installation housing team will develop questions for the distributed surveys. The surveys are distributed by the RCI Project Company or its independent firm with results being provided to the RCI Project Company who provides to the Army Family Housing Office. The Army Family Housing Office will review survey results and identify any concerns or anomalies for discussion with the RCI Project Company.
 - 3) The Army Family Housing Office conducts independent surveys to verify incentive fee awards for move-in, move-out, or maintenance satisfaction. The surveys are developed to assess resident satisfaction and verify metrics were met. Returned responses are reviewed and any concerns or anomalies are discussed with the RCI Project Companies.

Secretary BAYER. CEL & Associates, LLC administers a Resident Satisfaction Survey (RSS) for all Navy-owned housing residents. The Marine Corps is in the process of administering a RSS for all USMC-owned housing residents. PPV partners contract directly with CEL to conduct the same survey with all PPV residents. CEL is an industry leader in tenant resident Surveys and has provided surveys to DON since 2000. The RSS is conducted using a controlled method of one survey per household. Each family is given a unique, anonymous password.

Navy's RSS survey includes 55 questions. Questions include satisfaction questions related to readiness to solve problems, responsiveness and follow through, property appearance and condition, quality of management/leasing/maintenance, customer service, property rating, relationship rating, and intention to renew housing. The RSS survey also gives respondents the opportunity to provide to open-ended comments and request to be contacted.

The RSS is a point based survey on a range of 1 to 100, not a percentage score. All residents receive the opportunity to complete a survey and the average response rate for the DON was over 45 percent in 2018.

Secretary HENDERSON. The Air Force has measured resident satisfaction for all but one of our 63 installations using the industry standard third party survey created and conducted by CEL and Associates. The questions are standardized across the military and the private sector, the resident response is anonymous, and responses are reviewed by the company for signs of tampering. The 2018 response rate was greater than 46 percent. Each question is rated on a scale of 1 to 5 and the survey includes 53 questions on appearance and condition of the community, management of the property, maintenance services, community amenities, characteristics of the home, leasing process, and overall morale. We are currently exploring revisions of the CEL survey to better capture the resident experience.

All but one of the property owners using this survey distribute it electronically. For properties owned by Balfour Beatty Corporation, blank surveys are provided to the residents by Balfour Beatty Corporation and once completed, the resident drops

it in a locked box that is only accessible by the third party survey company (*i.e.*, Balfour Beatty Corporation never touches a completed survey).

In addition to the annual survey, customers are provided feedback cards for every work order request and can provide feedback on ease of reporting, timeliness of response, whether the work was performed correctly the first time, professionalism of the technician, and whether they want a follow up. These forms are provided to the resident by the project owner, collected by the project owner, and provided to the Air Force housing management office.

74. Senator WARREN. Secretary Beehler, Secretary Bayer, and Secretary Henderson, which entities are responsible for disseminating the survey to privatized housing residents?

Secretary BEEHLER. The Army housing survey is administered by an independent third-party survey firm, CEL Associates, through its MHPI financial consulting contract with RER Solutions, Inc. to conduct the Army Annual Housing Survey. As such, they are responsible for all administrative functions of the survey including the creation, dissemination, collection and reporting of results. The maintenance and point-of-service surveys are administered by the RCI Project Companies via survey cards, independent third-party survey firms hired by the RCI Project Companies, or electronic survey's through the property management operations system. The Army Family Housing Office surveys are administered electronically by the Army Family Housing Office staff.

Secretary BAYER. CEL & Associates, LLC administers the survey with a controlled method of one survey per household with a unique anonymous password. With the exception of Balfour Beatty, surveys are distributed electronically from CEL. Balfour Beatty distributes them manually, but in 2018, Navy requested they change to electronic.

Secretary HENDERSON. The annual resident satisfaction surveys are disseminated and collected electronically by the third party survey firm with the exception of projects held by Balfour Beatty Communities, which distributes the paper surveys to residents, who then submit them in a locked collection box controlled by the third party firm. Maintenance satisfaction cards are distributed and collected by the project owner and provided to the housing management office.

75. Senator WARREN. Secretary Beehler, Secretary Bayer, and Secretary Henderson, which entities are responsible for tabulating the surveys and publishing the results?

Secretary BEEHLER. The Army's independent third-party survey firm, CEL Associates, is responsible for the tabulation and reporting of results for the Army Annual Housing Survey. The RCI Project Company surveys, tabulates, and consolidates the results of survey cards and electronic surveys then distributes the results to the Army Family Housing Office. For RCI Project Company independent third-party survey firms, the independent firm tabulates, consolidates, and distributes the results to the RCI Project Company who in turn provides the results to the Army Family Housing Office. The Army Family Housing Office surveys, tabulates, and consolidates the results for their use in validating the incentive fees.

Secretary BAYER. CEL & Associates, LLC.

Secretary HENDERSON. The third party survey firm tabulates the surveys and publishes the results, which are then provided to the project owner and the Air Force.

76. Senator WARREN. Secretary Beehler, Secretary Bayer, and Secretary Henderson, does the completed survey come directly to your respective Military Department, and if not, which entity receives it first?

Secretary BEEHLER. The Army's annual survey are completely anonymous and confidential to the Army. The survey is completed online and only CEL & Associates, Inc has access to the results. At no time are the results of any individual survey disclosed by CEL. Residents are notified the survey is confidential and anonymous up front within the survey text. Once the survey results are tabulated and compiled by CEL Associates, Inc; the results are then provided directly to the Army in a summarized format only. Residents have the option of completing a comment section and these comments are provided verbatim to the Army ongoing during the survey process. The RCI Project Company receives their surveys first then the results are provided to the Army Family Housing Office. The Army Family Housing Office receives their surveys first.

Secretary BAYER. CEL & Associates, LLC provides PPV survey results directly to the PPV partners. They also post them on the CEL website. PPV Partners have

given Navy access to the website and CNIC HQ uses this access to review the reports. Partners separately provide the reports on CDs to NAVFAC.

Secretary HENDERSON. The completed resident satisfaction survey goes directly to the third party survey firm. The completed maintenance feedback card is first submitted to the project owner and then provided to the Air Force.

77. Senator WARREN. Secretary Beehler, Secretary Bayer, and Secretary Henderson, what measures are in place to ensure that surveys are representative?

Secretary BEEHLER. Each installation is divided into multiple neighborhoods with "Like Type Housing". All residents within a neighborhood are invited to complete a survey. One survey is provided to each occupied home, we do not sample or otherwise restrict participation. Reporting is provided by neighborhood, installation, region and overall. Prior to the start of the survey a survey announcement is distributed to all residents. Additionally, the survey details are provided on various social media sites. Residents are instructed to contact CEL & Associates, Inc. with any questions or issues. The RCI Project Company provides surveys to all tenants at move-in, move-out, and every maintenance call. The surveys questions are kept to a minimum and are directed to the staff, the service, or the event itself. If the response rate is low, then the RCI Project Company will resurvey tenants to ensure a larger representative response is achieved. The Army Family Housing Office randomly selects touch points to survey. Randomization minimizes the impact of any errors and spreads potential bias evenly across all tenants surveyed. The selection method is by simple selection or cluster sampling to obtain a representative sample from the touch point list. The Army Family Housing Office survey may touch tenants that have been sampled by the RCI Project Company.

Secretary BAYER. The best measure is reflected in the response rates. A response rate of 20 percent is considered statistically valid. DON PPV survey response rates have always been much higher; typically, in the 30 to 50 percent range. In 2017 and 2018, response rates averaged 45 percent.

Secretary HENDERSON. This survey can be anonymous, responses are reviewed by the third party company for signs of tampering, and the questions are standardized across the military and the private sector. Additionally, residents are encouraged to participate and the Air Force has a 46 percent response rate. The data also provides feedback by neighborhoods in order to permit the Air Force to identify under represented neighborhoods.

78. Senator WARREN. Secretary Beehler, Secretary Bayer, and Secretary Henderson, how frequently are these surveys conducted?

Secretary BEEHLER. The independent, third-party contracted Army Annual Housing Survey is conducted annually typically between the months of March to June. The RCI Project Companies surveys are administered at each touch point—move-in, move-out, and at every maintenance service. Resident satisfaction surveys are administered quarterly but only once per year to each tenant. The Army Family Housing Office surveys are administered monthly for a random selection of RCI Project Company touch points—move-in, move-out, and maintenance.

Secretary BAYER. The surveys are conducted annually, or more frequently, if warranted.

Secretary HENDERSON. Resident satisfaction surveys are conducted annually. Maintenance feedback cards are provided after each maintenance event.

79. Senator WARREN. Secretary Beehler, Secretary Bayer, and Secretary Henderson, please provide copies of all survey forms and/or questionnaires you and/or your private partners make available to residents.

Secretary BEEHLER. Representative copies of surveys are retained in Committee files.

Secretary BAYER. Please refer to Attachment 5. The survey contains 55 questions that do not change from year to year in order to provide continuity of the relevant data points. Additional questions may be added as deemed appropriate, but are not scored. Attachment 5 has been retained in Committee files.

Secretary HENDERSON. A copy of an example CEL survey and examples from various bases of the surveys distributed after move-in or after a maintenance work order is completed will be provided to the Committee separately.

PRIVATE PARTNERSHIP AGREEMENTS

80. Senator WARREN. Secretary Beehler, Secretary Bayer, and Secretary Henderson, how many military housing privatization agreements have you signed with pri-

vate companies since the launch of the Military Housing Privatization Initiative program?

Secretary BEEHLER. The Army has entered into 36 separate Partnerships with Private Companies since the launch of the Military Housing Privatization Initiative Program.

Secretary BAYER. The Navy has signed 18 Housing Privatization agreements with private companies; 16 for family housing and 2 for unaccompanied housing. Of the 18 agreements, 3 have been sold and are no longer in effect.

Secretary HENDERSON. The Air Force has 32 Military Housing Privatization projects and each project has numerous agreements that outline all the terms and conditions for the project.

81. Senator WARREN. Secretary Beehler, Secretary Bayer, and Secretary Henderson, do you know of any subcontractors, subsidiaries, or other third parties associated with your private partners, that manage or provide any services at your agency's military housing properties?

Secretary BEEHLER. Yes, the Army is aware of related party/identity of interest/affiliate parties that are associated with the Private Partners while providing contractual services to the Project Companies. Please refer to the attached spreadsheet outlining the related party transactions as disclosed in the Project Company 2017 Annual Audited Financial Statements. Depending on the services required by the Project, the list of related party/identity of interest/affiliate parties will change. The spreadsheet has been retained in Committee files.

Secretary BAYER. The Operating Agreements for PPV Housing do not create a "government contract" under the Federal Acquisition Regulation. DON has agreements with the Managing Member and not anyone else they contract out to, including the property manager, even if the Property Manager comes from the same company.

The Operating Agreements specify that the private company takes the leading role in what is best described as a partnership-like arrangement with the DON. The Operating Agreements use the term "Managing Member" to describe this leading role in the LLC. The agreements make clear that the Managing Member, with limited exceptions, shall have sole and exclusive management and control of the business of the LLC and shall make all decisions regarding the affairs of the LLC. DON's business partner under these Operating Agreements is not a contractor and is responsible for management, operations, development and recapitalization of the housing owned not by DON or the Managing Member but by the LLC itself.

Secretary HENDERSON. The majority of the Air Force projects involve vertically integrated real estate firms. The firms generally set up a single purpose entity as the ownership entity. The ownership entity then generally contracts the major service subcontracts (construction, development, asset management and property management) to affiliated entities. Some projects subcontract one or multiple of those service agreements to unaffiliated third party firms. All major subcontracts listed above are reviewed by the Air Force at closing and project owners are required to seek Air Force approval before entering into agreements with affiliated entities. The projects also subcontract with other service providers such as landscaping, snow removal, pest control, trash removal, recycling, major plumbing or electrical repairs, roofing, and utility work. These subcontracts for routine operational requirements are not subject to Air Force review.

82. Senator WARREN. Secretary Beehler, Secretary Bayer, and Secretary Henderson, if so, please provide a list of all of these entities, a summary of the services they provide, and the locations where they provide these services.

Secretary BEEHLER. Please refer to the attached spreadsheet referred to with response #81 for a detailed list of all 2017 related parties and the services provided sorted by Project. Retained in Committee files.

Secretary BAYER. DON does not maintain a list of the partner service-providers.

Secretary HENDERSON. The majority of all major contracts (construction, development, asset management, and property management) across the portfolio are with affiliated entities of the respective project owner at that installation. Additionally, each project has subcontracts—usually with local subcontractors—for routine services such as landscaping, snow removal, pest control, trash removal, recycling, major plumbing or electrical repairs, roofing, and utility work.

The following are the affiliated major subcontractors, the services they provide, and the locations where they provide their services:

Balfour Beatty Construction, Inc.: Construction, renovation, and large project services.

Locations: Moody (all except Falcon Neighborhood), Dyess (on base housing), Tyn-dall, Altus, Luke, Sheppard, Tinker, Fairchild, Travis, Lackland, Mountain Home, Ellsworth, Minot, Cannon, Cavalier, Grand Forks, Vandenberg, Beale, Malmstrom, FE Warren, Whiteman.

Hunt Building Corporation: Construction, demolition, renovation, and large project services.

Locations: Wright Patterson (except 100 government owned units), U.S. Air Force Academy (except 2 government owned units), Columbus, Goodfellow, Laughlin, Maxwell, Randolph, Vance, Langley, Bolling, Barksdale, Buckley, Dover, Dyess, Moody (Falcon Neighborhood), Hanscom, Patrick, Little Rock, Kirtland, Nellis, Robbins, Scott, Shaw, Keesler, Arnold, Charleston, Joint Base Elmendorf-Richardson.

Actus Lend Lease LLC: Construction, demolition, renovation, and large project services.

Locations: Hickam, Davis-Monthan, Holloman, Los Angeles, Peterson, Schriever.

Clark Design-Build LLC: Construction, renovation, and large project services.

Locations: Andrews, MacDill.

Corvias Construction LLC: Construction, demolition, renovations, and large project services.

Locations: Edwards, Eglin, Hurlburt Field, Eielson, McConnell, Seymour Johnson.

83. Senator WARREN. Secretary Beehler, Secretary Bayer, and Secretary Henderson, please describe the legal authorities, policies, and procedures that govern your respective Military Department's oversight over any subcontractors, subsidiaries, or other third parties associated with your private partners.

Secretary BEEHLER. Oversight of related parties/identity of interest/affiliate companies is outlined within the Operating Agreement and typically requires the Private Company to disclose any and all related party/identity of interest company transactions. The fees charged by these related parties were typically negotiated and agreed to by the Army at the onset of the program or as these services are required by the Project Company thereafter.

Secretary BAYER. Oversight and monitoring authority is set forth in 10 U.S.C. 2884 & 2885 and in associated legal agreements. The operating agreement of each PPV company defines the rights and responsibilities of the DON in the company. DON leadership exercises oversight of privatized housing projects with the aid of a "monitoring matrix" based on the PPV's obligations in each business deal. The managing member (or in one instance, the general partner) of each PPV company is tasked with management of the company. While the DON does not participate in the day-to-day management of these private companies, DON's daily interaction with these companies is the DON's first level of oversight and issue resolution. DON is specifically prohibited from managing the company except with regards to certain consent rights, and other specifically defined rights, such as the ability to initiate the process for replacement of the property manager. DON reviews and approves the annual budget and incentive fees, and can request reporting to provide oversight and make well-informed consents. In addition, DON can enforce performance from the privatized housing projects by engaging bondholders to work with the projects to meet the commitments under the agreement. DON can also issue cure notices or use the court system, if needed, to seek resolution for poor performance.

Secretary HENDERSON. The Air Force performs direct compliance oversight on privatized housing project owners to confirm that all requirements under the legal documents are met. The legal documents outline a project owner's operation, maintenance, and repair obligations for a housing privatization project. If a project owner has a subcontractor, subsidiary, or third party performing work, the Air Force does not have direct contractual relationships that provide the Air Force with direct remedies against such parties. The Air Force would address any performance issues directly with a project owner.

The Air Force may have certain rights under the legal agreements to directly impact the project owner's contractual relationships with a third party for meeting project requirements. In most projects, while the Air Force is not a party to the property management agreement, there is a requirement that any property management agreement must provide the Air Force with a right to direct a project owner to terminate the property management agreement upon an "Event of Default" under the ground lease. The Air Force must also generally approve of any material revisions to a property management agreement, which would include any changes to the identity of the property manager, the fee to be paid to a property manager, or the right to direct termination of the property management agreement. The Air Force may also need to approve any performance incentive fees that are to be paid by a

project to third parties, which may include property management, asset management, or construction incentive fees.

84. Senator WARREN. Secretary Beehler, Secretary Bayer, and Secretary Henderson, are you aware if any of these subcontractors either are subsidiaries of or otherwise are financially related to your private partners? Are you aware if your private partners share key officers or Board members with any of these subcontractors?

Secretary BEEHLER. Yes, as stated previously, the Private Companies are required to disclose any related parties/identity of interest companies that are providing services to the Project Companies. This disclosure is contained within the Annual Audited Financial Statements for each Project Company.

Secretary BAYER. The DON has a relationship with the Managing Member (private partner), which is responsible for day-to-day operations. DON does not track the business/financial relationships between the Managing Member and PPV project's hired service providers, which may or may not be subsidiaries of the private partner. The fees paid to service providers are defined in the project legal agreements. DON consent is required on key PPV project business decisions, to include replacement of the Property Manager service provider.

Secretary HENDERSON. The majority of all major contracts (construction, development, asset management, and property management) across the portfolio are with affiliated entities of the project owner.

REPAIRS AND MAINTENANCE RECORDS

85. Senator WARREN. Secretary Beehler, Secretary Bayer, and Secretary Henderson, do you have access to your private partners' repair or work order tracking and response procedures and protocols? If so, please provide copies of all documents related to these protocols and procedures.

Secretary BEEHLER. Yes, all garrisons have access to the private partners work order system. Garrison staff are accessing these systems to assess the quantity of work orders, their timeliness and any reports of life, health or safety concerns. Procedures and protocols are in the property management agreement and/or community development management plans. Retained in Committee files.

Secretary BAYER. The DON has full access to the PPV projects' work order databases and, if there is a health and safety concern identified, DON personnel engage in accordance with our Health & Safety Standard Operating Procedures (SOP). This SOP has been provided to Committee staff.

Secretary HENDERSON. The Air Force does not have access to detailed work order tracking and response procedures and protocols that the project owners use internally to manage their work order processes and train employees on how to utilize their software systems and manage employee workflow. The Air Force negotiates, as part of the closing documents, the general framework, performance standards, and requirements the project owners must meet. The Operating Agreements define how work orders should be classified as Emergency, Urgent, or Routine and the response and completion time requirements for each of those categories. The Operating Agreements also generally describe whether the project owners utilize a third party answering service for after-hours calls, the methods residents may utilize to submit work orders (phone, email, website, in-person in the office, etc.), the approach to asking for permission to enter and perform the work while the resident is not home, setting up appointment times to complete the work, and other high level requirements related to the work order process.

86. Senator WARREN. Secretary Beehler, Secretary Bayer, and Secretary Henderson, do your private partners have assigned maintenance staff and/or outside contractors available to make repairs?

Secretary BEEHLER. Yes, the RCI Project Companies have assigned maintenance staff and outside contractors available to make repairs. Many of the RCI Project Companies are hiring additional maintenance and property management staff.

Secretary BAYER. Per the project business agreements, partners have assigned maintenance staff and/or outside contractors available to make repairs. Staffing levels and mix are determined by the project Managing Members (private partners).

Secretary HENDERSON. All of our project owners have assigned maintenance staff and/or outside contractors available to make repairs.

87. Senator WARREN. Secretary Beehler, Secretary Bayer, and Secretary Henderson, do your private partners utilize work order logs to track maintenance requests and the completion of work?

Secretary BEEHLER. Yes, the RCI Project Companies use work order logs to track maintenance requests and the completion of work.

Secretary BAYER. Yes, and Navy and Marine Corps can review those records by accessing their databases.

Secretary HENDERSON. The project owners for Air Force projects use work order logs to track maintenance requests and completion of work.

88. Senator WARREN. Secretary Beehler, Secretary Bayer, and Secretary Henderson, do you have access to these work order logs in a database or other electronic format? If so, please provide the electronic records of these work logs for the last 12 months.

Secretary BEEHLER. Yes, we have access to the RCI Project Companies electronic work order database. Retained in Committee files.

Secretary BAYER. Yes, the DON can review those records through access to their databases, but they do not belong to the DON. The records belong to the PPV partners. Any request for copies should go to them.

Secretary HENDERSON. The Air Force does not have access to the project owners' maintenance systems across the portfolio. The Air Force has requested the project owner provide an electronic copy of the work logs for the last 12 months. We expect to receive those in the coming weeks and will provide that data as an addendum to this response.

COMPLAINTS

89. Senator WARREN. Secretary Beehler, Secretary Bayer, and Secretary Henderson, do you have a complaint hotline or other process in place for servicemembers who are living in your housing facilities to contact you with problems?

Secretary BEEHLER. Each garrison has a hotline managed by the garrison commander dedicated to capturing soldiers' and families' concerns, complaints and suggestions. Additionally, each garrison has an Army Housing management staff that advocates for soldiers and families living in privatized housing.

Secretary BAYER. The DON maintains the right to inspect PPV housing under the terms of the ground lease and associated project legal agreements, to include short notice inspections for environmental matters. In addition, the DON completes spot checks of project compliance with requirements included in the partnership agreements (operating agreements for limited liability companies and ground leases). Navy and Marine Corps housing offices at installations have access to the partner's electronic maintenance database system (e.g., YARDI) and reviews work orders for potential environmental concerns and other issues. As DON's first level of housing oversight, installation housing directors are supposed to be informed by the PPV of any potential suggestion, concern or complaint that families may have, and are available for direct input from residents, as well—whether through in person meetings, emails, townhalls or other avenues. Resident input, to include concerns and complaints, are elevated to installation, region and headquarters leadership, as appropriate.

Secretary HENDERSON. The Air Force has a well-established process in place for residents to raise complaints to the housing management office. In addition, the Air Force recently established a toll free line for residents to elevate complaints when other mechanisms fail.

90. Senator WARREN. Secretary Beehler, Secretary Bayer, and Secretary Henderson, what is the process for submitting complaints?

Secretary BEEHLER. Army leadership and chain of command are responsible for ensuring residents are satisfied with their housing. Residents can submit a complaint through the installation housing hot line and Army housing offices. The Army is also working to empower residents through a smartphone/web application that will streamline complaint submissions and enhance quality assurance and quality control for completed work orders.

Secretary BAYER. DON is taking new steps to address immediate problems as well as adjust our business processes to permanently correct systemic issues. General Neller and Admiral Richardson have each issued orders requiring commanding officers to afford the opportunity for every family in military housing to receive a voluntary visit by 15 April 2019. The purposes of these visits are:

- (1) to raise command awareness of family living conditions to ensure that they are safe, secure and environmentally healthy;
- (2) to personally observe any issues affecting the home and to understand any actions being taken to address them; and
- (3) if a problem is found, to help servicemembers and their families get the problem

resolved, and ensure that all families understand the help and resources available to them.

Marine Corps Commanders will use the Marine Housing Outreach program to improve their awareness of concerns and better advocate for military families. Commanders will leverage appointed servicemember advocates and the base housing office to streamline communication with providers. Both Commanders and appointed advocates will ensure effective oversight and remediation are in place, operating with the full authority and support of the chain of command.

The Navy will streamline its reporting process so that no sailor (or soldier or airman living in DON privatized housing) has to exceed two calls before achieving resolution—the first to the housing company, and the next to their chain of command, which can then properly advocate on their behalf with the government base housing office, base leadership, and Commander Naval Installation Command (CNIC) to ensure resolution.

Simultaneously, families will continue to have an open channel to the base housing office.

Secretary HENDERSON. If the resident was not satisfied with the project owner's resolution, the resident can call or email the housing management office with their concern. If the resident is not satisfied with the response from the housing management office, they can raise the concern through their chain of command. If the resident is not satisfied with the response from their immediate chain of command, they can contact the Inspector General. Additionally, the resident may call the toll free line when local efforts fail to resolve the issue to their satisfaction. Residents can also seek assistance from the base legal office.

91. Senator WARREN. Secretary Beehler, Secretary Bayer, and Secretary Henderson, can complaints be submitted anonymously?

Secretary BEEHLER. Yes, complaints can be submitted anonymously through the installation Hot Line phones.

Secretary BAYER. Complaints can be submitted anonymously to either the PPV property managers or the base housing office. If a resident has a complaint, it is imperative that they communicate it openly to the property manager. Residents may also discuss their complaints with DON Housing staff, their chain of command, or the installation commanding officer and can request to remain anonymous. Anonymous complaints may also be filed with the Department of the Navy or the Department of Defense Inspectors General.

Secretary HENDERSON. Certainly complaints can be, and are, raised anonymously. However, without the particulars of the housing unit, it may be very difficult to act on anonymous complaints.

92. Senator WARREN. Secretary Beehler, Secretary Bayer, and Secretary Henderson, please provide a list of all complaints (without personal identifying information) submitted since January 1, 2008, at all your facilities owned or operated by your private partners, and a description of how these complaints were resolved.

Secretary BEEHLER. The Army does not maintain a record of all complaints. Some complaints include delayed work order response times, delayed work order completion times, mold in homes, and unqualified maintenance staff.

Secretary BAYER. The DON has full access to the PPV projects' work order databases. However, this request should be submitted to the PPV private partners, as Managing Members and owners of the PPV projects.

Secretary HENDERSON. This data has been compiled for 27 installations and will be provided to the Committee separately.

93. Senator WARREN. Secretary Beehler, Secretary Bayer, and Secretary Henderson, do your private partners have a complaint hotline or other process in place for servicemembers who are living in your housing facilities to contact them with problems?

Secretary BEEHLER. The RCI Project Companies do have a complaint and concern process for servicemembers and their families to contact them about problems. The RCI Project Companies consider residents' complaints and concerns of the utmost importance. They maintain an "open door" policy for any resident wanting to speak to a representative or management. Contact information is provided to residents at time of move-in; is in the resident guide; is on social media; and on housing websites.

Secretary BAYER. All partners have provided dedicated phone numbers to residents for reporting complaints about their housing units; they have 24/7 toll free numbers and online methods to report maintenance problems. Access to partners for other concerns are typically confined to normal business hours. Both DON and its

PPV partners provide 24/7/365 coverage via email addresses that are provided for resident contact for any reason.

Secretary HENDERSON. The process varies from project to project, but all project owners have a process to handle complaints. The Air Force is working with project owners to standardize the process across the portfolio and ensure residents are better informed of the process. In addition, the Air Force recently established a toll free line for residents to elevate complaints when other mechanisms fail.

94. Senator WARREN. Secretary McMahon, Secretary Beehler, Secretary Bayer, and Secretary Henderson, on February 15, 2019, President Trump declared a national emergency in order to raid unobligated military construction funds so that he could build a border wall. According to the White House, this emergency declaration will result in “up to \$3.6 billion reallocated from Department of Defense military construction projects.” What projects, if any, has the Department identified within military family housing or single servicemember quarters (e.g. barracks) that are available for transfer to the border wall project?

Secretary MCMAHON. As the Acting Secretary has testified, no military housing, barracks, or dormitory projects will be used to fund the border barrier should the Acting Secretary of Defense choose to use the 2808 authority.

Secretary BEEHLER. The Army has not been directed to provide, prioritize, or otherwise withhold projects in anticipation of funds needed for the border wall project. The Army also has not spent any MILCON funding for construction on the border wall project. However, at the request of OSD, The Army initially identified 136 unawarded MILCON projects valued at ~\$2.7 billion. OSD screened out all projects scheduled for award before October 1, 2019, and all Housing Construction Projects. Thirty-six Army projects valued at ~\$1.05 billion remain on the list after screening.

Secretary BAYER. The Acting Secretary of Defense has removed construction projects in these categories from consideration for a border barrier solution.

Secretary HENDERSON. No Air Force military family housing project or single servicemember quarters have been identified to reallocate funds to the border wall project.

95. Senator WARREN. Secretary McMahon, Secretary Beehler, Secretary Bayer, and Secretary Henderson, has the Department recommended that any of the identified projects be included for reallocation?

Secretary MCMAHON. As the Acting Secretary has testified, no military housing, barracks, or dormitory projects will be used to fund the border barrier should the Acting Secretary of Defense choose to use the 2808 authority.

Secretary BEEHLER. No. The Army is executing our program based on the funds appropriated in fiscal year 2019 and prior years.

Secretary BAYER. Please refer to our response to question 94.

Secretary HENDERSON. Not applicable, no projects were identified.

96. Senator WARREN. Secretary McMahon, Secretary Beehler, Secretary Bayer, and Secretary Henderson, please provide a complete list of all such projects or programs, and the amount of funds subject to reallocation.

Secretary MCMAHON. As the Acting Secretary has testified, no military housing, barracks, or dormitory projects will be used to fund the border barrier should the Acting Secretary of Defense choose to use the 2808 authority.

Secretary BEEHLER. The Army has not been directed to provide, prioritize, or otherwise withhold projects in anticipation of funds needed for the border wall project.

Secretary BAYER. Please refer to our response to question 94.

Secretary HENDERSON. Not applicable, no projects were identified.

MHPI AGREEMENTS

97. Senator WARREN. Mr. Williams, Mr. Piscerne, Mr. Ehle, Mr. Hickey, and Mr. Bliss, how many military housing project awards has your company received from the Department of Defense since the launch of the Military Housing Privatization Initiative (MHPI) program?

Mr. WILLIAMS. Answer provided directly to Senator Warren per letter dated February 20, 2019.

Mr. PISCERNE. Answer provided directly to Senator Warren on February 19, 2019.

Mr. EHLE. Hunt currently owns and operates 21 separate projects in partnership with DOD. Hunt also maintains a minority ownership interest in some properties that it does not manage or oversee. All of Hunt's projects, some of which include multiple property sites, are located on or near Air Force, Navy, Marine Corps, and

Army bases throughout the country. Each project that Hunt operates is governed by a ground lease and limited liability company operating agreement.

Mr. HICKEY. Lendlease Americas has been awarded eleven privatized military housing projects as an integrated asset manager, development manager and design builder following a competitive bidding process administered by the respective Military Services.

We currently manage ten^{1A} MHPI family housing projects, which include ground leases and family housing operations across different installations in twelve States. Six of those Project Companies operate family housing on United States Army installations, one on Marine Corps installations, and three on Air Force installations.

Each of the project agreements, including the Project Company contracts with LLUSPP affiliates for the ongoing and continuing asset management, development management and property management services provided to the Projects, were negotiated and approved by the respective Military Service and their consultants at the initial closing of each MHPI project.

Mr. BLISS. LMH respectfully refers Senator Warren to our response to this question (posed by Senator Warren in a February 6 letter to LMH) set forth in our letter dated March 6, 2019, which contains business-sensitive and/or confidential information.

98. Senator WARREN. Mr. Williams, Mr. Piscerne, Mr. Ehle, Mr. Hickey, and Mr. Bliss, how many separate agreements have your company signed with the Military Departments for these awards?

Mr. WILLIAMS. Answer provided directly to Senator Warren per letter dated February 20, 2019.

Mr. PISCERNE. Answer provided directly to Senator Warren on February 19, 2019.

Mr. EHLE. Hunt currently owns and operates 21 separate projects in partnership with DOD. Hunt also maintains a minority ownership interest in some properties that it does not manage or oversee. All of Hunt's projects, some of which include multiple property sites, are located on or near Air Force, Navy, Marine Corps, and Army bases throughout the country. Each project that Hunt operates is governed by a ground lease and limited liability company operating agreement.

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Each of the project agreements, including the Project Company contracts with LLUSPP affiliates for the ongoing and continuing asset management, development management and property management services provided to the Projects, were negotiated and approved by the respective Military Service and their consultants at the initial closing of each MHPI project.

Mr. BLISS. LMH respectfully refers Senator Warren to our response to this question (posed by Senator Warren in a February 6 letter to LMH) set forth in our letter dated March 6, 2019, which contains business-sensitive and/or confidential information.

99. Senator WARREN. Mr. Williams, Mr. Piscerne, Mr. Ehle, Mr. Hickey, and Mr. Bliss, please provide a list of all active service agreements, and include the following information for each agreement: the date it was signed; the installation that it served; the number of housing units that were provided; the year or years that those housing units were first occupied; the year or years of any substantial renovations; the total budget associated with the agreements for each of the last 10 years; the annual profit you have earned under each of these agreements for each of the last 10 years; and the value of the replacement reserve fund or other funds available for capital expenses for each of the last 10 years.

Mr. WILLIAMS. Answer provided directly to Senator Warren per letter dated February 20, 2019.

¹The Beaufort/Parris Island project was awarded separately by the Navy in 2002, but the project was later merged into the Atlantic Marine Corps Communities project upon the award of the third phase of that project by the Navy in 2007.

¹The Beaufort/Parris Island project was awarded separately by the Navy in 2002, but the project was later merged into the Atlantic Marine Corps Communities project upon the award of the third phase of that project by the Navy in 2007.

Mr. PISCERNE. Answer provided directly to Senator Warren on February 19, 2019.

Mr. EHLE. Hunt currently owns and operates 21 separate projects in partnership with DOD. Hunt also maintains a minority ownership interest in some properties that it does not manage or oversee. All of Hunt's projects, some of which include multiple property sites, are located on or near Air Force, Navy, Marine Corps, and Army bases throughout the country. Each project that Hunt operates is governed by a ground lease and limited liability company operating agreement. Data regarding the years in which Hunt's properties have undergone substantial renovation is provided in Attachment A (follows). Information regarding Hunt's reserve balances is provided in Attachment B (follows).

ATTACHMENT A

HMC MANAGED MILITARY - YEARS OF SUBSTANTIAL RENOVATION			
PROPERTY	MILITARY BRANCH	PROJECT OWNERSHIP ENTITY	YEARS OF SUBSTANTIAL RENOVATION / CONSTRUCTION
Columbus	Air Force	AETC II Privatized Housing, LLC	2008-2012
Goodfellow	Air Force	AETC II Privatized Housing, LLC	2008-2011
Laughlin	Air Force	AETC II Privatized Housing, LLC	2008-2011
Maxwell	Air Force	AETC II Privatized Housing, LLC	2008-2013
Randolph	Air Force	AETC II Privatized Housing, LLC	2008-2011
Vance	Air Force	AETC II Privatized Housing, LLC	2008-2012
Air Force Academy	Air Force	Air Force Academy Military Communities, LLC	2007-2019
Barksdale	Air Force	BLB Privatized Housing, LLC	2007-2013
Bolling	Air Force	BLB Privatized Housing, LLC	2007-2013
Langley	Air Force	BLB Privatized Housing, LLC	2007-2014
Buckley	Air Force	Buckley Family Housing, LLC	2004-2007
Dover	Air Force	Dover Air Force Base Properties, LLC	2005-2009
Hanscom	Air Force	HP Communities, LLC	2008-2013
Little Rock	Air Force	HP Communities, LLC	2008-2013
Moody	Air Force	HP Communities, LLC	2008-2013
Patrick	Air Force	HP Communities, LLC	2008-2013
Kirtland + Maxwell Place	Air Force	Kirtland Family Housing, LLC	2003-2006
Nellis	Air Force	Nellis Air Force Base Properties, LLC	2006-2011
Robins II	Air Force	Robins Air Force Base Properties II, LLC	2007-2010
Scott	Air Force	Scott Air Force Base Properties, LLC	2006-2009
Arnold	Air Force	Southern Group Military Communities, LLC	2011-2013
Joint Base Charleston	Air Force	Southern Group Military Communities, LLC	2011-2013
Keesler + Keesler NDSU	Air Force	Southern Group Military Communities, LLC	2011-2014
Shaw	Air Force	Southern Group Military Communities, LLC	2011-2016
Dyess (Quail Hollow)	Air Force	Western AH 406, Ltd.	2000-2002
Robins I	Air Force	WRAF Housing, LLC	2000-2002
Ft. Lee	Army	Fort Lee Commonwealth Communities, LLC	2007-2014
Redstone	Army	Redstone Communities, LLC	2006-2009
Ohana-USMC Housing	Marines	Ohana Military Communities, LLC	2006-2010, 2010-2014, 2015-2019
Ohana-Navy Housing	Navy	Ohana Military Communities, LLC	2004-2008, 2006-2010
Deluz	Navy	De Luz Housing, LLC	2001-2005
Hunter's Cove	Navy	Kingsville Two Family Housing, Ltd.	2000-2002
Great Lakes	Navy	Midwest Family Housing, LLC	2006-2008
Crane	Navy	Midwest Family Housing, LLC	
MidSouth	Navy	Midwest Family Housing, LLC	2008-2008, 2013
PNC-West Sound	Navy	Pacific Northwest Communities, LLC	2005-2011, 2014-2017
PNC-North Sound	Navy	Pacific Northwest Communities, LLC	2005-2011
PNC-East Sound	Navy	Pacific Northwest Communities, LLC	2005-2011
PNC-The Landings	Navy	Pacific Northwest Communities, LLC	2014-2018
Hampton Roads	Navy	Hampton Roads PPV, LLC	2007-2010

ATTACHMENT B

SUSTAINMENT ACCOUNT BALANCES AS OF JANUARY 2019

HMC MANAGED MILITARY - SUSTAINMENT ACCOUNT BALANCES		
PROJECT OWNERSHIP ENTITY	CAPITAL REPAIR & REPLACEMENT ACCOUNT	PRA / ORA / REINVESTMENT ACCOUNTS
AETC II Privatized Housing, LLC	\$ 1,283,367	\$ 1,589,719
Air Force Academy Military Communities, LLC	\$ 1,941,666	\$ 1,228,417
BLB Privatized Housing, LLC	\$ 2,270,745	\$ -
Buckley Family Housing, LLC	\$ 533,976	\$ -
Dover Air Force Base Properties, LLC	\$ 2,853,632	\$ -
HP Communities, LLC	\$ 587,053	\$ 12,260,258
Kirtland Family Housing, LLC	\$ 397,062	\$ 23,283,938
Nellis Air Force Base Properties, LLC	\$ 2,216,168	\$ -
Robins Air Force Base Properties II, LLC	\$ 315,483	\$ 530,734
Scott Air Force Base Properties, LLC	\$ 130,318	\$ -
Southern Group Military Communities, LLC	\$ 2,362,990	\$ 23,645,854
Southern Group Military Communities, LLC NDSU	\$ -	\$ -
Western AH 406, Ltd.	\$ 272,585	\$ 3,329,466
WRAF Housing, LLC	\$ 925,625	\$ 26,326
Fort Lee Commonwealth Communities, LLC	\$ 982,631	\$ 50,094,451
Redstone Communities, LLC	\$ 122,632	\$ 7,617,549
Ohana Military Communities, LLC - Navy 1	\$ 1,127,730	\$ 57,059,731
Ohana Military Communities, LLC - MC 1	\$ 711,842	\$ 35,319,155
Ohana Military Communities, LLC - Navy 2	\$ 1,581,761	\$ 79,892,707
Ohana Military Communities, LLC - MC 2	\$ 521,324	\$ 60,668,227
Ohana Military Communities, LLC - MC 3	\$ 104,083	\$ -
De Luz Housing, LLC	\$ 1,005,818	\$ 24,062,686
Kingsville Two Family Housing, Ltd.	\$ 12,431	\$ 1,232,012
Midwest Family Housing, LLC - Midwest/Crane	\$ 913,572	\$ 411,337
Midwest Family Housing, LLC - Midsouth	\$ -	\$ -
Pacific Northwest Communities, LLC - P1	\$ 1,069,702	\$ 50,111,910
Pacific Northwest Communities, LLC -P2	\$ -	\$ -
HMC MANAGED MILITARY TOTALS	\$ 24,244,196	\$ 432,364,477

Mr. HICKEY. Senator Warren requested this information from Lendlease in her correspondence dated February 6, 2019. In response to that request, the Lendlease team provided Senator Warren and her staff two document productions dated February 21, 2019, and March 6, 2019, in addition to conducting an in-depth briefing with Senator Warren's team. Accordingly, we believe that this question has been adequately responded to as a result of such responses. If this response is not sufficient for purposes of this request, the Lendlease team would be happy to provide a similar briefing to the SASC staff.

Mr. BLISS. LMH respectfully refers Senator Warren to our response to this question (posed by Senator Warren in a February 6 letter to LMH) set forth in our letter dated March 6, 2019, which contains business-sensitive and/or confidential information.

100. Senator WARREN. Mr. Williams, Mr. Piscerne, Mr. Ehle, Mr. Hickey, and Mr. Bliss, please provide full copies of all agreements under which your company has received compensation for developing, operating, or providing any service to and for private military housing projects for any of the military services.

Mr. WILLIAMS. Answer provided directly to Senator Warren per letter dated February 20, 2019.

Mr. PISCERNE. Answer provided directly to Senator Warren on February 19, 2019.

Mr. EHLE. Hunt currently owns and operates 21 separate projects in partnership with DOD. Hunt also maintains a minority ownership interest in some properties that it does not manage or oversee. All of Hunt's projects, some of which include multiple property sites, are located on or near Air Force, Navy, Marine Corps, and Army bases throughout the country. Each project that Hunt operates is governed by a ground lease and limited liability company operating agreement.

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Mr. BLISS. LMH respectfully refers Senator Warren to our response to this question (posed by Senator Warren in a February 6 letter to LMH) set forth in our letter dated March 6, 2019, which contains business-sensitive and/or confidential information.

101. Senator WARREN. Mr. Williams, Mr. Piscerne, Mr. Ehle, Mr. Hickey, and Mr. Bliss, please describe your company MHPI capital need plan for the next 5 years. Is the balance in the reserve account sufficient to meet the needs of the development?

Mr. WILLIAMS. Answer provided directly to Senator Warren per letter dated February 20, 2019.

Mr. PISCERNE. Answer provided directly to Senator Warren on February 19, 2019.

Mr. EHLE. Information pertaining to the balances of project sustainment accounts as of January 2019 is set forth in Attachment B (see response for #99). Importantly, these accounts are government-owned. They do not contain Hunt money. The funds in the accounts are subject to government consent and dedicated for use on reinvestment and sustainment of each applicable project. Information regarding each project's capital needs over the next 5 years and whether sources of funds are sufficient to cover the projected uses is provided in Attachment C (follows).

ATTACHMENT C

HMC-MANAGED PORTFOLIO TOTALS 5-YEAR CAPITAL PLAN

HMC-MANAGED PORTFOLIO SUSTAINMENT SOURCES & USES				
SOURCES		USES		VARIANCES
				NEEDS MET (%)
Total 5-Year Sources	853,915,361	Total 5-Year Uses	529,092,521	324,822,840
Total HMC-Managed Portfolio	853,915,361	Total HMC-Managed Portfolio	529,092,521	161%

Mr. HICKEY. Funds to perform capital repairs and replacements can generally come from two accounts established by the Project Companies: Capital Repair and Replacement Accounts and Project Reinvestment Reserve Account. As discussed with Senator Warren's staff during our March 6, 2019 briefing, funds in these reserve accounts accumulate and are held in secure accounts maintained by the Project Companies at approved financial institutions in accordance with each of the Projects' financing documents. Capital Repair and Replacement expenditures are approved by the Military Services through the Project Company's annual project budget and business plan, and any expenditures of Project reinvestment reserve funds are approved by the respective Military Services in accordance with a Project Company's specific contractual agreements. At present, across the portfolio, there is a variance across the individual project companies in respective reserve funds they each hold. Some are enough to meet all the needs, however other projects have less retentions available.

Mr. BLISS. LMH respectfully refers Senator Warren to our response to this question (posed by Senator Warren in a February 6 letter to LMH) set forth in our letter dated March 6, 2019, which contains business-sensitive and/or confidential information.

USE OF SUBCONTRACTORS

102. Senator WARREN. Mr. Williams, Mr. Piscerne, Mr. Ehle, Mr. Hickey, and Mr. Bliss, do any subcontractors, subsidiaries, or other third parties manage or provide any other services at the military housing properties under your company's control?

Mr. WILLIAMS. Answer provided directly to Senator Warren per letter dated February 20, 2019.

Mr. PISCERNE. Answer provided directly to Senator Warren on February 19, 2019.

Mr. EHLE. At most of its properties, Hunt handles property management and asset management itself. At certain properties where Hunt owns an interest in partnership with others, management of the project is delegated to Hunt's partner. Additionally, Hunt sometimes engages third-party subcontractors or vendors to provide services such as painting, HVAC maintenance, lawn care, and snow removal. A list of some of Hunt's primary third-party maintenance vendor contracts currently in effect is provided in Attachment D.

ATTACHMENT D

[illegible]

Mr. HICKEY. Yes, we engage a variety of small and large business subcontractors, subsidiaries, and third parties to manage and provide services in our communities. We partner with Winn Housing Services to manage many of our day-to-day oper-

ations at the facility level. We also contract for some specialty services, such as environmental assessments, testing and remediation if required. We often contract with several trade service providers when necessary including HVAC, plumbing and electrical. We also have major subcontracts for landscaping, tree removal and refuse collection.

Mr. BLISS. LMH respectfully refers Senator Warren to our response to this question (posed by Senator Warren in a February 6 letter to LMH) set forth in our letter dated March 6, 2019, which contains business-sensitive and/or confidential information.

103. Senator WARREN. Mr. Williams, Mr. Piscerne, Mr. Ehle, Mr. Hickey, and Mr. Bliss, if so, please provide a list of all of these entities, a summary of the services they provide, and the locations where they provide these services.

Mr. WILLIAMS. Answer provided directly to Senator Warren per letter dated February 20, 2019.

Mr. PISCERNE. Answer provided directly to Senator Warren on February 19, 2019.

Mr. EHLE. At most of its properties, Hunt handles property management and asset management itself. At certain properties where Hunt owns an interest in partnership with others, management of the project is delegated to Hunt's partner. Additionally, Hunt sometimes engages third-party subcontractors or vendors to provide services such as painting, HVAC maintenance, lawn care, and snow removal. A list of some of Hunt's primary third-party maintenance vendor contracts currently in effect is provided in Attachment D in response #102.

Mr. HICKEY. Senator Warren requested this information from Lendlease in her correspondence dated February 6, 2019. In response to that request, the Lendlease team provided Senator Warren and her staff two document productions dated February 21, 2019, and March 6, 2019, in addition to conducting an in-depth briefing with Senator Warren's team. Accordingly, we believe that this question has been adequately responded to as a result of such responses. If this response is not sufficient for purposes of this request, the Lendlease team would be happy to provide a similar briefing to the SASC staff.

Mr. BLISS. LMH respectfully refers Senator Warren to our response to this question (posed by Senator Warren in a February 6 letter to LMH) set forth in our letter dated March 6, 2019, which contains business-sensitive and/or confidential information.

104. Senator WARREN. Mr. Williams, Mr. Piscerne, Mr. Ehle, Mr. Hickey, and Mr. Bliss, please provide copies of all agreements and contracts between your company and these property managers or other service providers.

Mr. WILLIAMS. Answer provided directly to Senator Warren per letter dated February 20, 2019.

Mr. PISCERNE. Answer provided directly to Senator Warren on February 19, 2019.

Mr. EHLE. At most of its properties, Hunt handles property management and asset management itself. At certain properties where Hunt owns an interest in partnership with others, management of the project is delegated to Hunt's partner. Additionally, Hunt sometimes engages third-party subcontractors or vendors to provide services such as painting, HVAC maintenance, lawn care, and snow removal. A list of some of Hunt's primary third-party maintenance vendor contracts currently in effect is provided in Attachment D in response #102.

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Mr. BLISS. LMH respectfully refers Senator Warren to our response to this question (posed by Senator Warren in a February 6 letter to LMH) set forth in our letter dated March 6, 2019, which contains business-sensitive and/or confidential information.

105. Senator WARREN. Mr. Williams, Mr. Piscerne, Mr. Ehle, Mr. Hickey, and Mr. Bliss, are any of these subcontractors either subsidiaries or otherwise financially related to your company?

Mr. WILLIAMS. Answer provided directly to Senator Warren per letter dated February 20, 2019.

Mr. PISCERNE. Answer provided directly to Senator Warren on February 19, 2019.

Mr. EHLE. At most of its properties, Hunt handles property management and asset management itself. At certain properties where Hunt owns an interest in partnership with others, management of the project is delegated to Hunt's partner. Additionally, Hunt sometimes engages third-party subcontractors or vendors to provide services such as painting, HVAC maintenance, lawn care, and snow removal. A list of some of Hunt's primary third-party maintenance vendor contracts currently in effect is provided in Attachment D in response #102. The third-party subcontractors or vendors referenced above are not subsidiaries or otherwise financially related to Hunt.

Mr. HICKEY. Senator Warren requested this information from Lendlease in her correspondence dated February 6, 2019. In response to that request, the Lendlease team provided Senator Warren and her staff two document productions dated February 21, 2019, and March 6, 2019, in addition to conducting an in-depth briefing with Senator Warren's team. Accordingly, we believe that this question has been adequately responded to as a result of such responses. If this response is not sufficient for purposes of this request, the Lendlease team would be happy to provide a similar briefing to the SASC staff.

Mr. BLISS. LMH respectfully refers Senator Warren to our response to this question (posed by Senator Warren in a February 6 letter to LMH) set forth in our letter dated March 6, 2019, which contains business-sensitive and/or confidential information.

106. Senator WARREN. Mr. Williams, Mr. Piscerne, Mr. Ehle, Mr. Hickey, and Mr. Bliss, do you share key officers or Board members with any of these subcontractors?

Mr. WILLIAMS. Answer provided directly to Senator Warren per letter dated February 20, 2019.

Mr. PICERNE. Answer provided directly to Senator Warren on February 19, 2019.

Mr. EHLE. At most of its properties, Hunt handles property management and asset management itself. At certain properties where Hunt owns an interest in partnership with others, management of the project is delegated to Hunt's partner. Additionally, Hunt sometimes engages third-party subcontractors or vendors to provide services such as painting, HVAC maintenance, lawn care, and snow removal. A list of some of Hunt's primary third-party maintenance vendor contracts currently in effect is provided in Attachment D in response #102. Hunt does not share key officers or board members with any of the third-party subcontractors or vendors referenced above.

Mr. HICKEY. Senator Warren requested this information from Lendlease in her correspondence dated February 6, 2019. In response to that request, the Lendlease team provided Senator Warren and her staff two document productions dated February 21, 2019, and March 6, 2019, in addition to conducting an in-depth briefing with Senator Warren's team. Accordingly, we believe that this question has been adequately responded to as a result of such responses. If this response is not sufficient for purposes of this request, the Lendlease team would be happy to provide a similar briefing to the SASC staff.

Mr. BLISS. LMH respectfully refers Senator Warren to our response to this question (posed by Senator Warren in a February 6 letter to LMH) set forth in our letter dated March 6, 2019, which contains business-sensitive and/or confidential information.

OVERSIGHT

107. Senator WARREN. Mr. Williams, Mr. Piscerne, Mr. Ehle, Mr. Hickey, and Mr. Bliss, what controls are in place under your company's MHPI contracts to monitor and oversee your performance?

Mr. WILLIAMS. Answer provided directly to Senator Warren per letter dated February 20, 2019.

Mr. PICERNE. Answer provided directly to Senator Warren on February 19, 2019.

Mr. EHLE. Our military partners have multiple controls in place to oversee and monitor Hunt's performance, and we encourage such engagement. Hunt is subject to reporting and inspection requirements that occur on weekly, monthly, quarterly and annual bases. Our military partners have access to our maintenance software, Yardi, and can review work orders and survey responses. They are also able to inspect homes and follow up directly with residents. Each of our military partners has its own unique requirements for reporting and inspection. A general overview of these requirements is included below.

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- line-item budget variances;
- occupancy;
- work orders;
- response times;
- capital repair and replacement status;
- project bank account reconciliations; and
- any other important upcoming issues.

In addition, Hunt provides its military partners with monthly utility consumption reports, which provide information regarding resident utility consumption, rates, and charges. At most of its projects, Hunt also participates in monthly meetings with its military partners to receive feedback and provide updates on any upcoming events or issues that may require the base commander’s input.

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On a quarterly or semi-annual basis, Hunt conducts a meeting with military leadership at the base, command, and housing levels as well as with the military’s independent consultants. These meetings are intended to maintain open and consistent communication between the partners by facilitating discussion of the financial health of the project, sustainment of the project, resident issues, military partnership issues, events, occupancy, and/or strategic initiatives. Further, Hunt and the military engage in quarterly asset management meetings to coordinate on open items and discuss upcoming issues, as well as review executive home reports and compare them to budgets. Hunt also conducts semi-annual partnering meetings with the military to address the higher-level strategic goals of the project.

Annual Reporting

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Hunt provides information on the following topics for coordination and approval on an annual basis to all levels of military leadership and to military independent consultants:

- Project operation;
- Capital repair and replacement;
- Executive home budgets; and
- Out-year sustainment plans.

In addition, Hunt also submits the following information to the military on an annual basis:

- Verifications to uphold insurance, environmental, and document compliance;
- Environmental reports relating to lead-based paint or asbestos-containing materials; and
- Audited financials on a per-project basis.

Some of the military services also hold annual meetings to review each project in detail. Similarly, the military routinely requests additional information from Hunt on an as-needed basis to assess the performance of projects. In addition to military oversight, the ground leases require that the projects are operated in compliance with all applicable laws. In addition, resident leases are subject to applicable state

landlord-tenant laws. Thus, even though a particular project may be located on federal land, it is not necessarily insulated from the mandates of applicable state or local law.

Often, a project will enter into a municipal service agreement with a local state agency for the provision of police, fire, life safety, and welfare protection services. All projects are required to comply with federal regulations including those administered by OSHA, the EPA, HUD, and the Department of Labor, as well as their state law equivalents. The projects are also subject to inspections by these authorities.

Finally, Hunt is subject to penalties for violating its contracts. Under the terms of our project agreements, a military partner may terminate our agreement if we are in material default of our obligations or withhold all, or a portion of, our incentive fees if we fail to meet performance expectations outlined in the agreement. Indeed, in recent years, Hunt has had some portions of its incentive fees withheld for certain projects.

Mr. HICKEY. MHPI Project Companies are contractually accountable to multiple stakeholders, including, but not limited to, the DOD and the other Military Services, who regularly monitor and assess our performance.

The respective Military Services retain governance oversight and control over major decisions impacting each Project Company through contractual rights contained in the various project documents. Lenders, bondholders and others with financial interests also exercise a high degree of control over the Project Companies' operations (including scope changes, financial investments of Project Company funds, and certain expenditures, for example) and have significant rights under the financing documents.

In addition to monitoring and oversight conducted by the Military Services, independent construction consultants provide oversight on property development and construction activities on project companies, including independent review and approval of construction progress and pay applications.

The Project Companies' assets and operations have also been subject to inspection by Federal, Military Services and State regulatory authorities.

The Project Companies and management service providers are subject to specific consequences for violating the terms of their Project agreements. This includes rights of the Military Services to exercise remedies up to termination for specified events of default under the various contracts.

In addition, the ongoing asset and property management agreements all contain an element of incentive fee to promote performance. The Military Services can withhold and not award full incentive fees if agreed performance metrics are not met by the respective manager.

Mr. BLISS. LMH respectfully refers Senator Warren to our response to this question (posed by Senator Warren in a February 6 letter to LMH) set forth in our letter dated March 6, 2019, which contains business-sensitive and/or confidential information.

108. Senator WARREN. Mr. Williams, Mr. Piscerne, Mr. Ehle, Mr. Hickey, and Mr. Bliss, does the DOD, or any of the Military Departments with whom your company has agreements, regularly monitor and assess your performance and adherence to these agreements? If so, how?

Mr. WILLIAMS. Answer provided directly to Senator Warren per letter dated February 20, 2019.

Mr. PICERNE. Answer provided directly to Senator Warren on February 19, 2019.

Mr. EHLE. Our military partners have multiple controls in place to oversee and monitor Hunt's performance, and we encourage such engagement. Hunt is subject to reporting and inspection requirements that occur on weekly, monthly, quarterly and annual bases. Our military partners have access to our maintenance software, Yardi, and can review work orders and survey responses. They are also able to inspect homes and follow up directly with residents. Each of our military partners has its own unique requirements for reporting and inspection. A general overview of these requirements is included below.

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servicemember residents must obtain a referral from their command to move into their designated home.

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Hunt provides information on the following topics for coordination and approval on an annual basis to all levels of military leadership and to military independent consultants:

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In addition, Hunt also submits the following information to the military on an annual basis:

- Verifications to uphold insurance, environmental, and document compliance;
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- Audited financials on a per-project basis.

Some of the military services also hold annual meetings to review each project in detail. Similarly, the military routinely requests additional information from Hunt on an as-needed basis to assess the performance of projects. In addition to military oversight, the ground leases require that the projects are operated in compliance with all applicable laws. In addition, resident leases are subject to applicable state landlord-tenant laws. Thus, even though a particular project may be located on federal land, it is not necessarily insulated from the mandates of applicable state or local law.

Often, a project will enter into a municipal service agreement with a local state agency for the provision of police, fire, life safety, and welfare protection services. All projects are required to comply with Federal regulations including those administered by OSHA, the EPA, HUD, and the Department of Labor, as well as their

state law equivalents. The projects are also subject to inspections by these authorities.

Finally, Hunt is subject to penalties for violating its contracts. Under the terms of our project agreements, a military partner may terminate our agreement if we are in material default of our obligations or withhold all, or a portion of, our incentive fees if we fail to meet performance expectations outlined in the agreement. Indeed, in recent years, Hunt has had some portions of its incentive fees withheld for certain projects.

Mr. HICKEY. MHPI Project Companies are contractually accountable to multiple stakeholders, including, but not limited to, the DOD and the other Military Services, who regularly monitor and assess our performance. The respective Military Services retain governance oversight and control over major decisions impacting each Project Company through contractual rights contained in the various project documents. Lenders, bondholders and others with financial interests also exercise a high degree of control over the Project Companies' operations (including scope changes, financial investments of Project Company funds, and certain expenditures, for example) and have significant rights under the financing documents. See also the response above to question 107.

Mr. BLISS. LMH respectfully refers Senator Warren to our response to this question (posed by Senator Warren in a February 6 letter to LMH) set forth in our letter dated March 6, 2019, which contains business-sensitive and/or confidential information.

109. Senator WARREN. Mr. Williams, Mr. Piscerne, Mr. Ehle, Mr. Hickey, and Mr. Bliss, how frequently are your company's properties inspected by DOD or military service personnel, or by any third-party inspector acting on their behalf?

Mr. WILLIAMS. Answer provided directly to Senator Warren per letter dated February 20, 2019.

Mr. PISCERNE. Answer provided directly to Senator Warren on February 19, 2019.

Mr. EHLE. Our military partners have multiple controls in place to oversee and monitor Hunt's performance, and we encourage such engagement. Hunt is subject to reporting and inspection requirements that occur on weekly, monthly, quarterly and annual bases. Our military partners have access to our maintenance software, Yardi, and can review work orders and survey responses. They are also able to inspect homes and follow up directly with residents. Each of our military partners has its own unique requirements for reporting and inspection. A general overview of these requirements is included below.

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Quarterly/Semi-Annual Reporting

On a quarterly or semi-annual basis, Hunt conducts a meeting with military leadership at the base, command, and housing levels as well as with the military's inde-

pendent consultants. These meetings are intended to maintain open and consistent communication between the partners by facilitating discussion of the financial health of the project, sustainment of the project, resident issues, military partnership issues, events, occupancy, and/or strategic initiatives. Further, Hunt and the military engage in quarterly asset management meetings to coordinate on open items and discuss upcoming issues, as well as review executive home reports and compare them to budgets. Hunt also conducts semi-annual partnering meetings with the military to address the higher-level strategic goals of the project.

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Hunt provides information on the following topics for coordination and approval on an annual basis to all levels of military leadership and to military independent consultants:

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Some of the military services also hold annual meetings to review each project in detail. Similarly, the military routinely requests additional information from Hunt on an as-needed basis to assess the performance of projects. In addition to military oversight, the ground leases require that the projects are operated in compliance with all applicable laws. In addition, resident leases are subject to applicable state landlord-tenant laws. Thus, even though a particular project may be located on federal land, it is not necessarily insulated from the mandates of applicable state or local law.

Often, a project will enter into a municipal service agreement with a local state agency for the provision of police, fire, life safety, and welfare protection services. All projects are required to comply with federal regulations including those administered by OSHA, the EPA, HUD, and the Department of Labor, as well as their state law equivalents. The projects are also subject to inspections by these authorities.

Finally, Hunt is subject to penalties for violating its contracts. Under the terms of our project agreements, a military partner may terminate our agreement if we are in material default of our obligations or withhold all, or a portion of, our incentive fees if we fail to meet performance expectations outlined in the agreement. Indeed, in recent years, Hunt has had some portions of its incentive fees withheld for certain projects.

Mr. HICKEY. The Project Companies' assets and operations are subject to inspection by Federal, Military Services and in many instances State regulatory authorities. The frequency of such inspections varies. In recent weeks many of our properties have been inspected and our personnel interviewed by various military service's Inspectors General (IG).

Mr. BLISS. LMH respectfully refers Senator Warren to our response to this question (posed by Senator Warren in a February 6 letter to LMH) set forth in our letter dated March 6, 2019, which contains business-sensitive and/or confidential information.

110. Senator WARREN. Mr. Williams, Mr. Piscerne, Mr. Ehle, Mr. Hickey, and Mr. Bliss, please provide a list of the results of all such inspections of all of your company's MHPI facilities since January 1, 2008, including any deficiencies identified and a description of how these deficiencies were remedied.

Mr. WILLIAMS. Answer provided directly to Senator Warren per letter dated February 20, 2019.

Mr. PICERNE. Answer provided directly to Senator Warren on February 19, 2019.

Mr. EHLE. Our military partners have multiple controls in place to oversee and monitor Hunt's performance, and we encourage such engagement. Hunt is subject to reporting and inspection requirements that occur on weekly, monthly, quarterly and annual bases. Our military partners have access to our maintenance software, Yardi, and can review work orders and survey responses. They are also able to inspect homes and follow up directly with residents. Each of our military partners has its own unique requirements for reporting and inspection. A general overview of these requirements is included below.

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Often, a project will enter into a municipal service agreement with a local state agency for the provision of police, fire, life safety, and welfare protection services. All projects are required to comply with federal regulations including those administered by OSHA, the EPA, HUD, and the Department of Labor, as well as their state law equivalents. The projects are also subject to inspections by these authorities.

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Mr. HICKEY. Senator Warren requested this information from Lendlease in her correspondence dated February 6, 2019. In response to that request, the Lendlease team provided Senator Warren and her staff two document productions dated February 21, 2019, and March 6, 2019, in addition to conducting an in-depth briefing with Senator Warren's team. Accordingly, we believe that this question has been adequately responded to as a result of such responses. If this response is not sufficient for purposes of this request, the Lendlease team would be happy to provide a similar briefing to the SASC staff.

Mr. BLISS. LMH respectfully refers Senator Warren to our response to this question (posed by Senator Warren in a February 6 letter to LMH) set forth in our letter dated March 6, 2019, which contains business-sensitive and/or confidential information.

111. Senator WARREN. Mr. Williams, Mr. Piscerne, Mr. Ehle, Mr. Hickey, and Mr. Bliss, are any of your properties subject to inspection by any other federal authority, or by any state or local authority? If so, please provide a list of any inspections and the results of such inspections by these officials.

Mr. WILLIAMS. Answer provided directly to Senator Warren per letter dated February 20, 2019.

Mr. PICERNE. Answer provided directly to Senator Warren on February 19, 2019.

Mr. EHLE. Our military partners have multiple controls in place to oversee and monitor Hunt's performance, and we encourage such engagement. Hunt is subject to reporting and inspection requirements that occur on weekly, monthly, quarterly and annual bases. Our military partners have access to our maintenance software, Yardi, and can review work orders and survey responses. They are also able to inspect homes and follow up directly with residents. Each of our military partners has its own unique requirements for reporting and inspection. A general overview of these requirements is included below.

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tive fees if we fail to meet performance expectations outlined in the agreement. Indeed, in recent years, Hunt has had some portions of its incentive fees withheld for certain projects.

Mr. HICKEY. The Project Companies' assets and operations are subject to inspection by Federal and State regulatory authorities. For additional information, please see our response to question 99.

Mr. BLISS. LMH respectfully refers Senator Warren to our response to this question (posed by Senator Warren in a February 6 letter to LMH) set forth in our letter dated March 6, 2019, which contains business-sensitive and/or confidential information.

112. Senator WARREN. Mr. Williams, Mr. Piscerne, Mr. Ehle, Mr. Hickey, and Mr. Bliss, under your company's existing lease agreements, is your company subject to specific financial or other penalties for violating the terms of your agreements with the Military Departments?

Mr. WILLIAMS. Answer provided directly to Senator Warren per letter dated February 20, 2019.

Mr. PICERNE. Answer provided directly to Senator Warren on February 19, 2019.

Mr. EHLE. Our military partners have multiple controls in place to oversee and monitor Hunt's performance, and we encourage such engagement. Hunt is subject to reporting and inspection requirements that occur on weekly, monthly, quarterly and annual bases. Our military partners have access to our maintenance software, Yardi, and can review work orders and survey responses. They are also able to inspect homes and follow up directly with residents. Each of our military partners has its own unique requirements for reporting and inspection. A general overview of these requirements is included below.

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On a quarterly or semi-annual basis, Hunt conducts a meeting with military leadership at the base, command, and housing levels as well as with the military's independent consultants. These meetings are intended to maintain open and consistent communication between the partners by facilitating discussion of the financial health of the project, sustainment of the project, resident issues, military partnership issues, events, occupancy, and/or strategic initiatives. Further, Hunt and the military engage in quarterly asset management meetings to coordinate on open items and discuss upcoming issues, as well as review executive home reports and compare them to budgets. Hunt also conducts semi-annual partnering meetings with the military to address the higher-level strategic goals of the project.

Annual Reporting

The military partner conducts an annual site visit at each military installation and supports its review with a report and scoring system. All issues that are unacceptable are noted, and the property manager takes action to address them. All of the military services also conduct an annual resident satisfaction survey. As part of this process, residents rate the project according to a variety of metrics and are encouraged to give narrative feedback. Both Hunt and its military partner review the scores and resident feedback and follow up accordingly. Additionally, Hunt develops an action plan to address any issues that require attention. Further, Hunt's incentive fee earnings are, in part, tied to the site visit and resident satisfaction results.

Hunt provides information on the following topics for coordination and approval on an annual basis to all levels of military leadership and to military independent consultants:

- Project operation;
- Capital repair and replacement;
- Executive home budgets; and
- Out-year sustainment plans.

In addition, Hunt also submits the following information to the military on an annual basis:

- Verifications to uphold insurance, environmental, and document compliance;
- Environmental reports relating to lead-based paint or asbestos-containing materials; and
- Audited financials on a per-project basis.

Some of the military services also hold annual meetings to review each project in detail. Similarly, the military routinely requests additional information from Hunt on an as-needed basis to assess the performance of projects. In addition to military oversight, the ground leases require that the projects are operated in compliance with all applicable laws. In addition, resident leases are subject to applicable state landlord-tenant laws. Thus, even though a particular project may be located on federal land, it is not necessarily insulated from the mandates of applicable state or local law.

Often, a project will enter into a municipal service agreement with a local state agency for the provision of police, fire, life safety, and welfare protection services. All projects are required to comply with federal regulations including those administered by OSHA, the EPA, HUD, and the Department of Labor, as well as their state law equivalents. The projects are also subject to inspections by these authorities.

Finally, Hunt is subject to penalties for violating its contracts. Under the terms of our project agreements, a military partner may terminate our agreement if we are in material default of our obligations or withhold all, or a portion of, our incentive fees if we fail to meet performance expectations outlined in the agreement. Indeed, in recent years, Hunt has had some portions of its incentive fees withheld for certain projects.

Mr. HICKEY. Senator Warren requested this information from Lendlease in her correspondence dated February 6, 2019. In response to that request, the Lendlease team provided Senator Warren and her staff two document productions dated February 21, 2019, and March 6, 2019, in addition to conducting an in-depth briefing with Senator Warren's team. Accordingly, we believe that this question has been adequately responded to as a result of such responses. If this response is not sufficient for purposes of this request, the Lendlease team would be happy to provide a similar briefing to the SASC staff.

Mr. BLISS. LMH respectfully refers Senator Warren to our response to this question (posed by Senator Warren in a February 6 letter to LMH) set forth in our letter dated March 6, 2019, which contains business-sensitive and/or confidential information.

113. Senator WARREN. Mr. Williams, Mr. Piscerne, Mr. Ehle, Mr. Hickey, and Mr. Bliss, please provide a list of any time your company has been penalized or fined for violating your agreement(s) with the Military Departments.

Mr. WILLIAMS. Answer provided directly to Senator Warren per letter dated February 20, 2019.

Mr. PISCERNE. Answer provided directly to Senator Warren on February 19, 2019.

Mr. EHLE. Our military partners have multiple controls in place to oversee and monitor Hunt's performance, and we encourage such engagement. Hunt is subject to reporting and inspection requirements that occur on weekly, monthly, quarterly and annual bases. Our military partners have access to our maintenance software, Yardi, and can review work orders and survey responses. They are also able to inspect homes and follow up directly with residents. Each of our military partners has

its own unique requirements for reporting and inspection. A general overview of these requirements is included below.

Day-to-Day/Site Level Reporting

In many of our housing offices, Hunt co-locates with its military housing partner. This provides for open and regular communication, coordination, and interaction between Hunt, the Military Housing Office (“HMO”), and residents. The military routinely conducts random inspections of units that are ready for occupancy. Our military partners also check in with residents to elicit feedback on recent moves or completed work order requests. Hunt has weekly meetings with its military partners to review any open or pending projects, customer service issues, work order response times, pending move-ins and move-outs, and occupancy rates. In addition, all new servicemember residents must obtain a referral from their command to move into their designated home.

Monthly Reporting

Hunt is required to provide monthly reports to its military partners on the financial health of the project, including an analysis of the approved annual operating budget. These reports contain information regarding:

- line-item budget variances;
- occupancy;
- work orders;
- response times;
- capital repair and replacement status;
- project bank account reconciliations; and
- any other important upcoming issues.

In addition, Hunt provides its military partners with monthly utility consumption reports, which provide information regarding resident utility consumption, rates, and charges. At most of its projects, Hunt also participates in monthly meetings with its military partners to receive feedback and provide updates on any upcoming events or issues that may require the base commander’s input.

Quarterly/Semi-Annual Reporting

On a quarterly or semi-annual basis, Hunt conducts a meeting with military leadership at the base, command, and housing levels as well as with the military’s independent consultants. These meetings are intended to maintain open and consistent communication between the partners by facilitating discussion of the financial health of the project, sustainment of the project, resident issues, military partnership issues, events, occupancy, and/or strategic initiatives. Further, Hunt and the military engage in quarterly asset management meetings to coordinate on open items and discuss upcoming issues, as well as review executive home reports and compare them to budgets. Hunt also conducts semi-annual partnering meetings with the military to address the higher-level strategic goals of the project.

Annual Reporting

The military partner conducts an annual site visit at each military installation and supports its review with a report and scoring system. All issues that are unacceptable are noted, and the property manager takes action to address them. All of the military services also conduct an annual resident satisfaction survey. As part of this process, residents rate the project according to a variety of metrics and are encouraged to give narrative feedback. Both Hunt and its military partner review the scores and resident feedback and follow up accordingly. Additionally, Hunt develops an action plan to address any issues that require attention. Further, Hunt’s incentive fee earnings are, in part, tied to the site visit and resident satisfaction results.

Hunt provides information on the following topics for coordination and approval on an annual basis to all levels of military leadership and to military independent consultants:

- Project operation;
- Capital repair and replacement;
- Executive home budgets; and
- Out-year sustainment plans.

In addition, Hunt also submits the following information to the military on an annual basis:

- Verifications to uphold insurance, environmental, and document compliance;
- Environmental reports relating to lead-based paint or asbestos-containing materials; and
- Audited financials on a per-project basis.

Some of the military services also hold annual meetings to review each project in detail. Similarly, the military routinely requests additional information from Hunt on an as-needed basis to assess the performance of projects. In addition to military oversight, the ground leases require that the projects are operated in compliance with all applicable laws. In addition, resident leases are subject to applicable state landlord-tenant laws. Thus, even though a particular project may be located on federal land, it is not necessarily insulated from the mandates of applicable state or local law.

Often, a project will enter into a municipal service agreement with a local state agency for the provision of police, fire, life safety, and welfare protection services. All projects are required to comply with federal regulations including those administered by OSHA, the EPA, HUD, and the Department of Labor, as well as their state law equivalents. The projects are also subject to inspections by these authorities.

Finally, Hunt is subject to penalties for violating its contracts. Under the terms of our project agreements, a military partner may terminate our agreement if we are in material default of our obligations or withhold all, or a portion of, our incentive fees if we fail to meet performance expectations outlined in the agreement. Indeed, in recent years, Hunt has had some portions of its incentive fees withheld for certain projects.

Mr. HICKEY. Senator Warren requested this information from Lendlease in her correspondence dated February 6, 2019. In response to that request, the Lendlease team provided Senator Warren and her staff two document productions dated February 21, 2019, and March 6, 2019, in addition to conducting an in-depth briefing with Senator Warren's team. Accordingly, we believe that this question has been adequately responded to as a result of such responses. If this response is not sufficient for purposes of this request, the Lendlease team would be happy to provide a similar briefing to the SASC staff.

Mr. BLISS. LMH respectfully refers Senator Warren to our response to this question (posed by Senator Warren in a February 6 letter to LMH) set forth in our letter dated March 6, 2019, which contains business-sensitive and/or confidential information.

REPAIRS AND MAINTENANCE

114. Senator WARREN. Mr. Williams, Mr. Piscerne, Mr. Ehle, Mr. Hickey, and Mr. Bliss, how do you address needed repairs or work order requests made by residents?

Mr. WILLIAMS. Answer provided directly to Senator Warren per letter dated February 20, 2019.

Mr. PICERNE. Answer provided directly to Senator Warren on February 19, 2019.

Mr. EHLE. Hunt has assigned maintenance staff available to address resident repair issues and retains third-party contractors as needed. Hunt utilizes a property management software called Yardi to track maintenance requests and monitor the completion of work orders.

Mr. HICKEY. As discussed further in response to question 23, we take very seriously the obligations on the Project Companies to effectively provide timely repairs and maintenance services. The Property Managers, and in some cases the Project Companies directly, employ dedicated property maintenance staff to service the Projects.

Mr. BLISS. LMH respectfully refers Senator Warren to our response to this question (posed by Senator Warren in a February 6 letter to LMH) set forth in our letter dated March 6, 2019, which contains business-sensitive and/or confidential information.

115. Senator WARREN. Mr. Williams, Mr. Piscerne, Mr. Ehle, Mr. Hickey, and Mr. Bliss, do you have assigned maintenance staff available to make repairs and/or outside contractors?

Mr. WILLIAMS. Answer provided directly to Senator Warren per letter dated February 20, 2019.

Mr. PICERNE. Answer provided directly to Senator Warren on February 19, 2019.

Mr. EHLE. Hunt has assigned maintenance staff available to address resident repair issues and retains third-party contractors as needed. Hunt utilizes a property management software called Yardi to track maintenance requests and monitor the completion of work orders.

Mr. HICKEY. We have our own dedicated maintenance staff on each project. In cases where assigned staff require augmentation, third party subcontractors are retained to perform maintenance and repair services and track service requests to ensure their timely completion. Many of these subcontractors are long-term service

providers on the projects and they are made fully aware of and required to be compliant with all operating protocols and procedures.

Mr. BLISS. LMH respectfully refers Senator Warren to our response to this question (posed by Senator Warren in a February 6 letter to LMH) set forth in our letter dated March 6, 2019, which contains business-sensitive and/or confidential information.

116. Senator WARREN. Mr. Williams, Mr. Piscerne, Mr. Ehle, Mr. Hickey, and Mr. Bliss, do you utilize work order logs to track maintenance requests and the completion of work?

Mr. WILLIAMS. Answer provided directly to Senator Warren per letter dated February 20, 2019.

Mr. PICERNE. Answer provided directly to Senator Warren on February 19, 2019.

Mr. EHLE. Hunt has assigned maintenance staff available to address resident repair issues and retains third-party contractors as needed. Hunt utilizes a property management software called Yardi to track maintenance requests and monitor the completion of work orders.

Mr. HICKEY. Senator Warren requested this information from Lendlease in her correspondence dated February 6, 2019. In response to that request, the Lendlease team provided Senator Warren and her staff two document productions dated February 21, 2019, and March 6, 2019, in addition to conducting an in-depth briefing with Senator Warren's team. Accordingly, we believe that this question has been adequately responded to as a result of such responses. If this response is not sufficient for purposes of this request, the Lendlease team would be happy to provide a similar briefing to the SASC staff.

Mr. BLISS. LMH respectfully refers Senator Warren to our response to this question (posed by Senator Warren in a February 6 letter to LMH) set forth in our letter dated March 6, 2019, which contains business-sensitive and/or confidential information.

117. Senator WARREN. Mr. Williams, Mr. Piscerne, Mr. Ehle, Mr. Hickey, and Mr. Bliss, if so, please provide work logs for the last 12 months, if such a list is available.

Mr. WILLIAMS. Answer provided directly to Senator Warren per letter dated February 20, 2019.

Mr. PICERNE. Answer provided directly to Senator Warren on February 19, 2019.

Mr. EHLE. Hunt has assigned maintenance staff available to address resident repair issues and retains third-party contractors as needed. Hunt utilizes a property management software called Yardi to track maintenance requests and monitor the completion of work orders.

Mr. HICKEY. Senator Warren requested this information from Lendlease in her correspondence dated February 6, 2019. In response to that request, the Lendlease team provided Senator Warren and her staff two document productions dated February 21, 2019, and March 6, 2019, in addition to conducting an in-depth briefing with Senator Warren's team. Accordingly, we believe that this question has been adequately responded to as a result of such responses. If this response is not sufficient for purposes of this request, the Lendlease team would be happy to provide a similar briefing to the SASC staff.

Mr. BLISS. LMH respectfully refers Senator Warren to our response to this question (posed by Senator Warren in a February 6 letter to LMH) set forth in our letter dated March 6, 2019, which contains business-sensitive and/or confidential information.

118. Senator WARREN. Mr. Williams, Mr. Piscerne, Mr. Ehle, Mr. Hickey, and Mr. Bliss, does your company have a complaint hotline or other process in place for servicemembers who are living in your housing facilities to contact you with problems?

Mr. WILLIAMS. Answer provided directly to Senator Warren per letter dated February 20, 2019.

Mr. PICERNE. Answer provided directly to Senator Warren on February 19, 2019.

Mr. EHLE. Hunt has a process in place for residents to contact us should they experience any problems. All resident requests for maintenance are ultimately submitted in the form of a work order and, as mentioned, are documented through Yardi, our property management software.

Resident requests can be submitted by phone, e-mail, or online. Requests made during normal business hours are generally handled by the on-site team. For emergencies occurring after business hours, Hunt has a 24/7 call center to receive resident requests at any time. Requests made through this call center are submitted

to an on-call technician for appropriate action. Residents can track the status of their work orders online.

In addition, Hunt residents may submit a complaint on the “Resident Feedback” webpage. Such complaints can be made anonymously and are directed to Hunt corporate for review and resolution.

Hunt also recognizes that many residents turn to social media to voice complaints and, in an effort to accommodate this development, we have implemented a Facebook response policy. We now monitor concerns or negative comments posted on our Facebook page and track such messages to ensure proper follow up.

Additionally, we are in the process of rolling out an improved hotline across our portfolio. The “Hunt Promise Helpline” will be a more efficient way for residents to voice complaints, which will go directly to a Hunt corporate representative for necessary action. Residents will have one phone number that will be provided to them to express their concerns and complaints as well as any compliments or good news. This phone number will be prominently displayed on our property websites and promoted across our portfolio. All calls will be noted and tracked for appropriate follow-up.

Mr. HICKEY. Yes, Lendlease operates a resident hotline and all residents are encouraged to submit service order requests for any issues concerning their home. Military families have access to various means of instituting service orders, such as in-person at the onsite property management office, by telephone or through the Project Company website. Each Project Company registers, tracks and maintains service order requests in a property management database (Yardi).

Residents are also able to file complaints, anonymously or otherwise, by phone or email via Project Company websites, the Property Manager’s Resident Hotline or Project Company Facebook pages. Our communities provide resident guidelines at time of move-in which include a clear dispute resolution procedure for residents to reference and use throughout their tenancy. The goal of the dispute resolution procedure is to resolve all resident issues at the lowest level possible and in a timely manner.

Residents are first asked to contact their community office with issues and if they are unable to resolve them the resident then works with the Operations Director, followed by the Director of Property Management. The dispute resolution process specifically includes an option to involve the military housing partner or the chain of command if necessary, to ensure a reasonable outcome for all parties is achieved.

The Military Services also maintain the Interactive Customer Evaluation (ICE) platform which servicemembers and their families can use any time, bypassing other traditional complaint mechanisms. The ICE platform enables servicemembers or their families to register complaints about any service or facility on the installation, including housing. These complaints are brought to the Project Company’s management by installation representatives for immediate attention and are resolved in consultation with local installation leadership. To our knowledge, resolution of every complaint is documented and stored in the ICE system maintained by the Military Services. We do not currently have the ability to provide that detailed information.

Mr. BLISS. LMH respectfully refers Senator Warren to our response to this question (posed by Senator Warren in a February 6 letter to LMH) set forth in our letter dated March 6, 2019, which contains business-sensitive and/or confidential information.

119. Senator WARREN. Mr. Williams, Mr. Piscerne, Mr. Ehle, Mr. Hickey, and Mr. Bliss, if so, what is the process for submitting complaints and can complaints be submitted anonymously?

Mr. WILLIAMS. Answer provided directly to Senator Warren per letter dated February 20, 2019.

Mr. PICERNE. Answer provided directly to Senator Warren on February 19, 2019.

Mr. EHLE. Please see the response to question 118.

Mr. HICKEY. Senator Warren requested this information from Lendlease in her correspondence dated February 6, 2019. In response to that request, the Lendlease team provided Senator Warren and her staff two document productions dated February 21, 2019, and March 6, 2019, in addition to conducting an in-depth briefing with Senator Warren’s team. Accordingly, we believe that this question has been adequately responded to as a result of such responses. If this response is not sufficient for purposes of this request, the Lendlease team would be happy to provide a similar briefing to the SASC staff.

Mr. BLISS. LMH respectfully refers Senator Warren to our response to this question (posed by Senator Warren in a February 6 letter to LMH) set forth in our letter

dated March 6, 2019, which contains business-sensitive and/or confidential information.

120. Senator WARREN. Mr. Williams, Mr. Piscerne, Mr. Ehle, Mr. Hickey, and Mr. Bliss, please provide a list of all complaints (without personal identifying information) since January 1, 2008 at all DOD installations you operate, and a description of how these complaints were resolved.

Mr. WILLIAMS. Answer provided directly to Senator Warren per letter dated February 20, 2019.

Mr. PICERNE. Answer provided directly to Senator Warren on February 19, 2019.

Mr. EHLE. Please see the response to question 118.

Mr. HICKEY. P Senator Warren requested this information from Lendlease in her correspondence dated February 6, 2019. In response to that request, the Lendlease team provided Senator Warren and her staff two document productions dated February 21, 2019, and March 6, 2019, in addition to conducting an in-depth briefing with Senator Warren's team. Accordingly, we believe that this question has been adequately responded to as a result of such responses. If this response is not sufficient for purposes of this request, the Lendlease team would be happy to provide a similar briefing to the SASC staff.

Mr. BLISS. LMH respectfully refers Senator Warren to our response to this question (posed by Senator Warren in a February 6 letter to LMH) set forth in our letter dated March 6, 2019, which contains business-sensitive and/or confidential information.

FINANCIAL STATEMENTS

121. Senator WARREN. Mr. Williams, Mr. Piscerne, Mr. Ehle, Mr. Hickey, and Mr. Bliss, how much revenue did your company generate from developing and operating private military housing in 2018? In the past 15 years? Please provide annual revenues for each facility you operate for each year.

Mr. WILLIAMS. Answer provided directly to Senator Warren per letter dated February 20, 2019.

Mr. PICERNE. Answer provided directly to Senator Warren on February 19, 2019.

Mr. EHLE. Under its agreements, Hunt is compensated for services associated with the management of rental real estate housing complexes, such as property management and, as applicable, asset management. The fee arrangement typically includes two components: (1) a base fee, which includes (a) property management fee and/or (b) asset management fee, if applicable; and (2) an incentive fee. The rates for these fees, and the ways in which they are earned, are established during the competitive bidding process for the award of the MHPI project and are then negotiated and agreed upon in definitive documents. There is no mechanism by which Hunt could unilaterally adjust its compensation without consent from a military partner. Also, although set forth as a percentage rate, the amount of fees received is not guaranteed. The amounts depend upon a number of factors, including occupancy and BAH rates in each local market. It is important to note that each project is unique and its performance is subject to a variety of external factors, including market conditions, BAH rates, the scope of the deal, and the sources of funds available, plus internal factors related to property management, as further described below.

Base Fees

In our agreements, like those in the conventional housing market, the base fee is provided for services rendered and is calculated as a percentage of gross property income, before paying operating expenses. This incentivizes the property manager to maintain high occupancy levels, which requires the property manager to maintain a desirable, marketable community to generate demand. If existing and potential residents move outside of the project, the property manager will realize a negative financial impact via reduced base fees.

The asset management fee, if applicable, is often calculated as a percentage of net operating income, which is income after the payment of operating expenses. It incentivizes the asset manager to balance project income and expenses to ensure that a project is well-operated, occupied, and sustainable for the long term.

Incentive Fees

The other component of our fee structure consists of at-risk property management incentive fees. The incentive fees, while included as a portion of our overall compensation, are entirely discretionary, and are based upon performance. Incentive fees enable the installation base commanders to weigh-in on the performance of the property manager and adjust the incentive fee accordingly. There is no guarantee or assurance of an incentive fee. Each of the Military Departments have their own

unique criteria that factor into incentive fee calculations, but, generally, they include at least: (1) resident satisfaction (via annual surveys); (2) maintenance response times; and (3) other performance metrics as decided by the particular Military Department for a given project.

Resident satisfaction typically receives the most weight and will generally have the greatest influence on the amount of incentive fees ultimately earned. If resident satisfaction dips below the low-end threshold of acceptable scores, the property manager may completely forfeit that portion of the incentive fee.

This dynamic stands in marked contrast to the conventional housing market. Generally speaking, the total of base and incentive property management fees for a privatized military housing provider is the rough equivalent of a typical base property management fee for a conventional property manager. Notably, however, incentive fees are not usually found in the conventional housing market. Thus, privatized military housing providers are uniquely positioned compared to their conventional housing counterparts. Indeed, it would be unusual for a conventional property manager to have over 50 percent of its management fees at risk on a discretionary basis, as Hunt does under its property management agreements.

Similarly, privatized military housing providers operate in a unique environment insofar as the respective Military Departments must vet and approve all incentive fees before they may be paid. As with base fees, Hunt does not have the ability to adjust its incentive fees without consent from the military partner.

Separately, Hunt is providing audited financial statements for its projects for the past 10 years.

Mr. HICKEY. Senator Warren requested this information from Lendlease in her correspondence dated February 6, 2019. In response to that request, the Lendlease team provided Senator Warren and her staff two document productions dated February 21, 2019, and March 6, 2019, in addition to conducting an in-depth briefing with Senator Warren's team. Accordingly, we believe that this question has been adequately responded to as a result of such responses. If this response is not sufficient for purposes of this request, the Lendlease team would be happy to provide a similar briefing to the SASC staff.

Mr. BLISS. LMH respectfully refers Senator Warren to our response to this question (posed by Senator Warren in a February 6 letter to LMH) set forth in our letter dated March 6, 2019, which contains business-sensitive and/or confidential information.

122. Senator WARREN. Mr. Williams, Mr. Piscerne, Mr. Ehle, Mr. Hickey, and Mr. Bliss, are the profits you receive from private military projects set in or otherwise outlined in your agreements with the Military Departments? If so, how are these profits set?

Mr. WILLIAMS. Answer provided directly to Senator Warren per letter dated February 20, 2019.

Mr. PICERNE. Under its agreements, Hunt is compensated for services associated with the management of rental real estate housing complexes, such as property management and, as applicable, asset management. The fee arrangement typically includes two components: (1) a base fee, which includes (a) property management fee and/or (b) asset management fee, if applicable; and (2) an incentive fee. The rates for these fees, and the ways in which they are earned, are established during the competitive bidding process for the award of the MHPI project and are then negotiated and agreed upon in definitive documents. There is no mechanism by which Hunt could unilaterally adjust its compensation without consent from a military partner. Also, although set forth as a percentage rate, the amount of fees received is not guaranteed. The amounts depend upon a number of factors, including occupancy and BAH rates in each local market. It is important to note that each project is unique and its performance is subject to a variety of external factors, including market conditions, BAH rates, the scope of the deal, and the sources of funds available, plus internal factors related to property management, as further described below.

Base Fees

In our agreements, like those in the conventional housing market, the base fee is provided for services rendered and is calculated as a percentage of gross property income, before paying operating expenses. This incentivizes the property manager to maintain high occupancy levels, which requires the property manager to maintain a desirable, marketable community to generate demand. If existing and potential residents move outside of the project, the property manager will realize a negative financial impact via reduced base fees.

The asset management fee, if applicable, is often calculated as a percentage of net operating income, which is income after the payment of operating expenses. It

incentivizes the asset manager to balance project income and expenses to ensure that a project is well-operated, occupied, and sustainable for the long term.

Incentive Fees

The other component of our fee structure consists of at-risk property management incentive fees. The incentive fees, while included as a portion of our overall compensation, are entirely discretionary, and are based upon performance. Incentive fees enable the installation base commanders to weigh-in on the performance of the property manager and adjust the incentive fee accordingly. There is no guarantee or assurance of an incentive fee. Each of the Military Departments have their own unique criteria that factor into incentive fee calculations, but, generally, they include at least: (1) resident satisfaction (via annual surveys); (2) maintenance response times; and (3) other performance metrics as decided by the particular Military Department for a given project.

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Separately, Hunt is providing audited financial statements for its projects for the past 10 years.

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The asset management fee, if applicable, is often calculated as a percentage of net operating income, which is income after the payment of operating expenses. It incentivizes the asset manager to balance project income and expenses to ensure that a project is well-operated, occupied, and sustainable for the long term.

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unique criteria that factor into incentive fee calculations, but, generally, they include at least: (1) resident satisfaction (via annual surveys); (2) maintenance response times; and (3) other performance metrics as decided by the particular Military Department for a given project.

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Mr. HICKEY. Senator Warren requested this information from Lendlease in her correspondence dated February 6, 2019. In response to that request, the Lendlease team provided Senator Warren and her staff two document productions dated February 21, 2019, and March 6, 2019, in addition to conducting an in-depth briefing with Senator Warren's team. Accordingly, we believe that this question has been adequately responded to as a result of such responses. If this response is not sufficient for purposes of this request, the Lendlease team would be happy to provide a similar briefing to the SASC staff.

Mr. BLISS. LMH respectfully refers Senator Warren to our response to this question (posed by Senator Warren in a February 6 letter to LMH) set forth in our letter dated March 6, 2019, which contains business-sensitive and/or confidential information.

123. Senator WARREN. Mr. Williams, Mr. Piscerne, Mr. Ehle, Mr. Hickey, and Mr. Bliss, for each of the last ten years, please provide the following information for each year for each of your company's MHPI agreements.

Mr. WILLIAMS. Answer provided directly to Senator Warren per letter dated February 20, 2019.

Mr. PISCERNE. Answer provided directly to Senator Warren on February 19, 2019.

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Base Fees

In our agreements, like those in the conventional housing market, the base fee is provided for services rendered and is calculated as a percentage of gross property income, before paying operating expenses. This incentivizes the property manager to maintain high occupancy levels, which requires the property manager to maintain a desirable, marketable community to generate demand. If existing and potential residents move outside of the project, the property manager will realize a negative financial impact via reduced base fees.

The asset management fee, if applicable, is often calculated as a percentage of net operating income, which is income after the payment of operating expenses. It

incentivizes the asset manager to balance project income and expenses to ensure that a project is well-operated, occupied, and sustainable for the long term.

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The other component of our fee structure consists of at-risk property management incentive fees. The incentive fees, while included as a portion of our overall compensation, are entirely discretionary, and are based upon performance. Incentive fees enable the installation base commanders to weigh-in on the performance of the property manager and adjust the incentive fee accordingly. There is no guarantee or assurance of an incentive fee. Each of the Military Departments have their own unique criteria that factor into incentive fee calculations, but, generally, they include at least: (1) resident satisfaction (via annual surveys); (2) maintenance response times; and (3) other performance metrics as decided by the particular Military Department for a given project.

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Mr. BLISS. LMH respectfully refers Senator Warren to our response to this question (posed by Senator Warren in a February 6 letter to LMH) set forth in our letter dated March 6, 2019, which contains business-sensitive and/or confidential information.

124. Senator WARREN. Mr. Williams, Mr. Piscerne, Mr. Ehle, Mr. Hickey, and Mr. Bliss, how much in total revenues from rental payments did your company generate from each agreement?

Mr. WILLIAMS. Answer provided directly to Senator Warren per letter dated February 20, 2019.

Mr. PICERNE. Answer provided directly to Senator Warren on February 19, 2019.

Mr. EHLE. Under its agreements, Hunt is compensated for services associated with the management of rental real estate housing complexes, such as property management and, as applicable, asset management. The fee arrangement typically includes two components: (1) a base fee, which includes (a) property management fee and/or (b) asset management fee, if applicable; and (2) an incentive fee. The rates for these fees, and the ways in which they are earned, are established during the competitive bidding process for the award of the MHPI project and are then negotiated and agreed upon in definitive documents. There is no mechanism by which Hunt could unilaterally adjust its compensation without consent from a military partner. Also, although set forth as a percentage rate, the amount of fees received is not guaranteed. The amounts depend upon a number of factors, including occupancy and BAH rates in each local market. It is important to note that each project is unique and its performance is subject to a variety of external factors, including market conditions, BAH rates, the scope of the deal, and the sources of funds available, plus internal factors related to property management, as further described below.

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125. Senator WARREN. Mr. Williams, Mr. Piscerne, Mr. Ehle, Mr. Hickey, and Mr. Bliss, how much (in dollars) did your company receive or retain through member distributions for each agreement?

Mr. WILLIAMS. Answer provided directly to Senator Warren per letter dated February 20, 2019.

Mr. PICERNE. Answer provided directly to Senator Warren on February 19, 2019.

Mr. EHLE. Under its agreements, Hunt is compensated for services associated with the management of rental real estate housing complexes, such as property management and, as applicable, asset management. The fee arrangement typically includes two components: (1) a base fee, which includes (a) property management fee and/or (b) asset management fee, if applicable; and (2) an incentive fee. The rates for these fees, and the ways in which they are earned, are established during the competitive bidding process for the award of the MHPI project and are then ne-

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126. Senator WARREN. Mr. Williams, Mr. Piscerne, Mr. Ehle, Mr. Hickey, and Mr. Bliss, how much (in dollars) did your company receive or retain through incentive-based fees for each agreement?

Mr. WILLIAMS. Answer provided directly to Senator Warren per letter dated February 20, 2019.

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127. Senator WARREN. Mr. Williams, Mr. Piscerne, Mr. Ehle, Mr. Hickey, and Mr. Bliss, how much did your company receive or retain through management, operations, or other non-incentive-based fees or payments for each agreement?

Mr. WILLIAMS. Answer provided directly to Senator Warren per letter dated February 20, 2019.

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128. Senator WARREN. Mr. Williams, Mr. Piscerne, Mr. Ehle, Mr. Hickey, and Mr. Bliss, how much was the total profit (in dollars) for your company for each agreement?

Mr. WILLIAMS. Answer provided directly to Senator Warren per letter dated February 20, 2019.

Mr. PICERNE. Answer provided directly to Senator Warren on February 19, 2019.

Mr. EHLE. Under its agreements, Hunt is compensated for services associated with the management of rental real estate housing complexes, such as property management and, as applicable, asset management. The fee arrangement typically includes two components: (1) a base fee, which includes (a) property management fee and/or (b) asset management fee, if applicable; and (2) an incentive fee. The rates for these fees, and the ways in which they are earned, are established during the competitive bidding process for the award of the MHPI project and are then negotiated and agreed upon in definitive documents. There is no mechanism by which Hunt could unilaterally adjust its compensation without consent from a military partner. Also, although set forth as a percentage rate, the amount of fees received is not guaranteed. The amounts depend upon a number of factors, including occupancy and BAH rates in each local market. It is important to note that each project is unique and its performance is subject to a variety of external factors, including market conditions, BAH rates, the scope of the deal, and the sources of funds available, plus internal factors related to property management, as further described below.

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129. Senator WARREN. Mr. Williams, Mr. Piscerne, Mr. Ehle, Mr. Hickey, and Mr. Bliss, for each of your agreements, please list the following for each of the last ten years.

Mr. WILLIAMS. Answer provided directly to Senator Warren per letter dated February 20, 2019.

Mr. PICERNE. Answer provided directly to Senator Warren on February 19, 2019.

Mr. EHLE. Under its agreements, Hunt is compensated for services associated with the management of rental real estate housing complexes, such as property management and, as applicable, asset management. The fee arrangement typically includes two components: (1) a base fee, which includes (a) property management fee and/or (b) asset management fee, if applicable; and (2) an incentive fee. The rates for these fees, and the ways in which they are earned, are established during the competitive bidding process for the award of the MHPI project and are then negotiated and agreed upon in definitive documents. There is no mechanism by which Hunt could unilaterally adjust its compensation without consent from a military partner. Also, although set forth as a percentage rate, the amount of fees received is not guaranteed. The amounts depend upon a number of factors, including occupancy and BAH rates in each local market. It is important to note that each project is unique and its performance is subject to a variety of external factors, including market conditions, BAH rates, the scope of the deal, and the sources of funds available, plus internal factors related to property management, as further described below.

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130. Senator WARREN. Mr. Williams, Mr. Piscerne, Mr. Ehle, Mr. Hickey, and Mr. Bliss, the total incentive-based fees or payments that were available to your company under the agreement.

Mr. WILLIAMS. Answer provided directly to Senator Warren per letter dated February 20, 2019.

Mr. PISCERNE. Answer provided directly to Senator Warren on February 19, 2019.

Mr. EHLE. Under its agreements, Hunt is compensated for services associated with the management of rental real estate housing complexes, such as property management and, as applicable, asset management. The fee arrangement typically includes two components: (1) a base fee, which includes (a) property management fee and/or (b) asset management fee, if applicable; and (2) an incentive fee. The rates for these fees, and the ways in which they are earned, are established during the competitive bidding process for the award of the MHPI project and are then negotiated and agreed upon in definitive documents. There is no mechanism by which Hunt could unilaterally adjust its compensation without consent from a military partner. Also, although set forth as a percentage rate, the amount of fees received is not guaranteed. The amounts depend upon a number of factors, including occupancy and BAH rates in each local market. It is important to note that each project is unique and its performance is subject to a variety of external factors, including market conditions, BAH rates, the scope of the deal, and the sources of funds available, plus internal factors related to property management, as further described below.

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The asset management fee, if applicable, is often calculated as a percentage of net operating income, which is income after the payment of operating expenses. It incentivizes the asset manager to balance project income and expenses to ensure that a project is well-operated, occupied, and sustainable for the long term.

Incentive Fees

The other component of our fee structure consists of at-risk property management incentive fees. The incentive fees, while included as a portion of our overall compensation, are entirely discretionary, and are based upon performance. Incentive fees enable the installation base commanders to weigh-in on the performance of the property manager and adjust the incentive fee accordingly. There is no guarantee or assurance of an incentive fee. Each of the Military Departments have their own unique criteria that factor into incentive fee calculations, but, generally, they include at least: (1) resident satisfaction (via annual surveys); (2) maintenance response times; and (3) other performance metrics as decided by the particular Military Department for a given project.

Resident satisfaction typically receives the most weight and will generally have the greatest influence on the amount of incentive fees ultimately earned. If resident satisfaction dips below the low-end threshold of acceptable scores, the property manager may completely forfeit that portion of the incentive fee.

This dynamic stands in marked contrast to the conventional housing market. Generally speaking, the total of base and incentive property management fees for a privatized military housing provider is the rough equivalent of a typical base property management fee for a conventional property manager. Notably, however, incentive fees are not usually found in the conventional housing market. Thus, privatized military housing providers are uniquely positioned compared to their conventional housing counterparts. Indeed, it would be unusual for a conventional property manager to have over 50 percent of its management fees at risk on a discretionary basis, as Hunt does under its property management agreements.

Similarly, privatized military housing providers operate in a unique environment insofar as the respective Military Departments must vet and approve all incentive fees before they may be paid. As with base fees, Hunt does not have the ability to adjust its incentive fees without consent from the military partner.

Separately, Hunt is providing audited financial statements for its projects for the past 10 years.

Mr. HICKEY. Senator Warren requested this information from Lendlease in her correspondence dated February 6, 2019. In response to that request, the Lendlease team provided Senator Warren and her staff two document productions dated February 21, 2019, and March 6, 2019, in addition to conducting an in-depth briefing with Senator Warren's team. Accordingly, we believe that this question has been adequately responded to as a result of such responses. If this response is not sufficient for purposes of this request, the Lendlease team would be happy to provide a similar briefing to the SASC staff.

Mr. BLISS. LMH respectfully refers Senator Warren to our response to this question (posed by Senator Warren in a February 6 letter to LMH) set forth in our letter dated March 6, 2019, which contains business-sensitive and/or confidential information.

131. Senator WARREN. Mr. Williams, Mr. Piscerne, Mr. Ehle, Mr. Hickey, and Mr. Bliss, the total incentive-based fees or payments that your company received under the agreement.

Mr. WILLIAMS. Answer provided directly to Senator Warren per letter dated February 20, 2019.

Mr. PICERNE. Answer provided directly to Senator Warren on February 19, 2019.

Mr. EHLE. Under its agreements, Hunt is compensated for services associated with the management of rental real estate housing complexes, such as property management and, as applicable, asset management. The fee arrangement typically includes two components: (1) a base fee, which includes (a) property management fee and/or (b) asset management fee, if applicable; and (2) an incentive fee. The rates for these fees, and the ways in which they are earned, are established during the competitive bidding process for the award of the MHPI project and are then negotiated and agreed upon in definitive documents. There is no mechanism by which Hunt could unilaterally adjust its compensation without consent from a military partner. Also, although set forth as a percentage rate, the amount of fees received is not guaranteed. The amounts depend upon a number of factors, including occupancy and BAH rates in each local market. It is important to note that each project is unique and its performance is subject to a variety of external factors, including market conditions, BAH rates, the scope of the deal, and the sources of funds avail-

able, plus internal factors related to property management, as further described below.

Base Fees

In our agreements, like those in the conventional housing market, the base fee is provided for services rendered and is calculated as a percentage of gross property income, before paying operating expenses. This incentivizes the property manager to maintain high occupancy levels, which requires the property manager to maintain a desirable, marketable community to generate demand. If existing and potential residents move outside of the project, the property manager will realize a negative financial impact via reduced base fees.

The asset management fee, if applicable, is often calculated as a percentage of net operating income, which is income after the payment of operating expenses. It incentivizes the asset manager to balance project income and expenses to ensure that a project is well-operated, occupied, and sustainable for the long term.

Incentive Fees

The other component of our fee structure consists of at-risk property management incentive fees. The incentive fees, while included as a portion of our overall compensation, are entirely discretionary, and are based upon performance. Incentive fees enable the installation base commanders to weigh-in on the performance of the property manager and adjust the incentive fee accordingly. There is no guarantee or assurance of an incentive fee. Each of the Military Departments have their own unique criteria that factor into incentive fee calculations, but, generally, they include at least: (1) resident satisfaction (via annual surveys); (2) maintenance response times; and (3) other performance metrics as decided by the particular Military Department for a given project.

Resident satisfaction typically receives the most weight and will generally have the greatest influence on the amount of incentive fees ultimately earned. If resident satisfaction dips below the low-end threshold of acceptable scores, the property manager may completely forfeit that portion of the incentive fee.

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Similarly, privatized military housing providers operate in a unique environment insofar as the respective Military Departments must vet and approve all incentive fees before they may be paid. As with base fees, Hunt does not have the ability to adjust its incentive fees without consent from the military partner.

Separately, Hunt is providing audited financial statements for its projects for the past 10 years.

Mr. HICKEY. Senator Warren requested this information from Lendlease in her correspondence dated February 6, 2019. In response to that request, the Lendlease team provided Senator Warren and her staff two document productions dated February 21, 2019, and March 6, 2019, in addition to conducting an in-depth briefing with Senator Warren's team. Accordingly, we believe that this question has been adequately responded to as a result of such responses. If this response is not sufficient for purposes of this request, the Lendlease team would be happy to provide a similar briefing to the SASC staff.

Mr. BLISS. LMH respectfully refers Senator Warren to our response to this question (posed by Senator Warren in a February 6 letter to LMH) set forth in our letter dated March 6, 2019, which contains business-sensitive and/or confidential information.

132. Senator WARREN. Mr. Williams, Mr. Piscerne, Mr. Ehle, Mr. Hickey, and Mr. Bliss, for any year in which you did not receive 100 percent of available incentive-based payments or fees, an explanation of why you did not receive them.

Mr. WILLIAMS. Answer provided directly to Senator Warren per letter dated February 20, 2019.

Mr. PICERNE. Answer provided directly to Senator Warren on February 19, 2019.

Mr. EHLE. Under its agreements, Hunt is compensated for services associated with the management of rental real estate housing complexes, such as property management and, as applicable, asset management. The fee arrangement typically includes two components: (1) a base fee, which includes (a) property management

fee and/or (b) asset management fee, if applicable; and (2) an incentive fee. The rates for these fees, and the ways in which they are earned, are established during the competitive bidding process for the award of the MHPI project and are then negotiated and agreed upon in definitive documents. There is no mechanism by which Hunt could unilaterally adjust its compensation without consent from a military partner. Also, although set forth as a percentage rate, the amount of fees received is not guaranteed. The amounts depend upon a number of factors, including occupancy and BAH rates in each local market. It is important to note that each project is unique and its performance is subject to a variety of external factors, including market conditions, BAH rates, the scope of the deal, and the sources of funds available, plus internal factors related to property management, as further described below.

Base Fees

In our agreements, like those in the conventional housing market, the base fee is provided for services rendered and is calculated as a percentage of gross property income, before paying operating expenses. This incentivizes the property manager to maintain high occupancy levels, which requires the property manager to maintain a desirable, marketable community to generate demand. If existing and potential residents move outside of the project, the property manager will realize a negative financial impact via reduced base fees.

The asset management fee, if applicable, is often calculated as a percentage of net operating income, which is income after the payment of operating expenses. It incentivizes the asset manager to balance project income and expenses to ensure that a project is well-operated, occupied, and sustainable for the long term.

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Similarly, privatized military housing providers operate in a unique environment insofar as the respective Military Departments must vet and approve all incentive fees before they may be paid. As with base fees, Hunt does not have the ability to adjust its incentive fees without consent from the military partner.

Separately, Hunt is providing audited financial statements for its projects for the past 10 years.

Mr. HICKEY. Senator Warren requested this information from Lendlease in her correspondence dated February 6, 2019. In response to that request, the Lendlease team provided Senator Warren and her staff two document productions dated February 21, 2019, and March 6, 2019, in addition to conducting an in-depth briefing with Senator Warren's team. Accordingly, we believe that this question has been adequately responded to as a result of such responses. If this response is not sufficient for purposes of this request, the Lendlease team would be happy to provide a similar briefing to the SASC staff.

Mr. BLISS. LMH respectfully refers Senator Warren to our response to this question (posed by Senator Warren in a February 6 letter to LMH) set forth in our letter

dated March 6, 2019, which contains business-sensitive and/or confidential information.

QUESTIONS SUBMITTED BY SENATOR TAMMY DUCKWORTH

USE OF NON-DISCLOSURE AGREEMENTS TO STIFLE SPEECH

133. Senator DUCKWORTH. Mr. Williams, Mr. Piscerne, Mr. Ehle, Mr. Hickey, and Mr. Bliss, I'm troubled by recent reporting that highlighted instances where military families paid penalties for breaking their leases as a result of escaping environmental conditions adverse to their health. In some instances, your companies were at fault for these maintenance and health failures. More insidious were the accounts where your companies tried to silence these families' voices by using penalty fees and non-disclosure agreements (NDAs). Were the reports accurate and do you use NDAs?

Mr. WILLIAMS. BBC has never required residents to pay financial penalties for breaking their leases where an adverse environmental condition affecting resident health has been confirmed. BBC (through its affiliates) does not charge families to break their lease where a health or safety/hazardous condition exists.

With respect to use of NDAs, residents have been asked to execute a confidential settlement/release agreement in connection only with the following: (1) where the resident is represented by an attorney, in which case our legal counsel communicates directly with the resident's counsel, and (2) where the resident has threatened to pursue litigation and an agreed settlement as to resolution of the dispute has been reached. These most typically are for claims involving "slip and fall"/personal injury matters that are unrelated to environmental conditions, such as mold. The forms are reviewed and recommended by legal counsel, and in connection with matters covered by insurance, are required by the relevant insurance carriers.

Mr. PICERNE. During the recent SASC hearing on February 13, 2019, Senator Tillis shared that he has learned that some MHPI partners are requiring residents to sign various residency related agreements—which he referred to as NDA's—that include a provision which requires the resident to not disclose the fact that the resident entered into the agreement in exchange for the waiver of rental amounts, fees, and/or reimbursement of certain amounts that the resident incurred as a result of an issue with the home, or, in order to accept a "non-standard" home.

Corvias has not asked nor required residents to sign those sort of non-disclosure agreements on any of our projects.

We do however use a standard "insurance claim" form of release when we pay/reimburse a resident for amounts paid to them relating to issues with the homes (damaged household goods, reimbursement for rent for days out of the home, reimbursement for medical expenses/pain for slip/fall on walkway, etc.). That form of release does not include any type of non-disclosure or confidentiality provision.

Mr. EHLE. Hunt does not issue Non-Disclosure Agreements ("NDAs") to residents prior to conducting maintenance work in a home nor is the completion of maintenance work made contingent on the signing of an NDA. Hunt also does not otherwise use NDAs as part of its normal course during leasing, move-in, or move-out.

Mr. HICKEY. Lendlease are aware of no standard policies or requirements across our projects that require that residents sign such an NDA. Further, we do not endorse and have not authorized the use of such forms in the ordinary course of day to day operations on our projects.

In the limited circumstances of a formal settlement of a legal claim or dispute initiated by a resident or former resident, the project companies have entered into settlement agreements. We understand such settlement agreements would typically include customary releases of claims and confidentiality provisions based upon legal advice in connection with the settlement of claims.

In addition, we note that certain environmental disclosure notifications are provided to prospective residents for their education and acknowledgment upon signing a lease. For example, for homes with known lead-based paint presence (built pre-1978), a tenant would receive and sign a lead based-paint disclosure and acknowledgment. While we do not think this is necessarily responsive to the concerns that have been raised regarding NDA's, it is mentioned on the possibility these notifications are somehow being misconstrued.

In amplification of the foregoing, we were transparent with our residents in post recovery efforts attributable to damage caused by Hurricane Florence at Camp Lejeune in our Atlantic Marine Corps Communities project. In consultation with the Navy, residents who were offered and advised of relocation but insisted on remain-

ing in homes that suffered some damages from the hurricane have been asked to sign a limited waiver and release to be permitted to stay in the homes until necessary repairs can be completed. In such circumstances, the homes do remain habitable but may have certain damages that will be repaired as the restoration work continues. To confirm, however, there was no NDA or confidentiality provision contained in these limited waivers, rather these were utilized to fulfill any duty to warn.

Mr. BLISS. LMH believes that the only time it would request non-disclosure would be as part of a settlement of a legal dispute or property damage claims. The non-disclosure covenant is commonly used in settlement of litigation (or pre-litigation) claims as a way of protecting both parties (so that neither party publishes unproven allegations made against the other party or defenses to such allegations). At no time do we require the families to sign a NDA to receive service.

134. Senator DUCKWORTH. Mr. Williams, Mr. Piscerne, Mr. Ehle, Mr. Hickey, and Mr. Bliss, if so, why do you use them, how many do you currently have with military families and how many have you offered in the past year?

Mr. WILLIAMS. BBC has never required residents to pay financial penalties for breaking their leases where an adverse environmental condition affecting resident health has been confirmed. BBC (through its affiliates) does not charge families to break their lease where a health or safety/hazardous condition exists.

With respect to use of NDAs, residents have been asked to execute a confidential settlement/release agreement in connection only with the following: (1) where the resident is represented by an attorney, in which case our legal counsel communicates directly with the resident's counsel, and (2) where the resident has threatened to pursue litigation and an agreed settlement as to resolution of the dispute has been reached. These most typically are for claims involving "slip and fall"/personal injury matters that are unrelated to environmental conditions, such as mold. The forms are reviewed and recommended by legal counsel, and in connection with matters covered by insurance, are required by the relevant insurance carriers.

Mr. PICERNE. Corvias has not asked nor required residents to sign those sort of non-disclosure agreements on any of our projects.

Mr. EHLE. Hunt does not issue Non-Disclosure Agreements ("NDAs") to residents prior to conducting maintenance work in a home nor is the completion of maintenance work made contingent on the signing of an NDA. Hunt also does not otherwise use NDAs as part of its normal course during leasing, move-in, or move-out.

Mr. HICKEY. As discussed above, we do not use NDA's in the standard practice or day to day operations of the projects.

In the limited circumstances of the settlement of a legal claim or dispute, where no liability has been established but the project has nevertheless elected to make a payment to settle a claim, the settlement agreement would typically contain a customary confidentiality provision in accordance with legal advice provided to the project companies.

Mr. BLISS. As stated, LMH has not required families to sign non-disclosure agreements outside of the legal claim or property damage claim resolution process. LMH does not have statistics available on the number of settlement agreements we have entered into with non-disclosure language within the past year, but they are not very common. We would estimate less than ten total.

PRE-LEASING NOTIFICATION OF MOLD/MILDEW

135. Senator DUCKWORTH. Mr. Williams, Mr. Piscerne, Mr. Ehle, Mr. Hickey, and Mr. Bliss, all of your companies seem to collect and store data on your performance and work orders. How are you using that data to identify houses with recurring mold/mildew problems and what are you doing to fix those structural issues without inconveniencing servicemembers?

Mr. WILLIAMS. BBC does not believe that we have homes with recurring mold problems; and to the extent we identify homes with any water infiltration, water leaks or other structural/design issues that may result in mold/mildew issues, BBC follows its moisture-related issues policy. BBC does offer residents temporary alternative housing in a furnished home or hotel suite in an effort to avoid inconveniencing residents while certain types of remediation work are being performed in a home or where residents express concerns regarding their home.

Mr. PICERNE. We do not believe we have any specific homes with recurring mold problems. However, when we have identified mold in a home, our team members are trained to follow our Mold SOP, which has been designed to comply with/follow industry best practices.

Mr. EHLE. As we stated in response to question 5 above, resident complaints and reports of issues are logged into Hunt's housing maintenance software, Yardi. Hunt monitors this information closely and works proactively with residents to address issues as they arise. In situations where we have found that residents are consistently identifying specific issues, we use that information to help us understand and identify potential underlying causes and develop a comprehensive solution.

For example, when we found that Keesler residents were consistently identifying moisture-related issues, we took a broader look at the challenges they were experiencing and were ultimately able to identify repairs that needed to be made to the ventilation system in many homes in the community. With this information, we were able to address an underlying cause of the moisture-related issues throughout the community.

Addressing moisture-related and potential mold issues in a home can be intrusive, and we work with residents to try to reduce any inconvenience they may experience. When necessary, Hunt works to relocate residents into temporary alternative housing, either in the community or off-base, while work is being completed in their home. Hunt also provides financial support to affected residents during these periods such as by providing gift cards for meals or rent concessions.

Mr. HICKEY. All environmental issues that are received (including mold and mildew items) are elevated to the supervisor level for review and action and the approved response protocol is followed and documented. Additionally, supervisors, managers and directors regularly review service order activity reports to identify repeat issues. Typically, a 60-day look back period is used to identify a home that has had more than two service orders for the same issue during that period. Repairs are undertaken to both "arrest" the issue causing the concern as well as address any follow-on requirements necessitated for the home to be returned to full operating condition.

Depending on the nature and severity of the issue, temporary lodging or accommodations arrangements are made. If it is determined that the home cannot be brought back to full operating condition in less than 30 days, the family is offered a move over to a comparable home (if available). If the move over is declined or a comparable home is not available, a lease break may be offered. There are circumstances when repairs become more complicated or require more time than estimated as they unfold. In those cases, we use the same remedy approach—temporary lodging, move overs and ultimately, if we are not able to satisfy the resident through any other means, we will offer to relieve the resident from lease obligations.

Mr. BLISS.

Use of Data: LMH uses the data to identify trends in home systems that need to be addressed. When issues are identified, we create action plans to address those issues either immediately or when the home is turned at the end of the lease, depending on whether this involves a health safety issue. If the issue does involve health or safety, we schedule the work immediately.

Repair: LMH does its very best to mitigate issues without inconveniencing our residents. In the vast majority of mold or moisture cases, the service requests require a simple fix that is in accordance with the PPVs' mold maintenance program and EPA guidelines. The follow up system in Yardi, our online management system, automatically generates three (3) follow up tickets after the mold has been initially remediated. While we know that multiple follow up tickets can inconvenience residents, LMH takes this issue very seriously and wants to ensure the health and safety of our families. When the mold is of a nature that requires more extensive work, we coordinate with the residents in order to make the process as smooth as possible. If this means that the resident needs to be temporarily or permanently relocated, LMH pays for all costs related to the relocation.

Education: LMH will work closely with its DOD partners to further enhance resident education regarding mold, along with establishing clear protocols to report and resolve mold issues. In 2017, LMH expanded its communication of the escalation process for unresolved resident concerns. That process involves the following steps:

- (a) Step 1—contacting LMH's maintenance hotline with a concern or maintenance request,
- (b) Step 2—if the resident's concern is not resolved, LMH asks the resident to call LMH's Regional General Management Office, and
- (c) Step 3—LMH encourages the resident to contact the Government/Base housing office at any time during the process to further advocate on their behalf to resolve any concerns.

136. Senator DUCKWORTH. Mr. Williams, Mr. Piscerne, Mr. Ehle, Mr. Hickey, and Mr. Bliss, given the lack of EPA/OSHA regulation on mold/mildew, do you inform

current occupants of past occurrences of mold/mildew before they sign a lease, just as you would with lead-based paint?

Mr. WILLIAMS. BBC complies with all applicable federal, state and local legal requirements to provide disclosures to residents regarding the presence of environmental hazards in homes. As there are no legal requirements to disclose the prior presence of mold/mildew in a home, this is not disclosed to residents as part of the standard leasing process.

Mr. PICERNE. No.

Mr. EHLE. As a preliminary matter, all homes undergo and must pass a move-in inspection. When a resident moves in, the home should be free and clear of any issues.

Hunt provides residents with safety information in their lease materials prior to lease signing. This includes addenda regarding environmental hazards such as lead-based paint, mold, asbestos, radon, and/or pesticides. With respect to mold, Hunt provides residents with the EPA pamphlet, "A Brief Guide to Mold, Moisture In Your Home." Hunt makes additional information available to residents throughout the duration of their residency via regular communications and the Hunt Safety Zone online library to educate them regarding moisture and mold-related issues.

Mr. HICKEY. Our project's lease packages comply with any state disclosure laws and the military services review and approve any resident leases implemented at the project. Our leases contain lead-based paint, asbestos and mold addendums. When a home becomes vacant our local team go through the home to inspect and repair all maintenance issues including any broken or unserviceable items, in many instances a complete painting, floor repair and replacement and preventive maintenance of the HVAC system.

Mr. BLISS. At lease signing LMH provides all residents with information on moisture/mold in their homes and steps they can take to help prevent moisture and mold from occurring. These informational disclosures are similar to LBP disclosures in that they alert residents to the issue and provide guidance on how to avoid potential risks to their family. In the vast majority of cases, moisture and mold service requests require a simple fix that eliminates the problem area. This is different from maintenance and repair of LBP in pre-1978 homes, because LBP remains in a home and must be monitored and periodically repaired until the LBP components are permanently removed (e.g., through a complete, down to the studs renovation).

SERVICES BASE COMMANDER OVERSIGHT

137. Senator DUCKWORTH. Secretary Beehler, Secretary Bayer, and Secretary Henderson, I am curious about how the Services view their role in facilitating remediation efforts. According to recent reporting, the Services seem unable or unwilling to step in when a military family and a company disagree about who is at fault for unsafe conditions. That strikes me as a failure of oversight responsibility, and a lack of advocacy on behalf of these families and residents. Folks in my State—on the civilian side—know all too well how dangerous and devastating poor oversight is. In Cairo, Illinois, we are still living through HUD's failed oversight of the Alexander County Housing Authority, and the residents there have had to move out of their homes—some of them have moved out of their community altogether. I do not want to see bad oversight in housing, whether public or military, be a trend. Do the base commanders have the requisite training, resources and authorities to conduct oversight over these private companies?

Secretary BEEHLER. Yes, Garrison commanders have the requisite training and authorities to conduct oversight. Since 2016, approximately 350 Army Housing careerists have attended the Housing Management technical training and a thousand careerists have attended Housing the Force training hosted each year since 2014, a workshop of seminars and training. IMCOM has incorporated into the Garrison Commander Pre-Command Course in-depth training in housing program oversight responsibilities. With regard to resources, IMCOM is increasing the number of quality assurance/quality control personnel across the Army's installations by 114 hires in order to improve the Army's ability to execute housing oversight.

Secretary BAYER. DON is taking steps to address immediate problems as well as adjust our business processes to permanently correct systemic issues. General Neller and Admiral Richardson have each issued orders requiring commanding officers to afford the opportunity for every family in military housing to receive a voluntary visit by April 15, 2019. The purposes of these visits are:

1. to raise command awareness of family living conditions to ensure that they are safe, secure and environmentally healthy;

2. to personally observe any issues affecting the home and to understand any actions being taken to address them; and
3. if a problem is found, to help servicemembers and their families get the problem resolved, and ensure that all families understand the help and resources available to them. Marine Corps Commanders will use the Marine Housing Outreach program to improve their awareness of concerns and better advocate for military families. Commanders will leverage appointed servicemember advocates and the base housing office to streamline communication with providers. Both Commanders and appointed advocates will ensure effective oversight and remediation are in place, operating with the full authority and support of the chain of command. The DON will streamline its reporting process so that no sailor (or soldier or airman living in DON privatized housing) has to exceed two calls before achieving resolution—the first to the housing company, and the next to their chain of command, which can then properly advocate on their behalf with the government base housing office, base leadership, and Commander Naval Installation Command (CNIC) to ensure resolution. Simultaneously, families will continue to have an open channel to the base housing office. Finally, with respect to training, prospective installation leaders attend senior shore leadership training (Navy) and the Installation Leadership Management Program training (USMC) that includes a segment on privatized housing. Both Navy and USMC are reviewing their leadership and staff training on privatized housing oversight responsibilities and will modify this training as appropriate to address recent oversight concerns.

Additional systemic improvements include:

- Privatized Housing Crisis Action Teams at the Installations Command headquarters, as well as each Regional Command, to respond with alacrity to housing complaints.
- Comprehensive reviews of all reporting mechanisms and oversight procedures that govern the way privatized military housing discrepancies are reported, remediated, and verified through our PPV partners. We have been in discussion with PPV partners about available apps to address reporting, tracking, rating and resolution.
- Weekly assessments conducted by Regional Housing Directors to provide comprehensive oversight and quality control on work orders, including database systems to track work orders and spot checks of individual work orders to ensure quality repairs.
- Outreach letters to all families in PPV housing as well as social media communication.
- Open forums sponsored by installations and delivered by the local base commanders.
- Out of cycle independent Resident Satisfaction Surveys with specific questions added to ensure resident concerns have been captured fully.
- Quarterly meetings with PPV CEOs and Service Secretaries to address and monitor the satisfactory delivery of housing for our sailors and marines.

Secretary HENDERSON. Air Force installation commanders have the resources, training, and authorities to protect the health and safety of the military members under their command. The privatization agreements recognize their command authorities. The installation commander's staff includes medical, housing, and engineering professionals to advise and assist them in carrying out these responsibilities. While they cannot direct the private company, they can direct Air Force actions such as testing and relocation of the member to protect the member's safety or health.

138. Senator DUCKWORTH. Secretary Beehler, Secretary Bayer, and Secretary Henderson, if not, why and what should Congress do?

Secretary BEEHLER. Garrison commanders have training, authorities, and resources to conduct oversight. The Army identified training as an area that needed reinforcement and resources were identified as an area that needed more manpower. AMC has implemented measures to reinforce training and hiring actions to add 114 manpower positions to execute housing oversight.

Secretary BAYER. As stated in response to question 137 above, Base commanders have the requisite training, resources, and authorities to conduct oversight over PPV partners. In addition to the tools described above, Service Secretaries are working with OSD and the privatized partners to establish a Resident Bill of Rights, a common lease, and reviewing how incentive fees are calculated, among other measures.

Secretary HENDERSON. We believe Air Force installation commanders have the resources, training and authorities to protect the health and safety of the military members under their command.

COMPETITION FLEXIBILITY AND 50-YEAR LEASE CONTRACTS

139. Senator DUCKWORTH. Secretary McMahon, Secretary Beehler, Secretary Bayer, and Secretary Henderson, do the 50-year lease contracts restrict the U.S. military's flexibility to seek out competition in the private sector and partner with other companies that can provide improved quality?

Secretary McMAHON. MHPI partners are not DOD or Military Department contractors. Under the MHPI, Military Departments conveyed their existing government housing units to competitively selected privatization entities (*i.e.*, the MHPI projects). MHPI projects operate under long-term (~50-year) ground leases and associated legal agreements with a Military Department, with one 25-year option period. In return, the MHPI projects assumed responsibility for operation, maintenance, construction, and replacement of the housing during the lease term, in accordance with the MHPI authorities as defined in title 10, United States Code. The long-term duration of the initial ground leases was necessary in order to attract the third-party financing that was critical to fund the Initial Development Periods of the MHPI projects. Asset, property, development, and construction management is performed under separate service agreements or contracts between the housing project and the service provider, not under contract with the Military Department. The Military Department retains certain rights under the legal agreements to include the replacement, for default under the terms of the agreements, of each of these primary service providers to the MHPI project.

Secretary BEEHLER. The entities that own and operate the housing on Army Installations are Limited Liability Companies in which the Army is a minority member and, as such, a "contract" for service between the Army and a service provider does not exist. The Majority Members in these LLCs were competitively selected under a competitive procurement governed by Federal Acquisition Regulations and the terms were defined in the LLC business documents and ground leases. The Majority Member, with Army input, selects the Service Providers in the RCI projects. The LLC structure does not negatively impact the Army's ability to work with the Majority Member of the LLC to seek a replacement Service provider at any time performance is deemed to be unacceptable or for other just cause. The LLC structure does not negatively impact the Army's ability to work with the Majority Member of the LLC to seek a replacement Service provider at any time performance is deemed to be unacceptable or for other just cause.

The Army's privatized housing partners leverage private sector best practices and commercial standards to meet the Army's housing mission. The Army has a portfolio level Partner review on a quarterly basis specifically focused on improving portfolio and project performance and discussing implementation of new property management techniques and technology. It is through these meetings that the RCI Partner, in coordination with the Army, determines where future investment should be made to implement new property management practices.

Secretary BAYER. Flexibility is included in 50-year leases to open up private competition in certain instances. There are triggers in the property management agreements for termination for poor performance. DON has retained certain safeguards in the partnership operating agreement to include DON consent required on key business decisions including:

- refinancing or taking out additional debt
- disposition of company assets
- changes in the distribution of cash flow
- replacement of the property manager
- changes in project ownership
- formulation of the annual operating budgets
- prioritization and scoping of capital projects utilizing reserve funds

Secretary HENDERSON. The 50-year lease term was necessary to attract competition for the Military Housing Privatization Initiative projects and to maximize the amount of development. Shorter lease terms would have resulted in much less development. Once in a 50-year agreement, the Air Force has committed to working with the project owner for the duration of the 50-year term. There are also private loans associated with these projects that make re-competition extremely challenging and costly.

SERVICES INCENTIVE FEES

140. Senator DUCKWORTH. Secretary Beehler, Secretary Bayer, and Secretary Henderson, I am struck by how pervasive these problems are across company providers. Even if the cases described in recent reporting are only a small percentage of all the houses provided under these public-private partnerships, the near 100 percent payment of the Services to these companies, based upon the incentive fee structure, necessitates close scrutiny. How do these cases factor into incentive fees?

Secretary BEEHLER. These cases are a small percentage and may not affect the award of the incentive fee. However, the Army elevated approval of all performance incentive fees to HQDA. HQDA will review, validate, and approve all performance incentive fees based on recommendations from Garrison Commanders who will confirm that property management and operations goals have been met. The Army is also standardizing the incentive fee metric at the portfolio level within the next 90 days. The metric will be 50 percent of the incentive fee as determined by customer satisfaction and garrison commander satisfaction with the remaining 50 percent consisting of a group of areas such as service quality and timeliness.

Secretary BAYER. The PPV project Managing Members (Private Partners) pay fees to service providers (e.g., property managers) they hire on behalf of Limited Liability Companies (LLCs) to carry out the purposes of the LLCs. These fees are paid out of funding available to the LLCs, primarily revenue. Wherein the service fees typically include base and incentive components, each total combined service fee is in line with market rates for that particular fee. Both base & incentive fees and performance requirements/metrics are documented in the operating agreement of the LLC or attachments to that operating agreement, and cannot be revised without DON Member approval.

Incentive fees for property management are determined using a number of criteria including resident satisfaction as determined by an annual survey conducted by a third-party company and response times for service calls. An individual case of a home not being repaired satisfactorily would likely not impact an incentive fee in a given time period given the significant number of privatized houses that are part of each project. However, systemic under-performance would be captured in the incentive fee criteria and would reduce the incentive fees paid to the corresponding property management service provider.

Secretary HENDERSON. Twenty-eight of the Air Force's thirty-two projects include incentive fees. The Incentive Fee Plan was a product of negotiation during the development of each project and each plan varies. The Air Force administers the awarding of these fees according to these plans. Fees are withheld to the extent project owners have not met a metric in the plan. Additionally, the award fee includes many other elements such as timely report submittals, adherence to budget, occupancy rate, resident satisfaction survey scores, etc.

Over the last 12 months, the Air Force has withheld \$1.2 million in performance incentive fees out of a potential \$19.7 million. We withheld these fees based on project owners' failures to meet standards established in the Performance Incentive Fee Plans. In the case of Keesler, MacDill and Tinker Air Force Bases, inadequate mold remediation efforts were specifically cited in the decision to reduce their performance incentive fee.

141. Senator DUCKWORTH. Secretary Beehler, Secretary Bayer, and Secretary Henderson, how do these cases factor into incentive fees?

Secretary BEEHLER. To the extent the satisfaction and survey of the cases involved impact, the overall calculation will be decremented in accordance with the metric per the Incentive Performance Management Plan. Likewise, the metrics pertaining work order response time, quality of work, or resident satisfaction could be impacted depending on the magnitude of the residents responses to survey's.

Secretary BAYER. Incentive fees based on performance were a requirement from the MHPI program's inception. The DON wanted to reward good performance and maintain monetary leverage in key categories including resident satisfaction. The incentive metrics are based on objective and measurable data points, including response time on service requests and resident satisfaction scores, as well as command satisfaction on select projects. The determination of the base line for these metrics was motivated by the desire to improve pre-MHPI average resident satisfaction scores of 60 percent and extended wait times for completion of maintenance repairs. When properly utilized, the incentive management portion of the fees is an effective tool to use when property managers are not meeting expectations.

Secretary HENDERSON. Twenty-eight of the Air Force's 32 projects include incentive fees. The Incentive Fee Plan was a product of negotiation during the development of each project and each plan varies. The Air Force administers the awarding

of these fees according to these plans. Fees are withheld to the extent a project owner has not met a metric in the plan. Additionally, the award fee includes many other elements such as timely report submittals, adherence to budget, occupancy rate, resident satisfaction survey scores, etc.

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CURE NOTICES

142. Senator DUCKWORTH. Secretary Beehler, Secretary Bayer, and Secretary Henderson, based upon your written testimonies, how many times, in the past 2 years, have you issued Cure Notices to elevate concerns to bond holders financing the projects?

Secretary BEEHLER. The Army has not issued a cure notice in the past 2 years. However, the Army issued a cure notice to Clark Realty Capital in January 2012 based on their failure to provide operating smoke detectors at Dogue Creek at Fort Belvoir. Clark responded to the Army and the Army was satisfied in April 2012 with Clark Realty Capital's curative actions.

Secretary BAYER. In the last two years, DON has not issued Cure Notices.

Secretary HENDERSON. The Air Force has not issued cure notices in the past 2 years.

ARMY LEAD-BASED PAINT ISSUE

143. Senator DUCKWORTH. Secretary Beehler, I am particularly concerned about this issue and left perplexed as to why we are still having problems. What have been residents' response to the Army's efforts over the past six months to address concerns about lead-based paint in family housing?

Secretary BEEHLER. The Army has not received a large amount of input from residents in response to our efforts over the past six months to redress concerns about lead-based paint (LBP) in family housing. Some feedback has been that residents are appreciative about the response to their concerns, are pleased with how the remediation is being managed, and the education provided by Army and Partner sources has been an eye-opener. We did receive a few negative responses where a couple of partners did not confirm the visual findings with testing before they remediated the areas identified and some residents noted the appearance of a lack of urgency in mitigating the areas of visual findings identified during the inspections. Overall, we have seen very few concerns as compared to the number of residents living in privatized housing; over 82,000 as of December 2018.

ARMY ENHANCED REVIEW OF ENVIRONMENTAL HAZARDS

144. Senator DUCKWORTH. Secretary Beehler, the Army recently conducted a "90 enhanced review" of environmental hazards, to include lead-based paint (LBP), but only surveyed 10 percent of homes with LBP. And of that 10 percent, the Army found one or more positive indicators of LBP in over 60 percent of those homes. How could you possibly characterize only a 10 percent sampling of homes as an "enhanced" review and what is the Army doing to ensure all problems are being addressed, given the 60 percent hit rate at just those 10 percent of homes?

Secretary BEEHLER. Based on USACE recommendation, the Army identified a random sample of the 36,338 pre-1978 homes with children 6 years of age or younger as this group is considered at higher risk by EPA. The 60 percent preliminary positive visual findings required additional testing to confirm presence of lead-based paint. In many cases, the RCI Project Company immediately mitigated risks without testing. When subsequent testing was positive for lead-based paint, the RCI Project Company took immediate action to mitigate and other tested areas were not lead-based paint. The visual assessments were simply a snapshot in time of conditions. USACE did not see a value in more visual inspections beyond the first phase. USACE concluded the Army and the RCI Project Companies have procedures in place to manage hazards in the interior of the homes between occupants. Due to these procedures, USACE's review of the inspection results found little to suggest a risk to current occupants on the interior of the homes as long as encapsulated lead-based paint was not compromised.

USACE recommended the Army implement a robust monitoring program to manage potential hazards, address concerns identified during the visual inspections, reg-

ular interior and exterior inspections, establish and track inspections in Defense Occupational & Environmental Health Readiness System—Industrial Hygiene (DOEHRS-IH), and foster an understanding of potential environmental hazards in housing through resident education as well as housing and garrison staff. The Army is taking action to implement these recommendations.

QUESTIONS SUBMITTED BY SENATOR DOUG JONES

WITHHOLDING BAH PAYMENTS FOR SUBSTANDARD MAINTENANCE

145. Senator JONES. Mr. Williams, Mr. Piscerne, Mr. Ehle, Mr. Hickey, and Mr. Bliss, given Ms. Cornwall's testimony suggesting that military families be allowed to withhold BAH payments when health or safety issues remain unresolved, I asked if your companies would oppose allowing the families to withhold the housing allowance if a system is in place to give you adequate time to document and correct the problem. Each of you agreed that such a system makes sense. Can you please outline the parameters of such a system that would serve the interests of all stakeholders?

Mr. WILLIAMS. BBC is currently in discussions with the military services to agree on a process for permitted the withholding of rent where a resident has reported an unresolved health or safety concern. To date, these discussions have suggested a process that includes a neutral arbiter/ombudsman reviewing the dispute and determining whether there is good cause for the claim to undergo further review, and during such time allowing for rent to be placed in escrow until such time as a resolution is reached. BBC submits that any such process should be adopted in common form by each of the military services to ensure consistency of approach; and that any process to select the appointed neutral arbiter/ombudsman be designed to require involvement of persons with adequate knowledge and expertise to assess the validity of health, safety and environmental allegations.

Mr. PICERNE. We do agree that there should be a process in which if a resident is dissatisfied with their home they will have the ability to have their concern/grievance heard by a neutral arbiter/mediator. If through that process the parties have not satisfactorily resolved the resident's issue/concern, then the residents basic allowance for housing should be placed into a separate disputed rent account until the issue is satisfactorily resolved. We are currently in discussions with the Army about what that process would entail and look forward to sharing that proposed process with the SASC.

Mr. EHLE. Some residents have expressed frustration with the existing MHPI complaint process. Hunt understands this frustration and supports the development of a uniform dispute resolution or mediation process that would be made available to landlords and tenants alike and that would allow disputes to be heard by an independent, third-party mediator. Such forums must be in addition to, and not in lieu of, the resident's and landlord's rights to pursue all remedies available under a lease or at law or in equity. It follows that among other remedies, the neutral mediator could have the authority—in a good faith dispute—to hold BAH or rental payments in escrow until a decision by the mediator is made, in accordance with applicable state laws and regulations.

Mr. HICKEY. Lendlease believe strongly that residents have a right to have their concerns, especially in relation to health and safety issues heard, actioned and resolved. If this is not satisfactorily achieved from the perspective of the resident via current resolution methods, escalation pathways are available. If augmentation of current practices is to occur, the form that this takes needs to be carefully determined and executed.

We believe any system allowing a resident to unilaterally withhold rent while still residing in the home is not in accordance with any existing Federal and/or State tenant rights. In private rental markets, withholding rent typically results in eviction proceedings. Additionally, bond and other debt holders in MHPI projects are unlikely to authorize the introduction of any revenue risk senior to debt service not contemplated at the time of financial closing.

Complicating the issue further is that the BAH is comprised of Rent + Utility components. Utility expenses are incurred by residents as a result of occupancy and are paid by the project company on behalf of the resident. Any discussion of rent withholding or rebating should be confined to the rent component of BAH only.

We do however believe that a "rebate" system could be introduced. If a resident's complaints are affirmed by a neutral arbiter or mediator, then an appropriate amount of the BAH rent would be refunded by the project company.

Lendlease believes determining a solution that is meaningful for residents, aligned with the guiding principles of Lendlease, and practically achievable is critical. We are committed to working in close collaboration with all relevant stakeholders in privatization to find meaningful and enduring solution.

Mr. BLISS. Under applicable landlord/tenant law, some states allow the withholding of rent under certain circumstances and so to that extent, this recourse is already available to our residents under the terms of their lease. Having a consistent lease across all military installations would help residents better understand the terms of their lease and their rights therein. LMH acknowledges that a Tenant Bill of Rights is necessary and absolutely must be established and communicated by the private partners and DOD partners. LMH is working with DOD to explore how best to implement a system that would be acceptable to our residents and lenders. It may be that modeling new provisions after existing state law would be appropriate. We can provide additional information on this after we complete our review with our DOD partner.

Enclosure: Form of Third Party Survey

NEGLECT OF MAINTENANCE REQUESTS AT MAXWELL AIR FORCE BASE

146. Senator JONES. Mr. Ehle, please provide a report on the steps you have taken and steps you plan to take to address the maintenance and repair problems in base housing at Maxwell Air Force Base and Gunter Annex which were raised in Lt. Gov. Ivey's September 2016 letter to your company as well as in the October 2016 and October 2018 Montgomery Advertiser articles.

Mr. EHLE. Maxwell Family Housing ("MFH") is the private entity managed by Hunt, which owns and operates the family housing on Maxwell Air Force Base located in Montgomery, Alabama. MFH residents experienced a drop in property manager performance through 2015 and 2016. Specifically, in 2015, the property experienced a significant backlog in the processing of maintenance service requests, a lag in response times, reduced quality of repairs, and a failure to keep building mechanic components correctly functioning. Substandard operations continued into 2016, garnering the attention of state and local leaders as well as senior military command. Hunt responded. New regional leadership was assigned to MFH, and a training campaign and on-site staff philosophy were developed and implemented. With new leadership at the helm, MFH performance has started to show improvement in the quality of homes and services offered to military families. We have also observed a substantial correlated increase in resident satisfaction.

