

GAO

Report to the Chairman, Subcommittee
on National Parks, Forests, and Public
Lands, Committee on Natural Resources,
House of Representatives

August 1964

NATIONAL PARK SERVICE

Reexamination of Employee Housing Program Is Needed



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**Resources, Community, and
Economic Development Division**

B-258035

August 30, 1994

The Honorable Bruce F. Vento
Chairman, Subcommittee on National
Parks, Forests, and Public Lands
Committee on Natural Resources
House of Representatives

Dear Mr. Chairman:

This report responds to your request that we (1) describe the Park Service's housing program and compare it with the housing programs operated by the Department of Agriculture's Forest Service and the Department of the Interior's Bureau of Land Management and (2) identify options that are available to the Park Service to deal with its housing problems. Specifically, the report compares the housing programs of the three agencies, discusses ways the Park Service could reduce its housing inventory and alternatives the Park Service could use to address its housing needs.

As agreed with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days from the date of this letter. At that time, we will send copies to the Secretaries of the Interior and Agriculture. We will also make copies available to others upon request.

This report was prepared under the direction of James Duffus III, Director, Natural Resources Management Issues, who can be reached at (202) 512-7756, if you or your staff have any questions. Major contributors to this report are listed in appendix II.

Sincerely yours,

A handwritten signature in cursive script that reads 'Keith O. Fultz'.

Keith O. Fultz
Assistant Comptroller General

Executive Summary

Purpose

Since 1916, the Department of the Interior's National Park Service has provided rental housing in the parks to many of its employees. Currently, the Park Service has an inventory of about 4,700 housing units. About 50 percent of the housing inventory is over 30 years old. The Park Service's estimates of what it would cost to address the backlog of housing repair, rehabilitation, and replacement needs have increased significantly over the past several years; the total estimate is currently more than half a billion dollars. Concerned about the Park Service's housing problems, the Chairman, Subcommittee on National Parks, Forests, and Public Lands, House Committee on Natural Resources, asked GAO to (1) describe the Park Service's housing program and compare it with the housing programs operated by two other large land management agencies—the Department of Agriculture's Forest Service and Interior's Bureau of Land Management (BLM)—and (2) identify options that are available to the Park Service to deal with its housing problems.

Background

In accordance with Office of Management and Budget guidance, land management agencies are authorized to provide housing for all seasonal employees when necessary and for permanent employees if housing is (1) not available within a reasonable commuting distance or (2) needed to provide visitor services or to protect government property and resources. Using these criteria, the Park Service, Forest Service, and BLM have determined the amount of housing they will provide. The Park Service provides about 4,700 housing units to employees. The Forest Service provides about 4,400 housing units. BLM provides about 200 housing units.

As the largest provider of employee housing among the three land management agencies, in recent years the Park Service's backlog of housing repair, rehabilitation, and replacement needs has grown significantly. In February 1988, the Park Service estimated it had a repair, rehabilitation, and replacement backlog of about \$267 million for its employee housing program. Three years later, in April 1991, the Park Service reported that its backlog estimate had more than doubled to about \$546 million. Although the Congress has appropriated a total of \$57 million since fiscal year 1989 to help address the backlog, in July 1994 the Park Service reported that its backlog estimate is still \$546 million.

Results in Brief

The Park Service, Forest Service, and BLM have a common basic mission—managing and protecting the federal lands. However, the Park Service places greater emphasis on providing in-park visitor services, such

as interpretation of natural, cultural, scenic, and historic resources, than either the Forest Service or BLM. To accomplish this mission, the Park Service believes it needs to provide a much larger portion of its employees with in-park housing than the other two agencies. Furthermore, over the years each of the agencies has built up a housing inventory that has a different mix of unit types. Compared to the Forest Service's and BLM's housing inventories, the Park Service's inventory contains relatively more houses, multiplex units, and apartments and relatively fewer dormitories and cabins. As such, the Park Service's housing inventory is more costly to maintain. Of the three agencies, the Park Service has by far the highest reported backlog of housing needs.

While the Park Service has a long-standing tradition of providing housing to some of its employees, a deteriorating housing inventory and a tight federal budget dictate that the Park Service examine options to deal with its housing needs. First, the Park Service can explore opportunities to reduce its housing inventory. As GAO reported in September 1993, inventory reduction can be accomplished by eliminating housing units that cannot be adequately justified.¹ In addition, where possible, the Park Service can explore ways to move employees out of Park Service housing and into available housing in local markets. Second, since the funds received from rental income and federal appropriations typically have not been sufficient to maintain its housing inventory, the Park Service needs to pursue alternative financing arrangements for repairing, rehabilitating, and replacing housing units. These alternatives range from seeking nonfederal funding for constructing or rehabilitating housing to private-sector construction and management of housing. All of these financing arrangements have advantages and disadvantages. In addition, several would require new legislative authority.

Principal Findings

Park Service Takes a Different Approach in Providing Employee Housing

In addition to preserving and protecting the natural, cultural, scenic, and historic resources under its stewardship, a major part of the Park Service's mission is providing in-park visitor services. To carry out its mission, the Park Service believes it needs to provide many of its employees with housing within parks. While the Forest Service and BLM also have resource management and stewardship responsibilities, these agencies do not

¹National Park Service: Condition of and Need for Employee Housing (GAO/RCED-93-192, Sept. 30, 1993).

emphasize visitor services to the same extent as the Park Service. These differing approaches are reflected in the number of staff positions that each agency designates as required to live on-site. In the Park Service, about 1,400 positions have this requirement, compared with 70 for the Forest Service and 2 for BLM. These differing approaches are also reflected in the relative amounts of housing provided to agency employees. The Park Service has an inventory of about 4,700 housing units and about 24,000 employees (1 unit for every 5 employees). In comparison, the Forest Service has about 4,400 housing units and about 51,000 employees (1 unit for every 11 employees). BLM has about 200 housing units and about 12,000 employees (1 unit for every 58 employees).

About 75 percent of the Park Service's housing inventory is single-family houses, multiplex units, and apartments, compared with 50 percent and 25 percent, respectively, for the Forest Service and BLM. These units tend to be more costly to maintain than cabins and dormitories, which form a larger portion of the Forest Service's and BLM's inventories. For example, although the Park Service and the Forest Service have similarly sized inventories in about the same condition, the Park Service's estimate of the costs to repair, rehabilitate, or replace its inventory is more than 3 times higher than the Forest Service's cost estimate—about \$546 million versus about \$159 million. (GAO did not verify the accuracy of the backlog estimates by the Park Service or the Forest Service.) Other reasons mentioned by Park Service officials for the higher cost estimate were higher housing standards in the Park Service and more historic structures, which are costly to rehabilitate.

Furthermore, because the Park Service believes it needs to provide a large portion of its employees with in-park housing, it is seeking to replace and upgrade its employee housing inventory. By contrast, Forest Service and BLM officials said they are not planning to upgrade or significantly rehabilitate their housing inventory because of the cost of maintaining the inventory and because the justification for some of the units may no longer be valid. The differences in emphasis can also be seen in fiscal year 1995 funding requests for employee housing construction. The Park Service requested \$30 million, the Forest Service about \$1 million, and BLM requested no housing construction funds.

Alternatives for Improving the Park Service's Employee Housing Program

Under the current federal fiscal climate, it is unlikely that the Park Service will receive sufficient appropriated funds to cover its housing repair, rehabilitation, and replacement needs. It is equally unlikely that the rents that Park Service employees pay for Park Service housing will make up the difference. As a result, the Park Service will probably not be able to arrest the deterioration of its inventory unless it can reduce its inventory and obtain alternative financing. GAO's September 1993 report stated that the Park Service had adequate justification for about 88 percent of its housing inventory. However, GAO questioned the justification for the remaining 12 percent of the housing inventory. As a result, GAO recommended that the Park Service reassess the need for all permanent housing.

In response to GAO's recommendation, the Park Service stated that it planned to reexamine the need for the 12 percent of the housing units GAO questioned. However, because of the scope of the housing problems facing the Park Service, limiting its reexamination to only those housing units questioned by GAO's earlier review will not permit the Park Service to determine whether its total inventory is adequately justified and whether any housing units can be eliminated beyond those identified by GAO. This determination should be made on the basis of a park-by-park review of all housing needs. Such a park-by-park review will also permit the Park Service to identify opportunities for (1) relocating to nearby communities those employees who do not provide visitor services or protect government property, (2) reducing the number of staff members required to live in the parks by revising job requirements, and (3) exploring housing subsidies when local housing is not affordable.

The Park Service is exploring alternative arrangements for financing its employee housing. The Secretary of the Interior, under the direction of his Chief of Staff, is examining using the resources of the National Park Foundation² to obtain private-sector funding or contributions to improve Park Service housing. In addition, several employee housing studies conducted since 1988 have identified alternative financing arrangements for obtaining nonfederal funding for employee housing. All of these alternative financing arrangements have advantages and disadvantages. Several of them would require new legislative authority.

²The National Park Foundation is a private, nonprofit foundation chartered by the Congress in 1967 to provide private-sector support for the national park system.

Recommendations

In order to better define its housing needs and identify opportunities for reducing its inventory, GAO recommends that the Secretary of the Interior require the Director of the Park Service to conduct a park-by-park review of housing needs to determine whether the agency's current housing inventory at each location is needed and justified.

In order to obtain nonfederal funds to help the Park Service meet its housing needs, GAO recommends that in addition to those alternative arrangements being explored by the Chief of Staff, the Secretary of the Interior require the Director of the Park Service to review the housing alternatives GAO identified from employee housing studies, weigh and compare their respective costs and benefits, develop a strategy for implementing the alternatives that the agency considers most effective, and present the strategy to its legislative and appropriations committees in the Congress.

Agency Comments

GAO discussed the factual material contained in this report with the Secretary of the Interior's Chief of Staff, the Director of the Park Service, other Park Service officials involved in the housing program, and BLM and Forest Service officials responsible for employee housing. BLM and Forest Service officials agreed with the facts as presented. Department of the Interior and Park Service officials provided some factual and editorial comments, which have been incorporated into the report as appropriate. However, as requested, GAO did not obtain written comments on its findings from the Department of the Interior or the Forest Service.

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Figure 1.1: Percentage of Park Service Employee Housing Built Before 1900 and in the Decades Since 1900

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Abbreviations

BLM	Bureau of Land Management
CBO	Congressional Budget Office
GAO	General Accounting Office
OMB	Office of Management and Budget

Background

The National Park Service and the Bureau of Land Management (BLM), within the Department of the Interior, and the Forest Service, within the Department of Agriculture, provide some of their employees with government rental quarters. These agencies are authorized to provide housing when it is essential to accomplish their mission. Of these agencies, the Park Service is the largest provider of employee rental housing—about one out of five of its employees rents quarters from the government. The Congress and Park Service officials are concerned about the adequacy and cost of Park Service housing, especially since the Park Service has not been able to make any significant reductions in its housing, repair, rehabilitation, and replacement backlog—currently estimated at about \$546 million.

Office of Management and Budget's (OMB) Guidance on Employee Housing

Federal agencies are authorized to provide housing for all seasonal employees when necessary and for permanent employees when they determine that

- employees must live on the federal land to render necessary visitor services or to protect government property or
- present and prospective housing is not available for sale or rent within a reasonable commuting distance.¹

Also, OMB Circular A-45, dated October 20, 1993, sets out criteria for agencies to use in establishing rental rates. Generally, agencies' rental rates

- should be based on reasonable value, that is, they should be set at levels equal to those prevailing in comparable private housing located in the same area, and
- may not be set so as to provide a housing subsidy, serve as an inducement in recruiting or retaining employees, or encourage the occupancy of existing government housing.

All three agencies participate in a multiagency program that surveys regional housing markets and uses statistical programs to establish base rental rates for government rental quarters. Once base rental rates are established, OMB's guidance requires park managers to administratively reduce rents for isolation and allows reductions for a variety of factors,

¹The Federal Employees Quarters and Facilities Act of 1964 (P. L. 88-459), the Government Organization and Employees Act of 1966 (P. L. 89-554), and OMB Circular A-11, dated July 2, 1992 (which superseded OMB Circular A-18, dated Oct. 18, 1957), provide the conditions under which executive agencies can justify providing employee housing.

including the inadequacy or absence of standard amenities (for example, street lighting, sidewalks, and reliable utilities).

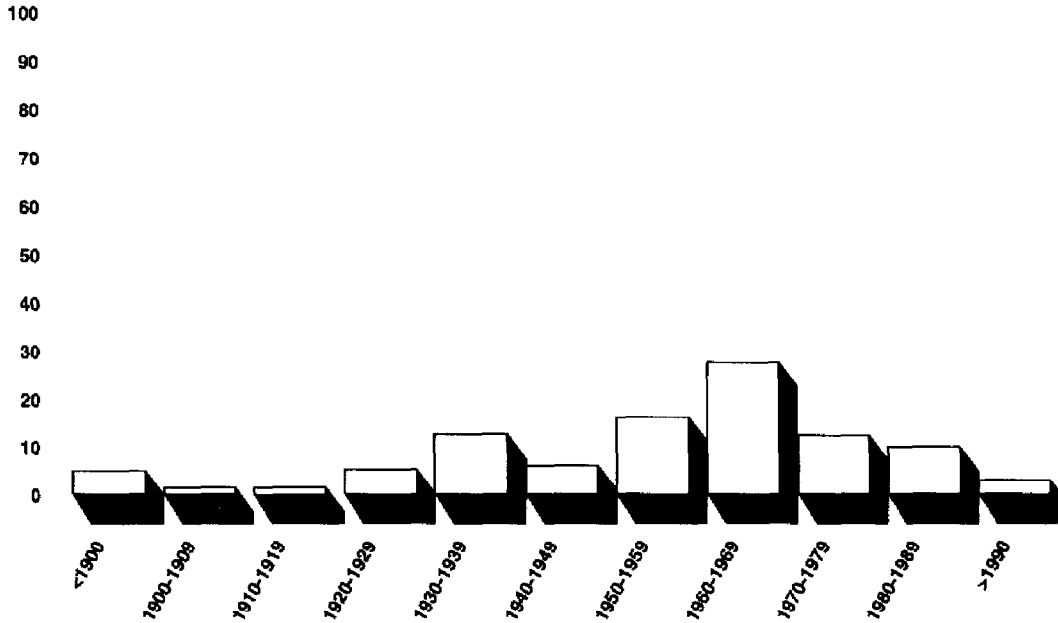
Housing Conditions Within the Park Service

Since its establishment in 1916, the Park Service has acquired or constructed over 4,700 housing units.² When individual parks were added to the park system, existing housing was acquired. Such housing included quarters from U.S. Army operations, rustic hotels, and cabins built by railroad companies. The Park Service retained many of these structures, especially at isolated locations, so that employees could live in the parks to protect natural resources and provide services to visitors.

The Park Service built additional housing during two major construction periods. The first period occurred during the 1920s and 1930s. About 965 units, such as cabins, bunkhouses, and lodges, were built in this period. The second major construction effort was a 10-year capital investment program called "Mission 66." About 1,780 units were built between 1956 and the program's end in fiscal year 1966. During the next 20 years, the Park Service built or acquired about 470 houses, apartments, and duplexes. It also acquired about 550 mobile homes as "temporary" solutions to housing because no other housing was available. About half of the Park Service's existing housing was built before 1960. Figure 1.1 shows the percentage of the Park Service's inventory that was built before 1900 and in the decades since 1900.

²This figure excludes about 300 trailer pads that the Park Service inventories but does not rate for condition.

Figure 1.1: Percentage of Park Service Employee Housing Built Before 1900 and in the Decades Since 1900



Four of the 10 Park Service regions (Rocky Mountain, Western, Alaska, and Pacific Northwest) account for about 70 percent of the housing inventory. The most common type of housing unit in the inventory is a single-family dwelling. About 60 percent of the housing inventory, or about 2,800 units, can be used year-round and consist primarily of single-family homes, duplexes/triplexes, and mobile homes. About 40 percent of the inventory, or 1,900 units, is seasonal and is only used between 3 to 6 months of the year; this seasonal inventory consists mainly of apartments, cabins, dormitories, and trailers.

Today, the Park Service estimates that about 50 percent of its inventory (about 2,400 units) is rated in obsolete, poor, or fair condition. Obsolete housing units are usually beyond economic rehabilitation. Housing units rated in poor condition are those with marginal structural integrity needing major repairs for continued habitation. Those units rated in fair condition show early signs of reversible deterioration, such as leaking roofs, inadequate electrical service, and minor foundation cracks. To repair, rehabilitate, or replace their housing, Park Service officials

estimate a backlog of about \$546 million—about \$409 million to replace deteriorated or unusable housing and \$137 million to rehabilitate usable units. Park Service officials attributed the condition of the housing and the backlog to insufficient maintenance funding, rental rate limitations, and isolation adjustments.

The Park Service's housing program typically has not generated sufficient rental income to operate and maintain the housing units. In fiscal year 1993, for example, the Park Service collected about \$10 million in rents, which covered about two-thirds of the \$15 million it incurred in housing operation and maintenance costs that year. Rental income, which can be used only to maintain housing units, has been insufficient primarily because rental rates are reduced by as much as 60 percent for such factors as isolation or lack of amenities. In addition, since fiscal year 1992, the Congress has capped the amount of annual rent increases the Park Service could impose. According to Park Service officials, most park managers use park operating funds to make up some of the difference between rental income and housing maintenance needs. However, in recent years this practice has become more difficult because of pressing park operation needs and competing demands on the operating budget.

Park Service's Repair, Rehabilitation, and Replacement Backlog

Concerned about the condition of Park Service housing, the Congress requested that the Park Service analyze its housing needs in 1987. In February 1988, the Park Service completed this analysis and identified an estimated \$267 million backlog in housing needs. In April 1991, the Park Service, at the request of the Congress, analyzed its backlog estimate and found that it had more than doubled—from \$267 million to about \$546 million.

The Park Service began receiving appropriations in fiscal year 1989 under the Employee Housing Initiative to improve employee housing by repairing, rehabilitating, and replacing existing units. Since fiscal year 1989, annual appropriations have totaled \$57 million for the Employee Housing Initiative. From these appropriations, the Park Service repaired, rehabilitated, or replaced about 770 housing units. In its fiscal year 1995 budget request, the Park Service is asking for \$30 million for employee housing. Of this amount, \$18 million is requested for replacement housing at three parks in Alaska and at the Grand Canyon, and the remaining \$12 million is to repair, rehabilitate, and replace housing at 38 other park units.

Despite the Employee Housing Initiative, a considerable backlog still exists. As of July 1994, the Park Service still estimates its backlog to be about \$546 million. Park Service officials told us that the \$546 million backlog has not been reduced in the past few years because of the recurring gap between rental income, maintenance needs, and the cap on rental rate increases. In its fiscal year 1995 budget justification, the Park Service stated that it would like to eliminate the backlog within the next 10 years.

Our Previous Work on the Park Service's Employee Housing Program

On September 30, 1993, we issued a report to the Chairman, Subcommittee on National Parks, Forests, and Public Lands, House Committee on Natural Resources, on the condition of and need for the Park Service's employee housing.³ At that time, the Chairman was concerned about the Park Service's housing program and the size of the backlog estimate and specifically asked us to (1) describe the condition of employee housing, (2) evaluate the Park Service's justification for employee housing, and (3) determine the accuracy of and reasons for the backlog estimate. We reported that about 60 percent of the Park Service's housing inventory was rated in fair, poor, or obsolete condition. We also questioned the justification for about 12 percent of the Park Service's housing inventory, as well as the accuracy of its backlog estimate, which could not be verified because of a lack of documentation.

To better manage the Park Service's housing program, we recommended that the Secretary of the Interior direct the Director of the Park Service to (1) reassess the need for all permanent housing units and develop a strategy to eliminate those units that are not needed, (2) develop a repair and/or replacement estimate that could be supported for those units that are needed, and (3) develop a strategy for closing the gap between rental income and maintenance costs. On July 18, 1994, the Park Service responded to our report, stating that it generally agreed with the recommendations. The Park Service stated that it plans to reassess the need for the housing units we questioned, is reviewing its procedures for estimating the backlog and will make changes if needed, and will take all possible steps to narrow the gap between rental income and maintenance needs—not, however, at the expense of placing the burden on lower-graded field employees. The Park Service did not provide the specifics on how these actions would be accomplished but stated that it plans to complete them by May 1995.

³National Park Service: Condition of and Need for Employee Housing (GAO/RCED-93-192, Sept. 30, 1993).

Objectives, Scope, and Methodology

Concerned about the management and aging condition of the Park Service's housing inventory and the lack of progress in substantially reducing the estimated cost of the repair, rehabilitation, and replacement backlog, the Chairman, Subcommittee on National Parks, Forests, and Public Lands, House Committee on Natural Resources, asked us to further review the Park Service's current housing situation. Specifically, he asked us to (1) describe the Park Service's housing program and compare it with the housing programs operated by two other large land management agencies—the Department of Agriculture's Forest Service and Interior's BLM—and (2) identify options that are available to the Park Service to deal with its housing problems. In addition, on a related matter, the Chairman asked us to determine the number of employees who paid capital gains taxes on the sale of a residence and whether having to pay the tax hampers employees' mobility. The methodology we used to address this question and the results of our work on this issue are included in appendix I.

To compare the housing programs of the three agencies, we reviewed OMB's guidance as well as the agencies' individual policies for providing employee housing. We obtained information on the number, types, and condition of employee housing from the Department of the Interior's Quarters Management Information System (this system also includes information on the Forest Service's housing program). From housing officials in each agency, we obtained information on repair, rehabilitation, and replacement backlogs and whether the agency had plans to increase or decrease the housing inventory levels. To obtain additional perspectives on providing government housing, we visited with or contacted officials at nine national forests that are adjacent to national parks. These forests were the Stanislas, Sierra, Inyo, and Sequoia in California; Mt. Baker-Snoqualmie and Gifford Pinchot in Washington; Gallatin in Montana; Bridger-Teton in Wyoming; and George Washington in Virginia. We also contacted housing officials at the three BLM state offices that manage the largest number of housing units.

To describe alternatives the Park Service could use to provide employee housing, we reviewed studies of employee housing that have been conducted since 1988. We also discussed alternatives with officials from the Department of the Interior, the Park Service, the Forest Service, and BLM at both headquarters and in the field.

We conducted our review from December 1993 to August 1994 in accordance with generally accepted government auditing standards. We

Chapter 1
Background

discussed the factual material contained in this report with the Secretary of the Interior's Chief of Staff, the Director of the Park Service, other Park Service employees involved in the housing program, and BLM and Forest Service officials responsible for employee housing. BLM and Forest Service officials agreed with the facts as presented. Department of the Interior and Park Service officials provided some factual and editorial comments, which have been incorporated into the report as appropriate. However, as requested, we did not obtain written comments on our findings from the Department of the Interior or the Forest Service.

Park Service Takes a Different Approach in Providing Employee Housing

The Park Service's employee housing program differs from the Forest Service's and BLM's in several key aspects. First, the Park Service, Forest Service, and BLM have a common basic mission—managing and protecting the federal lands. However, the Park Service puts more emphasis on providing in-park visitor services than the other two agencies; therefore, the Park Service believes it needs to provide a much larger portion of its employees with housing than the other two agencies. Second, the Park Service's housing inventory contains proportionately more houses, multiplex units, and apartments and proportionately fewer dormitories and cabins than the Forest Service's or BLM's inventories. Such an inventory is more costly to maintain. Third, only the Park Service is seeking to replace and upgrade its housing inventory. By contrast, the Forest Service and BLM are not planning to replace or significantly rehabilitate their housing units.

Size of the Park Service's Housing Program Reflects How the Agency Carries Out Its Mission

Because its mission emphasizes providing in-park visitor services, the Park Service believes that it needs to provide a large number of its employees with in-park housing. Officials of the Forest Service and BLM do not believe that their mission requires the same degree of on-site presence for their employees.

As of July 1994, the Park Service reported an inventory of 4,718 housing units, compared to 4,402 for the Forest Service and 206 for BLM. By itself, however, the number of housing units does not completely describe the relative size of the three programs. Accordingly, to obtain a better indication of the relative size of the agencies' housing programs, we examined the housing inventories of the three agencies from two different points of view: first, as the inventory relates to the total number of employees and, second, as the number of year-round housing units relates to the total number of permanent employees at each agency. This analysis shows that proportionately, the Park Service has a significantly larger program than the other two agencies.

Mission Affects Where Employees Live

In addition to preserving and protecting the natural, cultural, scenic, and historic resources under the Park Service's stewardship, providing in-park visitor services is a major part of the Park Service's mission. To carry out its mission, the Park Service believes it is necessary to provide many of its employees with housing within parks. While the Forest Service and BLM also have resource management and stewardship responsibilities, their

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emphasis is more on managing the land for multiple uses, such as livestock grazing, mining, and timber harvesting.

According to Park Service officials, this difference in missions affects the agencies' decisions about where many of their field employees must live. With its emphasis on preserving and protecting historical, cultural, and natural resources and providing visitor services, the Park Service tends to build (or acquire) housing for employees within the parks. The Forest Service and BLM, on the other hand, tend to place more of their operations in or near established communities. As a result, the Forest Service and BLM rely more heavily on established real estate markets for employee housing.

**Total Housing Inventory
Relative to Total Agency
Employment**

One way of providing an indication of the relative size of each agency's housing program is to compare its total housing inventory to its total number of employees. This comparison shows that the Park Service has by far the highest number of housing units relative to the total number of employees—both permanent and seasonal employees. As shown in table 2.1, while both the Park Service and Forest Service have roughly the same number of housing units, the ratio of housing units to total employees is more than twice as high for the Park Service than for the Forest Service. The Park Service has one housing unit for every 5 employees compared to the Forest Service's one unit for every 11 employees and BLM's one unit for every 58 employees.

Table 2.1: Comparison of Park Service, Forest Service, and BLM Housing Inventories to Total Number of Employees

	National Park Service	Forest Service	BLM
Total number of housing units	4,718	4,402	206
Total number of employees (including seasonals)	23,908	50,877	11,861
Ratio of employees to housing units	1:5	1:11	1:58

**Inventory of Year-Round
Housing Relative to
Number of Permanent
Employees**

Another indication of the relative size of each agency's housing program is to compare the amount of permanent, year-round housing to permanent employees. When seasonal employees and seasonal housing are excluded, the larger size of the Park Service's housing program relative to the size of its staff is more apparent. As shown in table 2.2, the ratio of Park Service housing units to permanent employees is more than twice as high as the ratio for the Forest Service. The ratio in comparison to BLM, however,

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increases dramatically, indicating that only 1 in 164 permanent BLM employees lives in agency housing compared to 1 in 6 for the Park Service.

Table 2.2: Comparison of Inventories of Year-Round Housing Relative to Number of Permanent Employees

	National Park Service	Forest Service	BLM
Total number of year-round housing units	2,792	2,503	61
Total number of permanent employees	15,777	31,749	9,991
Ratio of permanent employees to year-round housing units	1:6	1:13	1:164

Another indication of the way the agencies manage their housing programs can be seen in the extent to which the three agencies require their employees to live on-site. In all, the Park Service requires about 1,400 park employees to live on-site in park housing, either to provide visitor services or to protect government property and resources, or both, in accordance with OMB Circular A-11. The 1,400 employees equate to about 9 percent of all permanent Park Service employees. By comparison, a Forest Service official said that about 70 Forest Service employees (less than 1 percent of permanent employees) are required to live on-site in government housing. A BLM official stated that BLM has only two.

Each agency uses a substantial portion of its housing inventory—more than 40 percent—for seasonal employees. BLM's percentage is the highest at 71 percent. The Park Service and the Forest Service classify 41 percent and 44 percent of their inventories, respectively, as seasonal.

The three agencies also have a substantial portion of their inventories in isolated areas—that is, areas where no housing is available for sale or rent within a reasonable commuting distance.¹ Fifty-eight percent of the Park Service's housing units are classified as being in isolated areas. BLM classified 63 percent of its units as being in isolated areas; the Forest Service, 55 percent.

¹A reasonable commuting distance is considered to be less than 30 miles (or less than 60 minutes of travel by automobile) one-way from the nearest established community. OMB defines an established community as one with a year-round population of 1,500 or more and at least one doctor and one dentist accessible to the public.

Park Service's Inventory Includes More Single-Family Houses, Apartments, and Multiplexes

The Park Service's employee housing inventory has a greater proportion of single-family homes, multiplexes, and apartments than either the Forest Service's or BLM's inventory. As table 2.3 shows, 75 percent of the Park Service's inventory is composed of such units, compared to 50 and 26 percent, respectively, for the Forest Service and BLM. In comparison to the Park Service, the other two agencies have higher percentages of their inventories in the form of multiple-occupancy dormitories, cabins, and similar structures.

Table 2.3: Comparison of Types of Units in Housing Inventories

Housing unit category	Percentage ^a of total inventory in each category of housing unit		
	National Park Service	Forest Service	BLM
Houses, multiplexes, and apartments	75	50	26
Mobile homes	14	17	26
Dormitories, cabins, and other	11	32	47

^aForest Service and BLM percentages do not add to 100 due to rounding.

Park Service's Mix of Housing Types Involves Higher Costs

Houses, multiplexes, and apartments tend to be more costly on a per person basis than housing such as dormitories, according to the agencies' housing officials. A major reason is that a house, multiplex, or apartment generally provides a much larger living space per employee than a dormitory, which provides housing to many employees. Also, houses, multiplexes, and apartments have appliances, perhaps two bathrooms, and other amenities that are costly to maintain. In contrast, these items are generally not found to the same extent in dormitories.

These higher costs are likely contributing to part of the differences in the three agencies' cost estimates for repairing, rehabilitating, and replacing their housing units. All three agencies have reported that because they have not been able to keep up with scheduled maintenance and repair, more than 50 percent of their units are in fair, poor, or obsolete condition (see table 2.4). Each agency has estimated the costs associated with repairing, rehabilitating, or replacing its inventory to good or excellent condition. The estimates range from \$8 million for BLM to \$546 million for the Park Service. As shown in table 2.4, on a per unit basis, the totals break down to about \$116,000 for each of the Park Service's 4,718 units, \$36,000 for each of the Forest Service's 4,402 units, and \$39,000 for each of BLM's 206 units.

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Table 2.4: Comparison of Repair, Rehabilitation, and Replacement Needs

	National Park Service	Forest Service	BLM
Percentage of total housing inventory by condition ^a			
Excellent or good	49	48	40
Fair	39	41	47
Poor or obsolete	11	10	13
Backlog estimates			
For repair, rehab., and replacement (millions of dollars) ^b	\$546	\$159	\$8
Per unit of housing in existing inventory (thousands of dollars)	\$116	\$36	\$39

^aIn describing inventory condition, all three agencies use nearly the same criteria: excellent means like new, good means routine maintenance like painting is necessary, fair means that early signs of reversible deterioration (like leaking roofs and inadequate electrical service) are present, poor means major repairs are needed because of marginal structural integrity, and obsolete usually means beyond economic rehabilitation. Park Service and Forest Service percentages do not add to 100 due to rounding.

^bThe Forest Service's and BLM's estimates are as of June 1994, and the Park Service's is as of July 1994.

We asked Park Service officials if they could explain why their overall backlog estimate per unit was so much higher than the other two agencies. One reason mentioned was that the Park Service's housing standards are higher than those of the other two agencies. For example, as part of its Employee Housing Initiative, the Park Service adopted higher rehabilitation and construction standards for housing units, which are not followed by the Forest Service or BLM. New or upgraded Park Service units should contain features such as garages, additional bathrooms, and modern kitchens. Also mentioned was that many units are historic structures and rehabilitating these structures costs more because of the need to maintain historical integrity. However, the official in charge of the Park Service's housing program told us that these two reasons alone probably do not account for the large difference among the agencies' per unit backlog estimates, but he could offer no other reasons.

We did not attempt to compare in detail the methodologies that the three agencies used to develop their backlog estimates, nor did we verify their accuracy. We did, however, raise questions about the reliability of the Park Service's backlog estimate in our September 1993 report.

Park Service Plans to Maintain and Upgrade Its Housing; Forest Service and BLM Plan to Minimize Their Involvement in Housing

Of the three agencies, only the Park Service is seeking to replace and upgrade its housing inventory. For fiscal year 1995, it has requested \$30 million for its Employee Housing Initiative. This \$30 million represents about 20 percent of the Park Service's budget for all construction projects, which, according to Park Service officials, indicates the emphasis the Park Service is putting on improving employee housing.

Forest Service and BLM officials said they are not planning substantial upgrading, rehabilitation, or replacement efforts. They said that their current inventories were too costly to maintain and that the previous justification for retaining some units may no longer be valid. For example, officials of two national forests adjacent to Yosemite National Park in California stated that they now have housing in excess of their needs. As one forest official explained, circumstances have changed since the Forest Service initially justified the need for the housing. First, a better system of roads has made it easier for employees to live in local communities and commute to their work sites; second, employees have shown a preference for private residences when federal regulations required that rents for government quarters be comparable with rents for similar quarters in the private market.

Other reasons that the housing managers cited for not increasing inventories were that agencies would no longer be landlords, the agencies would not be providing housing in competition with the private sector, and employees would be integrated into the local communities instead of living in separate government residential areas.

Neither the Forest Service nor BLM plans to stop providing housing altogether. Officials from both agencies said that meeting their missions will necessitate some level of housing. However, they plan to minimize their involvement in providing housing to employees. Accordingly, neither agency had planned or developed a program like the Park Service's Employee Housing Initiative to pay for the necessary repair, rehabilitation, and replacement of their housing units. Forest Service and BLM officials said that in ranking construction projects for funding, requests for housing are generally given low priority compared to funding for other projects, such as visitor centers or warehouses. Funding for construction has been limited to seasonal housing in isolated locations.

The Forest Service's and BLM's lack of emphasis on employee housing programs can be seen in their fiscal year 1995 budget requests. The Forest Service's request for housing construction is about \$1 million, which is for

Chapter 2
Park Service Takes a Different Approach in
Providing Employee Housing

barracks and crew quarters at three separate locations and one triplex unit. This level of funding represents about 2 percent of the Forest Service's construction program for all types of facilities. In reviewing BLM's fiscal year 1995 budget justification, we could not identify any funds for constructing employee housing and only \$40,000 for rehabilitating fire crew quarters.

Options for Dealing With the Park Service's Housing Problems

Options are available to the Park Service to deal with its housing problems. As a first step, the current housing inventory needs to be reduced to a level that is needed and can be justified. The need for housing units should be made on a park-by-park basis. In addition, given the substantial backlog and the tight federal budget, the Park Service needs to pursue alternative financing arrangements for repairing, rehabilitating, and replacing housing units. These alternative arrangements range from seeking nonfederal funding for repairing, rehabilitating, and replacing the Park Service's employee housing to private-sector construction and management of housing. All of these alternative financing arrangements have advantages and disadvantages, and several would require new legislative authority.

Reducing Housing Inventory

The Park Service faces dim prospects for arresting the continued deterioration of its employee housing if it attempts to keep the housing inventory at its current level. Annual rental income covers only about one-half to two-thirds of basic annual operating and maintenance costs; therefore, unless rents are raised, the rest must come from operating funds that are stretched thin across a wide range of competing demands. Steps the Park Service could take to reduce its housing inventory fall into two main areas: removing from the inventory those housing units that are not justified and examining ways to move more employees into nearby communities.

Removing Housing Units That Are Not Justified

In our September 1993 report, we concluded that the Park Service should review its long-standing tradition of providing housing to employees. The procedures in place for justifying employee housing inventory levels have not resulted in sufficient analysis or documentation to support the need for all units—particularly those units retained for permanent employees in parks near local communities. We found that housing needs were routinely re-certified with little or no analysis of the viability of local real estate and rental markets.

The need to look at local housing in light of local community development is further illustrated by work we did at two national forests. As mentioned in the previous chapter, officials at two national forests in California, which are adjacent to Yosemite National Park in California, said they now have housing in excess of their needs.

In addition, some parks that have been classified as isolated are becoming less so with the advent of increasing populations in local communities as well as improved transportation and communications systems. In work we did last year, park managers identified urban encroachment as the number one threat to parks.¹ Problems resulting from urban encroachment included residential, commercial, and industrial development at or near park boundaries. This development, especially near park entrances, is making many parks less isolated than they once were.

In our September 1993 report, we recognized that the Park Service had adequate justification for about 88 percent of its housing inventory. However, we questioned the justification for the remaining 12 percent. As a result, we recommended that the Park Service reexamine the need for all of its permanent housing units and develop a strategy to eliminate unneeded units from the housing inventory. In our view, this is a first step that must be taken as the Park Service considers ways to better maintain Park Service housing. Park Service officials have stated that they will reexamine the need for the 12 percent (about 630 units) of the housing units that we questioned as being justified. However, because of the scope of the housing problems facing the Park Service, all housing needs to be reexamined on a park-by-park basis in order to reduce housing needs as much as possible. As we stated in our 1993 report, maintaining an inventory that is greater than what can be justified dilutes the availability of scarce funds. The Park Service must identify and eliminate housing units that are not needed so that funds will be applied to needed units. A reexamination of housing needs on a park-by-park basis will help ensure that this occurs.

Examining Ways to Move More Employees Into Communities

Our September 1993 report pointed out that under existing OMB guidance, about 630 housing units may not be justified. Beyond the units questioned in our earlier report, the Park Service may be able to find ways to reduce the number of housing units needed. This could occur by relocating to nearby communities those functions not related to providing visitor services or protecting resources, by revising job requirements to reduce the number of employees required to live in the parks, or by exploring options to subsidize employees' rents when local housing is found to be too expensive.

¹National Park Service: Activities Outside Park Borders Have Caused Damage to Resources and Will Likely Cause More (GAO/RCED-94-59, Jan. 3, 1994).

Relocating Functions to Nearby Communities

One way the need for housing inside the parks could be reduced would be to move certain park functions not needed to provide visitor services or protect resources to nearby communities. The Congress authorized the implementation of such a proposal at Yosemite National Park in California in 1958 to relieve pressure in the over-crowded Yosemite Valley (P. L. 85-922). One of the proposal's objectives was to enhance opportunities for park employees to own their own homes. Functions not directly related to providing day-to-day visitor services, such as warehousing, vehicle maintenance, budget control, and general administration, would be located in El Portal, California, a site about 16 miles west of the developed area of Yosemite Valley. Full implementation of this proposal has been delayed for a variety of reasons, including inadequate funds, underestimated development costs, increased employee commuting time, increased pollution from vehicles, and employees' resistance to moving to a site perceived to be a less desirable place to live than Yosemite Valley. Although this proposal has not been fully implemented, it would appear to have merit for reducing the housing inventory.

In addition to reducing the Park Service's housing inventory, encouraging employees to live outside the parks has several other advantages. For example, employees would have the opportunity for home ownership as well as a choice of where to live and in what type of housing; employees would be better integrated into local communities; the Park Service would not compete with local housing markets; and for those housing units that are affected, it would no longer be a landlord. Also, minimizing the development of facilities within park boundaries would be consistent with one of the recommendations in the report entitled National Parks for the 21st Century - The Vail Agenda.²

Revising Job Requirements

At several parks we visited, superintendents were exploring ways of providing visitor services and protecting resources by means other than requiring employees to live in the parks. For example, the superintendent at Shenandoah National Park in Virginia is implementing a "required presence" approach in which employees are required to be at the park only when they are on duty. Also, at Cape Cod National Seashore in Massachusetts, rather than requiring employees to live in the park, the superintendent allows them to live within a "response radius" to the park. This is a radius within which employees could respond to emergencies in the park in a minimal amount of time. As noted by one park

²This report was based on an international symposium held on the 75th anniversary of the National Park Service. The report's recommendations have been adopted by the Director of the Park Service as a framework to shape the future role of the Service.

superintendent, having employees housed within the park does not guarantee that critical staff will be available for quick emergency responses because employees are not always home when they are not working.

Subsidizing the Cost of Housing Outside the Park

The affordability of housing in local communities was a major concern of many park managers. To the extent that the affordability of local housing may be a valid problem at individual parks, one option that may be worth exploring for dealing with such situations is to provide Park Service employees with a housing subsidy at those parks where it is determined that local housing is clearly not affordable. The housing subsidy could take the form of a rental subsidy if employees choose to rent or a mortgage subsidy if they choose to buy a home. A September 1993 Congressional Budget Office (CBO) study of military housing indicates that providing rental subsidies is 40 percent less expensive than providing government-built and -maintained military housing.³ While providing housing subsidies may increase annual federal outlays in the short term, this option may be cheaper in the long term because the Park Service would no longer be a landlord and because less repair, rehabilitation, and replacement funds would be needed at the locations where housing subsidies are provided. A major barrier that would have to be overcome in providing subsidies is that the Park Service is now precluded from doing so by OMB Circular A-45.

Obtaining Funding From Other Sources

After reducing its housing inventory as much as possible, the Park Service will be in a much better position to determine its funding needs for the housing units that remain. Funding for the remaining units could likely come from three areas—appropriations, increased rents, and private-sector support.

For several reasons, increased appropriations and increased rents may have limited feasibility. Concerns about budget deficits and continued public pressure to contain federal spending may constrain any infusion of federal dollars beyond levels already undertaken in the Employee Housing Initiative. Likewise, in the past, Park Service employees, employee advocacy groups, and the Congress have shown little support for substantial rent increases. It is likely, therefore, that the Park Service may have to look elsewhere, at least for part of the additional funding that would be needed.

³Military Family Housing in the United States, Congressional Budget Office, Sept. 1993.

Department of the Interior's Efforts to Arrange Alternative Financing

The Park Service has begun to explore the feasibility of looking for private-sector support for its housing program. Recognizing the persistent backlog and the poor overall condition of employee housing, the Secretary of the Interior has made improving the Park Service's employee housing a top priority. In December 1993, the Secretary directed his Chief of Staff to explore ways to improve the Park Service's employee housing by encouraging partnerships with private industry and the National Park Foundation (Foundation).⁴ This effort is examining whether the Park Service can get the private sector, through the Foundation, to assist in improving Park Service housing. Arrangements being pursued include (1) obtaining private-sector funds or contributions through the Foundation to rehabilitate and/or rebuild housing in the parks, (2) examining the ability of the Foundation to construct housing on other than park land, (3) exploring whether the private sector could construct housing in the parks, and (4) developing equity programs through the Foundation to assist employees in buying housing.

Providing employees with rental subsidies is another option being studied. One option under consideration would be for the Foundation to provide the subsidies. Another housing subsidy option being studied is to provide federal land to a private-sector developer for housing construction. In this case, the cost of the land would not be borne by the developer, which should result in lower rents. Before exploring these subsidy possibilities any further, Interior plans to study the legal impediments.

These efforts are continuing and, to date, have resulted in an agreement that private homebuilders will provide several new homes to replace trailers at various parks. Also, the Foundation agreed to donate \$50,000 for housing at Grand Teton National Park if the Park Service would match the funds, which it did. Discussions are also under way with the Foundation about repairs and/or rehabilitation at other parks. The Park Service has identified 13 parks on which major emphasis will be placed to eliminate obsolete housing over the next 2 years. In addition, the Park Service plans to eliminate all trailers in the parks by 1996.

The Director of the Park Service stated that in September 1994 Park Service officials will meet with the Foundation to further explore the Foundation's interest in this area and determine how it might participate.

⁴The National Park Foundation is a private, nonprofit foundation chartered by the Congress in 1967 to provide private-sector support for the national park system.

Alternative Financing Arrangements Identified in Employee Housing Studies

In addition to the alternative financing arrangements being studied by the Secretary's Chief of Staff, studies of employee housing conducted since 1988 have also identified alternative financing arrangements whereby the private sector might repair, rehabilitate, or replace Park Service housing both on and off Park Service land. Several of the alternative arrangements would require new legislative authority. In addition, no one proposed alternative arrangement may be suitable to all parks. Similarly, some combination of alternative arrangements may be possible. The following alternative arrangements are examples of ways that nonfederal funding sources could be used to provide employee housing. These arrangements have been identified in seven studies of alternatives to providing employee housing conducted between 1988 and 1993. The studies that identified these alternatives are listed in a bibliography at the end of this report.

Use Some Form of Leasing

One study proposed a leasing arrangement whereby a private company would provide the needed housing units on government land and maintain the units for the duration of the lease.⁵ The study assumed that the units would become the property of the government at the end of the lease term.

An advantage of this arrangement is that the Park Service would have use of the units sooner than if they were to construct them. According to a consultant hired by the Park Service to study housing alternatives in 1993, the private sector can construct housing sooner because obtaining construction appropriations and performing construction planning takes longer for the Park Service.⁶ Also, the Park Service would not have the direct responsibility of maintaining the units, relieving it of maintenance and rehabilitation costs over the term of the lease.

A disadvantage of this approach could be potentially greater long-term costs because lease payments would need to be high enough to cover the private company's expected profits and its cost of capital, which would be higher than the government's. Another disadvantage is that the housing units turned over to the Park Service at the end of the lease could create additional rehabilitation costs.

A project with a 30-year lease was proposed in the aforementioned 1990 study of the Big Bend National Park in Texas. The Park Service did not

⁵Better Housing Now: Public-Private Venture Housing at Big Bend National Park, Texas. Logistics Management Institute, Mar. 1990.

⁶Report on Park Service Employee Housing. Thomas L. Baker, Consultant, Jan. 15, 1993.

carry out this arrangement because it does not have the legislative authority to enter into leases for the benefit of employees.

A similar arrangement could be made for housing constructed on private land. Here, the private company would build housing units on private land on the basis of a guaranteed lease with the Park Service. The consultant assumed that because the housing would be constructed on private land, at the end of the lease the owner would retain the property. The advantages and disadvantages would be the same as if the units were constructed on public land, except that the units would not become government property at the end of the lease and therefore would not be added to the Park Service's inventory. According to an official of the Indian Health Service, it used this form of leasing more than 10 years ago in Alaska, but it is no longer viable because now OMB's guidance does not allow agencies to guarantee long-term lease contracts.⁷

Find a Profitable Off-Season Use for Seasonal Housing

Under this arrangement, the Park Service would find a private partner who owned and operated a recreation resort in close proximity to the park who would build and operate seasonal units on Park Service land, rent to Park Service employees during the park's season, and use the housing units for its own employees or rent to the public during the park's off-season. A study conducted for the Park Service described such an opportunity between Grand Teton National Park and a major ski resort operator in Jackson Hole, Wyoming. The housing would be used by seasonal park employees during the summer and by ski area employees during the winter.⁸ The study assumed the structures would become park property after a 20- to 30-year period. The Park Service is still studying this approach.

According to the consultant's study, an advantage of this arrangement is that the Park Service would obtain seasonal housing at minimal cost since the cost to construct and maintain the housing would be borne by the private partner. Conversely, a disadvantage is that it may be feasible only at those parks where the park's off-season corresponds to a private recreation resort's peak season.

⁷OMB Bulletin No. 91-02, Oct. 18, 1990.

⁸Report on Park Service Employee Housing. Thomas L. Baker, Consultant, Jan. 15, 1993.

Sale to the Park Service Through a Mortgage Transaction

Here, a private contractor would construct or rehabilitate housing for the Park Service on either public or private land. The Park Service would obtain a mortgage from a private lending institution to pay for the construction costs. The lender would hold title to the housing until the federal government paid off the mortgage through rent receipts or appropriated funds. The advantage of this alternative is that the park would be gaining the use and value of the housing units sooner because, as noted earlier, the private sector can construct housing quicker than the Park Service.

However, several barriers exist. First, as we reported in May 1991, OMB rejected a similar proposal for improving Air Force housing because of the federal budget guidelines in the conference report accompanying the Omnibus Budget Reconciliation Act of 1990, which requires that the full cost of construction projects be fully accounted for in the year authorized.⁹ If the Park Service were to pursue this option, it would have to be exempted from the Omnibus Budget Reconciliation Act of 1990. Second, rental rates established under OMB's guidance would be insufficient, especially near isolated parks, to cover the cost of housing, and the Park Service would have to augment the rents collected to meet the mortgage payments. For example, a consultant hired by the Park Service to study employee housing estimated that developers would expect rental rates of about \$1,000 per month for a house costing about \$100,000, which he said was typical of the housing he saw in the parks he visited.¹⁰ However, most Park Service employees currently pay monthly rental rates for Park Service housing of less than \$800 per month. According to the Secretary of the Interior's Chief of Staff, one way to avoid having to augment rents would be for the Park Service to donate the land to developers so that land acquisition costs would not be factored into the rents charged. Furthermore, the interest cost to the federal government of borrowing money in this way might be greater than if the government simply borrowed the additional funds in its usual way through issuing Treasury securities.

⁹Air Force Housing: Proposal for Financing Improvements to Family Housing (GAO/NSIAD-91-181, May 21, 1991).

¹⁰Report on Park Service Employee Housing. Thomas L. Baker, Consultant, Jan. 15, 1993.

**Private-Sector
Construction With Direct
Rental to Park Service
Employees**

Under this arrangement, private developers would finance and construct housing on private land and rent directly to Park Service employees. An advantage of this approach is that it would remove the Park Service from providing employee housing. Another advantage would be that there would be no OMB restrictions on such an arrangement.

However, a disadvantage is that contractors might have little incentive to build, because the rents they would have to charge to make their investment profitable, especially for housing near isolated parks, would be unaffordable to most park employees, according to the previously mentioned consultant's study. A private developer might be induced to provide housing if the Park Service was permitted to subsidize the (1) rent, thereby increasing revenue to the developer, or (2) cost of construction, thereby reducing the developer's required investment. However, the Park Service currently does not have the authority to do either. If the Park Service did have such authority, providing subsidies might be more costly to the government than directly providing employee housing because the private contractors will expect to earn a profit.

**Concessioner
Rehabilitation and
Replacement of Employee
Housing**

Under this arrangement, concessioners¹¹ would be responsible for obtaining financing for the rehabilitation and replacement of Park Service housing. At larger parks such as Yellowstone National Park in Wyoming and Yosemite National Park in California, concessioners already provide housing for some of their employees; this alternative would therefore be an extension of what some concessioners are already doing. One study provided two places where concessioner-provided housing might be possible: the Grand Teton Lodge Company in Grand Teton National Park, Wyoming, and ARA Leisure Services in Olympic National Park, Washington.¹² According to this study, one advantage of this arrangement is that since the Park Service already has experience managing concessioners and concession contracts, there would be little additional administrative burden on the Park Service. Another advantage is that concessioner-managed housing would remove the Park Service from managing a housing program at parks where this arrangement would be implemented.

¹¹Concessioners provide visitor accommodations and services on Park Service lands. Concession-operated services include restaurants and snack bars, souvenir shops, marinas, and a variety of other services.

¹²Report on Park Service Employee Housing. Thomas L. Baker, Consultant, Jan. 15, 1993.

The disadvantage of this arrangement is that current concession law only allows concessioners to provide services to the visiting public, not to Park Service employees. Accordingly, the Park Service would have to seek new legislative authority to implement this arrangement.¹³ Another disadvantage is that this arrangement may be feasible only at the larger parks with large concessioners who would be able to attract the capital necessary to rehabilitate or replace housing. Also, as in some of the foregoing arrangements, rents would almost certainly increase from what they are now because the concessioner would base them on the cost of providing the housing and recovering investment costs and would not want them reduced because of isolation or any other factor. The Park Service would likely have to provide some form of subsidy to keep rents within affordable ranges.

Special-Use Permits

This arrangement would be similar to the concessioner arrangement except that it would be done under a special-use permit. The Park Service issues special-use permits for specific activities (usually outfitting or guide activities) and limits their term to 5 years. Implementation of this arrangement would require extending the 5-year limit on special-use permits to 25 to 30 years (the term of loan amortization) so that the contractor could obtain the necessary private financing for rehabilitating and replacing housing. The advantages and disadvantages of this arrangement would be similar to those that would occur under the concessioner arrangement. Also, since current legislative authority does not allow the Park Service to guarantee occupancy levels or pay for vacancies, contractors may have little incentive to participate in this arrangement unless the Park Service seeks new legislative authority to do so.

Sell Government Housing to Employees

An arrangement that would effectively end the Park Service's involvement in employee housing would be for the Park Service to sell government housing to employees. Such an arrangement was discussed in a 1990 housing management plan for the Grand Canyon in Arizona.¹⁴ While the advantage of this arrangement would be to relieve the Park Service of providing housing, a disadvantage is that this arrangement would create

¹³Concessions Policy Act of 1965, P. L. 89-249.

¹⁴Grand Canyon National Park Housing Management Plan. June 1990.

in-holdings in the parks if the houses were sold in fee simple.¹⁵ In addition, the Park Service would be faced with ensuring that future resales would be made to Park Service employees.

Sell All Park Housing to a Park Service Employees' Cooperative

A variation on selling housing directly to employees, which was also included in the 1990 Grand Canyon housing management plan, would be for the Park Service to sell the houses to an employees' housing cooperative. The cooperative could use the housing as collateral for a loan to rehabilitate housing. The cooperative would contract for maintenance and collect rents. An advantage, as in selling the homes directly to employees, is that the Park Service would no longer be involved in providing employee housing at the parks where a cooperative existed. The disadvantages are similar to the ones identified if the houses were sold to employees. An additional disadvantage is that no such cooperative currently exists, and the Park Service would have to seek legislative authority to create one.

Conclusions

While the Park Service has a long-standing tradition of providing housing to some of its employees, a deteriorating housing inventory and a tight federal budget dictate that the Park Service reexamine its employee housing needs and reduce its housing inventory as much as possible. The first step in this reexamination should be a park-by-park review of housing needs. This review of housing needs will provide the Park Service with the information it needs to direct limited funding. In conducting a park-by-park review, consideration should be given to whether employees can be moved to nearby communities, job requirements could be modified so that fewer employees are required to live in the parks, and housing allowances would be feasible at parks where housing is not affordable. A park-by-park review of housing needs would also provide the Park Service an opportunity to validate and document its backlog estimate of repair, rehabilitation, and replacement needs.

Once housing needs are clearly defined and the inventory reduced as much as possible, the Park Service may still face problems in maintaining its housing inventory because, traditionally, rental income and federal appropriations have not met repair, rehabilitation, and replacement needs. Therefore, the Park Service needs to explore additional alternative

¹⁵In-holdings are private property within the boundaries of a park. When property is acquired in fee simple, the owner acquires all rights and interests associated with the land. This would restrict the Park Service's ability to control activities within the park, since the housing would in effect be private property.

financing arrangements in order to maintain its housing program. These alternative financing arrangements should include not only those being pursued by the Secretary's Chief of Staff, but also those identified in employee housing studies conducted since 1988.

Recommendations to the Secretary of the Interior

In order to better define its housing needs and identify opportunities for reducing its inventory, GAO recommends that the Secretary of the Interior require the Director of the Park Service to conduct a park-by-park review of housing needs to determine whether its current housing inventory at each location is needed and justified.

In order to obtain nonfederal funds to help the Park Service meet its housing needs, GAO recommends that in addition to those alternative arrangements being explored by the Chief of Staff, the Secretary of the Interior require the Director of the Park Service to review the housing alternatives GAO identified from employee housing studies, weigh and compare their respective costs and benefits, develop a strategy for implementing the alternatives that it considers most effective, and present the strategy to its legislative and appropriations committees in the Congress.

Capital Gains Tax and Park Service Employees' Mobility

Neither the Park Service headquarters, the regional offices, nor individual parks maintain data on employees' mobility. Consequently, we relied on payroll data from the Park Service's Accounting Operations Division, which provided us with information on employees who transferred from park to park in fiscal year 1991. We focused on employees who transferred in fiscal year 1991, since the 2-year time period had expired whereby if they sold a residence, they would have had to reinvest any capital gain in a new residence or pay tax on it.¹ We did not verify the data in total, but we did contact several regional offices to check on the accuracy of the data. As agreed, our work included only those employees who transferred.

Of the employees who transferred, we determined how many were reimbursed by the Park Service for the sale of their residence when they transferred. We then determined if any of the employees who were reimbursed were currently having rental payments deducted from their pay because they were living in government rental quarters. We subsequently contacted all of the employees who transferred and were having rental payments deducted from their pay to determine whether the prospect of having to pay capital gains tax affected their decisions to transfer.

During fiscal year 1991, according to the Park Service's accounting data, 672 employees transferred to parks, and of these only 9 sold private residences and are currently living in Park Service housing—about 1 percent of the employees who transferred. Of these nine, eight indicated that the prospect of having to pay capital gains taxes had little or no effect on their decision to transfer. One employee stated that the prospect of paying these taxes somewhat influenced his decision to transfer.

Five of the nine said they paid capital gains taxes: three said the tax had little or no effect on their financial situation, one said it had some effect, and one claimed a very great effect. None of the employees contacted, however, ruled out accepting future transfers. We also discussed this issue with two former Park Service Directors and the housing or administrative officers at the 10 parks with the largest employee housing inventories. These officials told us that in their experience, Park Service employees have not considered the prospect of paying capital gains taxes to be a major consideration in their decision to transfer.

¹Internal Revenue Service regulations state that the taxpayer must buy or build and live in another house within 2 years before or 2 years after the sale of an old home to postpone the tax on the gain from the sale.

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