CONGRESSIONAL SUPPORT
FOR
ARMY FAMILY HOUSING

Prepared by
Engineer Studies Center
US Army Corps of Engineers

June 1985

The views, opinions, and/or findings contained in this report are those of the author(s) and should not be construed as an official Department of the Army position, policy, or decision unless so designated by other official documentation.
This monograph outlines the general attitude of Congress towards the Army's military housing program, as recorded in reports produced between FY 66 and FY 85 by the Military Construction Subcommittee of the House Appropriations Committee, a key influence on family housing policy. Although Congress had planned, in the 1960s, to make a new effort to improve the military's family housing situation, the advent of the Vietnam War and its associated costs brought this improvement initiative to a halt.
20. ABSTRACT--Continued

With the end of the Vietnam War and a reduction in US overseas commitments in the mid-seventies, Congress could once again address the problems of family housing. But, by the late seventies, family housing gains became fewer as defense budgets became more constrained and the dollar commanded fewer resources overseas. In the 1980s, the general increase in defense expenditures turned the family housing situation around again, with Congress currently willing to devote much more attention to Army family housing.
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1. Purpose. This monograph outlines the general attitudes Congress held toward military family housing from FY 66 through FY 85.

2. Scope. The analysis described in this report is based on a review of the final reports of a key actor in family housing policy development, the Military Construction Subcommittee of the House Appropriations Committee. While the discussions presented here apply generally to the military housing program, there are specific references to trends in Army family housing.

3. Background. The roots of contemporary policy on military family housing can be traced back to the mid-1960s. Facilities built for World War II and the Korean conflict were obviously becoming obsolete; there was a growing concern that deteriorating facilities would reduce soldier morale.
   a. Executive initiative. The new drive for improved facilities has been attributed to President Lyndon Baines Johnson, who in his 21 August 1964 speech at the Industrial College of the Armed Forces stated that:

   Our officers and our enlisted men have no true counterparts in military history. In time of our Nation's greatest affluence, they and their families willingly and courageously undertake the most Spartan sacrifices and hardships for us all.

   I believe as I have often said that our country justly must and safely can accord to our American military men a place in our society long denied to soldiers throughout our history. I very much want our uniformed citizens to be first-class citizens in every respect. I want their wives and their children to know only

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first-class lives. I am in this regard directing the Secretary of Defense to speed up his present review of such matters as housing and medical care, pay, and allowances so that we can at the earliest possible moment take whatever steps both human equity and national defense may require to enhance the standing and morale of those who defend us.  

b. Congressional initiative. The sentiments expressed by the President were also felt by members of Congress, particularly the Military Construction Subcommittee of the House Appropriations Committee, led by Robert Sikes (D-Florida). The then prevailing interest in social welfare issues, along with the estimates of the existing family housing deficit, led to a new emphasis on providing adequate facilities for military activities and personnel. In its FY 66 appropriations, Congress placed major emphasis on the modernization of military facilities, particularly housing.  

4. Vietnam. The effort to seriously address the military's family housing requirements came to a halt, though, almost as soon as it started. The struggle to finance war in Vietnam was largely at the expense of the military's housing needs.

a. Defense action. There was little progress made during the Vietnam War on family housing problems. On 22 October 1965, the Secretary of Defense
Defense deferred the construction of 8,500 family housing units approved by Congress for FY 66, because of the need to divert funds to US activities in Southeast Asia. The FY 67 budget submitted to Congress made no provisions for new family housing construction at all.\(^5\) In fact, with all the various deferrals of construction, appropriated funds, which did not have a time limit on their use, were piling up unspent. At the end of FY 67, contracts had only been awarded for the construction of 1,170 housing units out of the 8,500 authorized, not to mention two unexecuted projects from the FY 65 program.\(^6\)

There were additional suspensions on the construction of military facilities and family housing during the war. On 5 October 1967, the Secretary of Defense issued an order that suspended the issuance of invitations for bids, except for projects clearly associated with new weapons systems or in direct support of Southeast Asian requirements. In November 1969, a 75-percent reduction in construction contracts was ordered, with the sole exception of pollution abatement projects. Family housing, originally included in the 1969 freeze, was later exempted.\(^7\)

b. Congressional response. Faced with ever tighter fiscal constraints on construction, the Subcommittee was forced to focus more on the effort to improve the management of the construction and limit the unit cost of housing. After noting that military personnel had to "live and work in what are increasingly becoming Government-sponsored slums,"\(^8\) its FY 70 report

suggested a number of new approaches to encourage the construction of cheap family housing.

(1) Financing. The Subcommittee suggested that the military might be able to use other forms of Federal financing for its family housing. A percentage of the rent and mortgage subsidies administered by the Department of Housing and Urban Development could be set aside for low income military families. Public Law 480⁹ could provide a funding source, through the Commodity Credit Corporation, for minimizing the balance of payments problems associated with new construction overseas.

(2) Contracting. The Subcommittee believed that new methods of construction contracting could reduce the costs and improve the quality of military family housing. For a number of years, it pressed the Services to do more “turnkey” contracting, where the contractor would be responsible for both the design and construction of a housing project. There was also the possibility of using a two-step process of advertising for projects: Contractors first submit proposals without an estimated cost. These are evaluated and the acceptable ones are invited to submit cost estimates in a second round of bidding.

(3) Leasing. The Subcommittee was critical of the existing military Rental Guarantee Program, considering it an inadequate method of providing housing to troops and their families. Still, the Subcommittee supported the general use of leasing to obtain family housing, since the government could obtain lower rates than individual servicemen. Its enthusiasm for leased housing was also evident in its proposal for using more

"installment-purchase" contracting. As used in projects in Japan and the Philippines, a builder-sponsor would design, finance, and construct an entire family housing complex on government-furnished land. A long-term installment-purchase agreement, guarantee of a certain level of occupancy or a prescribed level of income, would be established to amortize the sponsor's debt within a reasonable period of time. The builder could hold real property interest in the houses until they became amortized, after which they would become Defense Department property.10

5. Post-War. The reduction and final end of the US commitment to Vietnam in the 1970s allowed a renewed effort to grapple with the problem of military family housing.

a. Factors. The end of the Vietnam era brought on a number of changes that affected the family housing situation.

(1) All-Volunteer Force (AVF). The end of the draft and creation of the AVF made military housing a more prominent issue. If the services were to adequately compete with civilian employers for quality personnel, military benefits such as housing would have to be obviously attractive.

(2) Forces. US disengagement from the Vietnam War also led to drastic personnel cuts in the military. The Army's personnel strength fell from 1,600,000 in 1968 down to 804,000 in June 1974.11 In terms of foreign commitments, only 435,000 servicemen were permanently stationed overseas by March 1975, a reduction of 210,000 from 1965 pre-Vietnam levels.12 This

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reduction in personnel and associated facility requirements reduced some of the pressure to keep military families adequately housed.

b. The Military Construction Subcommittee made a significant effort to correct existing family housing problems. The FY 72 family housing program passed by the Appropriations Committee exceeded the Defense Department's budget request.\textsuperscript{13} Specifically, FY 72 and FY 73 saw Subcommittee-sponsored increases in the minor construction portions of the family housing accounts, since this was "the fastest way to produce the most visible improvement in family housing."\textsuperscript{14} It also suggested that the Variable Housing Allowance, then only used overseas, be available to families stationed in CONUS.

(1) The Subcommittee also made qualitative policy recommendations to the military family housing program. It wanted more emphasis placed on construction for lower ranking enlisted personnel, since they tended to have the most difficulty in obtaining adequate civilian housing. The Subcommittee also urged that all families of military personnel be eligible for coverage by Defense's family housing program.

(2) The Subcommittee came to rely on the use of leased housing to address the need for military family housing overseas. This was largely the result of a 1973 General Accounting Office cost analysis of housing acquisition in Europe.\textsuperscript{15} The study was extremely limited, examining only two projects (one in the UK, the other in the FRG) and did not consider the

possibility of acquiring housing in the FRG through the use of US-appropriated funds. Its final conclusion, that the build-to-lease (BTL) method was the most economical means of acquiring family housing in Europe, was based on the fact that this method used European accommodation standards which are lower than those of the US military.\textsuperscript{16} Still, the Military Construction Subcommittee saw the report as identifying BTL as the generally cheapest method of acquiring family housing in foreign areas.\textsuperscript{17} As a result, from FY 74 on, there was a dramatic increase in the Congressionally authorized number of leased housing units overseas (Figure 1).

(3) By the mid-1970s, the various family housing initiatives appeared to be paying off. Starting with a housing shortage of 130,000 units at the beginning of the decade, the deficit was reduced to 5,000 by 1976.\textsuperscript{18} As one Defense Department witness put it in committee hearings, the military had "turned the corner on housing," at least within the US.\textsuperscript{19}

(4) Ironically, this success led to sharp reductions in the budget requests and appropriations for family housing in FY 75 and FY 76.\textsuperscript{20} The FY 77 budget submission was also rather low, and appeared to the Subcommittee to be more a Defense effort to cut corners, at the expense of family housing, than evidence that the military's housing difficulties had been solved. The Subcommittee took particular note of the inadequate amounts of funds being

\textsuperscript{16}GAO Comparative Costs, pages 1 and 2.
\textsuperscript{17}Military Construction Appropriation Bill, 1974, page 47.
SOURCES: Data for FY 67 through FY 77 are taken from Military Construction Appropriation Bill House Reports; data for FY 78 through FY 85 are taken from Military Construction Appropriations Hearings.
budgeted for family housing maintenance. This was only the first indication that family housing was to enter another period of austerity.

6. McKay Committee. The late 1970s proved to be a difficult period for US military construction and family housing. The problem of fiscally limited budgets of the era was exacerbated by high inflation domestically and a declining dollar overseas. Beginning in FY 78, leadership of the Military Construction Subcommittee went to Gunn McKay (D-Utah), the first change in a decade. During Congressman McKay's tenure, the Subcommittee focused more on management issues and stressed the need for obtaining financial support from US allies for troops stationed abroad.

a. The management of the military construction and family housing programs was a particular concern to the Subcommittee. Justification documents for construction projects were insufficiently detailed. The planning and design process, inhibited by a surfeit of change orders and inadequate quality control, appeared too costly. Appropriations were not being spent, with a backlog of unexpended funds piling up. As a result, the McKay committee made a number of changes in appropriations rules in order to improve the management of military construction funds. A separate appropriation was created for planning and design funds in order to keep better track of this activity. More importantly, in FY 79 the Subcommittee placed a 5-year limit on the spending of military construction funds.

b. The Subcommittee's approach to the use of leased family housing, particularly overseas, became increasingly critical. The FY 78 appropriations

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bill allowed the services to guarantee leases for as long as 10 years in order to encourage foreign developers to build housing for US families overseas. However, in later years, the Subcommittee criticized the high cost of leasing and the overestimates of anticipated cost for the program given in the Defense Department budget requests. In its FY 1981 report, the Subcommittee noted that the costs to the government of leasing over 10 years were now approaching that of new construction.

c. This was in accordance, though, with the Subcommittee's attitude towards the US military presence abroad. It believed that there were too many dependents overseas who required too much in Federal appropriations for their support. It also looked toward the potential of host-nation support from NATO and Pacific allies as a means of ameliorating US facility deficiencies in foreign areas. In FY 80, the Subcommittee deleted all funds for dependent schools in Europe and those devoted to pay property taxes on family housing in the FRG, as well as making reductions in foreign leasing appropriations. In FY 81, the requests for new family housing in the FRG and Japan were also deleted.

7. Ginn Committee. Leadership of the Military Construction Subcommittee went to Bo Ginn (D-Georgia) in FY 82 and FY 83. While it continued the concerns of past committees in stressing the need for more allied host-nation

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26Military Construction Appropriation Bill, 1981, pages 2 and 44.
support and better management of the military construction program, there were some differences that largely proved to be favorable to family housing.

a. There were some changes in the status of military construction and family housing. First, Public Law 97-214 was passed which revamped reprogramming procedures for military construction funds. There was also the Defense Department's FY 83 request, and Congressional acceptance, for creating separate family housing appropriations for each service in order to decentralize the management of the housing program.

b. Beginning in FY 82, the Subcommittee held hearings specifically concerned with the quality of life of military personnel, and while stressing the need for more support from NATO allies, it was more willing to fund unilateral US initiatives in Europe. The European facilities program took up to $1 billion of the FY 82 budget and $2 billion in FY 83, with half of the latter appropriation going to family housing construction, improvements, operations, and maintenance.

c. There were still some criticisms of the military family housing program though. The Subcommittee questioned why there were major increases in the budget estimates for housing construction, improvements, maintenance, and

management in a period when the housing inventory was relatively constant, and when the state of the construction industry encouraged low bids from contractors. Specific dollar limits were set for construction improvements on foreign-owned housing ($30,000 per unit) and for housing maintenance ($20,000 per unit). The Subcommittee also stressed again a move to greater use of manufactured housing for military families.\textsuperscript{31}

d. There were also enhanced criticisms of the leasing program for family housing. While the number of domestic leases had been steadily decreasing, the number of foreign units leased was increasing dramatically. It appeared to the Subcommittee that these foreign leases were frequently established without regards to cost, in spite of the Public Law 97-214 prohibition against signing non-cost-effective leases. In its FY 83 report, the Subcommittee directed that it be notified of any foreign lease agreements with unit costs above $12,000 per year, and that a cost-benefit analysis be done on all new lease and BTL agreements covering more than 10 units. The Subcommittee announced its intention of not approving any lease above the unit dollar threshold, or one that proved to be at an economic disadvantage compared to new construction.\textsuperscript{32}

8. Hefner Committee. After the first dramatic increases in Defense appropriations in the early 1980s, Congress started to give more scrutiny to military expenditures. The Military Construction Subcommittee in FY 84 and FY 85, now chaired by W. G. (Bill) Hefner (D-North Carolina), spent most of its effort in limiting military family housing costs and tightening the management of the program.

\textsuperscript{32}\textit{Military Construction Appropriation Bill, 1983}, pages 50 and 51.
a. The primary initiative of the Subcommittee was in the use of cost factors. Spurred by a report of its investigative staff, the Subcommittee evaluated service budget submissions according to a set of standard cost factors, cutting appropriations for those requests that seemed unjustifiably high.

b. Greater emphasis was placed by the Subcommittee and Congress on the use of manufactured housing, particularly overseas, to reduce the high unit cost of housing. In fact, the FY 84 Military Construction Authorization Act contained a provision requiring that 90 percent of all new military family housing overseas be US-manufactured units.

c. The Subcommittee had also become less enamored with the use of turnkey contracting for family housing. Besides the quality control problems that arose from its use, the Subcommittee believed that since cost is not the primary consideration in making awards under turnkey contracting, the Services did not have an incentive to reduce housing costs.

d. Finally, the Subcommittee and Congress, faced with the high cost of leased housing overseas, began to move towards more direct construction of military family housing in foreign areas. Funds were appropriated in both

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33 The report of cost factors is in Congress of the United States, 98th Congress, 1st Session, House, Committee on Appropriations, Military Construction, 1984, Hearings Before a Subcommittee of the House Committee on Appropriations, 1983.
FY 84 ($20 million) and FY 85 ($22 million) for Army family housing projects in Europe. 38

9. Conclusion. As this review has shown, the fortunes of military family housing in Congress have been rather precarious over the past 20 years. Assigned a relatively low priority compared to other Defense activities, family housing can only receive adequate support in an environment of both peace and generally high Defense expenditures. While the family housing situation seems to have improved in recent years, speculation about long-term trends would be unwise.
