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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548



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STATEMENT OF
BALTAS E. BIRKLE, DEPUTY DIRECTOR
COMMUNITY AND ECONOMIC DEVELOPMENT DIVISION

BEFORE THE
SUBCOMMITTEE ON MILITARY CONSTRUCTION
COMMITTEE ON APPROPRIATIONS
HOUSE OF REPRESENTATIVES

ON
GAO'S ANALYSIS OF THE NEED FOR
ADDITIONAL FAMILY HOUSING AT THE
NAVY'S TRIDENT SUBMARINE BASE,
BANGOR, WASHINGTON

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE:

WE ARE HERE TODAY AT THE REQUEST OF THE SUBCOMMITTEE TO DISCUSS THE RESULTS OF OUR REVIEW ON THE NEED FOR ADDITIONAL HOUSING ON BASE AT THE TRIDENT SUBMARINE BASE, BANGOR, WASHINGTON. WITH ME TODAY ARE MR. SEBASTIAN CORREIRA, JR., ASSISTANT DIRECTOR, AND MESSRS. ROBERT MANCUSO AND DAVID TONER, SUPERVISORY AUDITORS, WHO PARTICIPATED IN THE REVIEW.

THE RESULTS OF OUR REVIEW WERE PRESENTED TO THE CHAIRMAN, COMMITTEE ON APPROPRIATIONS, HOUSE OF REPRESENTATIVES, IN OUR REPORT DATED FEBRUARY 9, 1978 (CED-78-49). MY BRIEF STATEMENT THIS MORNING WILL SUMMARIZE THE REPORT. YOU MAY WISH TO HAVE THE FULL TEXT OF THE REPORT PLACED IN THE RECORD.

AS YOU KNOW, THE CONGRESS AUTHORIZED THE DEPARTMENT OF DEFENSE (DOD), BY PUBLIC LAW 95-82, TO CONSTRUCT AN ADDITIONAL

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2 (2 of 2) (Rev. 1/83)

520 FAMILY HOUSING UNITS, ESTIMATED TO COST \$24.6 MILLION, AT THE NAVY'S NEW TRIDENT SUBMARINE BASE AT BANGOR, WASHINGTON. CONSTRUCTION IS SCHEDULED TO BEGIN IN FISCAL YEAR 1978. THE MAJOR QUESTION WE WERE ASKED WAS WHETHER THE 520 NEW UNITS WERE NEEDED.

ARE THE 520 ONBASE FAMILY HOUSING UNITS NEEDED?

OUR REVIEW SHOWS THAT THE ADDITIONAL 520 UNITS ARE NOT NEEDED. THE DOD FAMILY HOUSING PROGRAM TRIES TO ASSURE THAT MARRIED MEMBERS OF THE ARMED SERVICES AND THEIR FAMILIES ARE ADEQUATELY HOUSED. TO ACHIEVE THIS OBJECTIVE, DOD RELIES ON COMMUNITIES NEAR MILITARY INSTALLATIONS AS THE PRIMARY SOURCE FOR FAMILY HOUSING. IN NOVEMBER 1975 THE OFFICE OF THE SECRETARY OF DEFENSE AND THE OFFICE OF MANAGEMENT AND BUDGET CONDUCTED A JOINT STUDY OF THE DOD HOUSING PROGRAM AND CONCLUDED THAT ONBASE HOUSING SHOULD BE CONSTRUCTED ONLY WHEN IT IS DEMONSTRATED TO BE IMPOSSIBLE BEYOND DOUBT FOR THE COMMUNITY TO PROVIDE HOUSING.

THE CONGRESS ALSO HAD INDICATED TO DOD IN HEARINGS THAT ONBASE HOUSING SHOULD BE CONSTRUCTED ONLY AS A LAST RESORT. GENERALLY, HOMEBUILDERS AND APARTMENT OWNERS SUPPORT THIS POSITION. ALSO, LANGUAGE WAS INCLUDED IN THE HOUSING AND COMMUNITY DEVELOPMENT ACTS OF 1974 AND 1977 TO ENCOURAGE THE PRIVATE SECTOR TO BUILD HOUSING OFF BASE FOR MILITARY FAMILIES.

THE MAJOR PORTION OF OUR REVIEW DEALT WITH FUTURE HOUSING SUPPLY AND DEMAND IN KITSAP COUNTY. DOD HOUSING SURVEY PROCEDURES INEFFECTIVELY ADDRESS THE ISSUE OF HOUSING SUPPLY.

DOD PROCEDURES REQUIRE THAT SURVEYS INCLUDE ONLY FUTURE CONSTRUCTION OF RENTAL UNITS THAT ARE FIRMLY PLANNED OR ACTUALLY UNDER CONSTRUCTION. IN ESSENCE, SURVEYS MADE ACCORDING TO THESE PROCEDURES ASSUME THAT ONLY THOSE RENTAL UNITS UNDER CONTRACT FOR CONSTRUCTION WHEN THE SURVEY IS TAKEN (USUALLY IN JANUARY) WILL BE CONSTRUCTED DURING THE NEXT 6 YEARS. THE NAVY HAS, IN EFFECT, PROJECTED A LARGE HOUSING DEFICIT FOR THE BREMERTON COMPLEX BY COMPARING HOUSING DEMAND 6 YEARS FROM NOW TO THE CURRENT SUPPLY. THIS IGNORES FUTURE HOUSING GROWTH, WHICH COULD BE SUBSTANTIAL.

FOR EXAMPLE, IN ITS JANUARY 1976 HOUSING SURVEY THE NAVY IDENTIFIED 80 RENTAL UNITS AS UNDER CONTRACT FOR CONSTRUCTION IN KITSAP COUNTY, OF WHICH THEY ALLOCATED 6 FOR MILITARY FAMILIES. THE NAVY USED THIS FIGURE AS THE PROJECTED NEW GROWTH IN COMMUNITY RENTAL HOUSING THROUGH SEPTEMBER 1982. ACTUAL CONSTRUCTION IN ALL OF 1976 WAS SUBSTANTIALLY IN EXCESS OF THE 80 UNITS THE NAVY IDENTIFIED.

AN ADEQUATE SUPPLY OF COMMUNITY
HOUSING SHOULD BE AVAILABLE

OUR ANALYSIS SHOWED THAT THE COMMUNITY IS RESPONDING TO ITS HOUSING NEEDS. DURING THE PERIOD 1970 THROUGH 1974, THE HOUSING INDUSTRY IN KITSAP COUNTY PROVIDED AN AVERAGE OF 1,500 HOUSING UNITS EACH YEAR, AND INCREASED TO AN AVERAGE OF 2,600 HOUSING UNITS EACH YEAR SINCE 1975, WHEN THE EFFECTS OF TRIDENT BEGAN. MULTIFAMILY UNITS HAVE SHOWN THE GREATEST PERCENTAGE INCREASE, AVERAGING 270 UNITS ANNUALLY FOR THE

PERIOD 1970 THROUGH 1974 and 685 UNITS ANNUALLY FOR THE PAST 3 YEARS--A 155-PERCENT INCREASE. IN 1977, BUILDING PERMITS FOR 900 MULTI-FAMILY HOUSING UNITS WERE ISSUED AND OFFICIALS OF THE PUGET SOUND APARTMENT OWNERS ASSOCIATION EXPECT THAT A SIMILAR AMOUNT WILL BE ISSUED IN 1978. PRESENTLY, 30 PERCENT OF THE HOUSING PERMITS ISSUED IN KITSAP COUNTY ARE FOR MULTI-FAMILY UNITS. THIS RATE IS ABOVE THE 13- TO 25-PERCENT RATE ARTHUR D. LITTLE, INC., SAID WAS REQUIRED FOR TRIDENT AND GENERAL COMMUNITY FAMILIES BETWEEN 1975 AND 1985 IN A STUDY PREPARED FOR COUNTY AGENCIES. THEREFORE, THE HOUSING INDUSTRY IN KITSAP COUNTY IS RESPONDING TO THE DEMAND FOR NEW HOUSING.

MOST TRIDENT MILITARY FAMILIES
CAN AFFORD COMMUNITY HOUSING

IN ORDER TO DETERMINE HOW MANY MILITARY FAMILIES COULD NOT AFFORD COMMUNITY HOUSING, WE DETERMINED (1) RENTAL COSTS FOR COMMUNITY HOUSING, (2) THE MILITARY FAMILIES' ABILITY TO AFFORD SUCH HOUSING, AND (3) THE DEMAND FOR HOUSING BY MILITARY PAY GRADE.

IN OCTOBER 1977, HUD CALCULATED RENTAL RATES FOR STANDARD SIZE NEW UNITS IN KITSAP COUNTY. THESE RATES REPRESENTED A RENT HIGHER THAN 75 PERCENT OF THE RENTS FOR NEW UNITS IN THE COUNTY. IN SEPTEMBER 1977, WE ANALYZED ALL RENTAL UNITS CONSTRUCTED IN 1976 AND 1977 WHICH WERE LISTED WITH THE PUGET SOUND NAVAL SHIPYARD'S HOUSING OFFICE AND CALCULATED THE RENTS AT THE 75-PERCENTILE LEVEL. HUD'S RENTS WERE HIGHER FOR ONE-, THREE-, AND FOUR-BEDROOM UNITS AND LOWER THAN OURS FOR A

TWO-BEDROOM UNIT. WE USED THE HIGHER RENT FOR EACH BEDROOM CATEGORY. WE BELIEVE THAT THIS PRESENTS A MORE CONSERVATIVE ESTIMATE OF AFFORDABILITY.

IN ORDER TO DETERMINE WHAT HOUSING COSTS MILITARY FAMILIES COULD AFFORD TO PAY, WE USED DOD'S MAXIMUM ALLOWABLE HOUSING COST (MAHC) SCHEDULE, WHICH REPRESENTS THE MAXIMUM AMOUNT A MILITARY FAMILY SHOULD BE EXPECTED TO PAY FOR HOUSING, INCLUDING UTILITIES. THE SCHEDULE IS BASED ON A PERCENTAGE OF GROSS INCOME ADJUSTED UPWARD TO REFLECT THE UNTAXED VALUE OF HOUSING AND SUBSISTENCE ALLOWANCES RECEIVED BY MILITARY PERSONNEL.

WE USED THE OCTOBER 1976 MAHC SCHEDULE, WHICH INCLUDED THE 1976 MILITARY PAY RAISE, IN OUR AFFORDABILITY ANALYSIS AND BELIEVE THIS IS A CONSERVATIVE APPROACH FOR THE FOLLOWING REASONS:

- THE VALUE OF GOVERNMENT-PAID HEALTH BENEFITS AND COMMISSARY PRIVILEGES IS NOT INCLUDED IN GROSS INCOME.
- ALSO EXCLUDED FROM GROSS INCOME IS THE SERVICEMEN'S SPECIAL PAY, SUCH AS SUBMARINE PAY WHICH 58 PERCENT OF TRIDENT PERSONNEL ARE ENTITLED TO RECEIVE.
- THE SCHEDULE IS BASED SOLELY ON THE MILITARY MEMBER'S INCOME; A SPOUSE'S INCOME IS NOT INCLUDED.

BY COMPARING THE RENTAL RATES FOR NEW UNITS TO THE MAHC SCHEDULE, WE DETERMINED WHICH MILITARY PAY GRADE, BY BEDROOM NEED, COULD NOT AFFORD A NEW HOUSING UNIT IN THE COMMUNITY. BASED ON PROJECTED DEMAND FOR TRIDENT FAMILY HOUSING AS OF

SEPTEMBER 1981--A 4-YEAR PROJECTION WHICH IS SUFFICIENT TIME TO REQUEST FUNDS AND TO CONSTRUCT ONBASE HOUSING--OUR ANALYSIS SHOWED THAT THE NAVY WILL NEED TO BUILD ONLY 268 UNITS ONBASE (68 TWO-BEDROOM UNITS, 112 THREE-BEDROOM UNITS, AND 88 FOUR-BEDROOM UNITS) TO HOUSE ELIGIBLE FAMILIES THAT COULD NOT AFFORD A NEW HOUSING UNIT IN THE COMMUNITY. SINCE THE NAVY IS CONSTRUCTING 642 ONBASE UNITS, SUFFICIENT HOUSING ALREADY EXISTS TO MEET THE NAVY'S NEEDS. IT SHOULD BE REMEMBERED THAT WE ASSUMED ELIGIBLE FAMILIES WHO COULD NOT AFFORD NEW HOUSING UNITS IN THE COMMUNITY WOULD WANT AND HAVE TO LIVE ON BASE. THIS ESTIMATE MAY BE SOMEWHAT HIGH. THE 1977 BREMERTON COMPLEX HOUSING SURVEY SHOWED THAT 31 PERCENT OF THE ELIGIBLE ENLISTED FAMILIES WHO, ACCORDING TO OUR ANALYSIS, COULD NOT AFFORD OFF-BASE HOUSING, LIVED AND PREFERRED LIVING OFF BASE.

ASSIGNMENT OF HOUSING ON BASE
SHOULD BE BASED ON NEED

SINCE THE NAVY JUSTIFIES BUILDING ONBASE HOUSING BASED ON NEED, WE BELIEVE THAT THE ASSIGNMENT OF ONBASE HOUSING SHOULD BE ALLOCATED FIRST TO THOSE WHO CAN LEAST AFFORD TO LIVE IN THE COMMUNITY. FOR EACH BEDROOM CATEGORY, PRIORITY SHOULD BE GIVEN FIRST TO E-4'S, THEN E-5'S, AND SO FORTH.

AGENCY COMMENTS AND OUR EVALUATION

COPIES OF OUR REPORT WERE PROVIDED TO THE KITSAP COUNTY TRIDENT COORDINATION OFFICE, THE NORTHWEST FEDERAL REGIONAL COUNCIL IN SEATTLE, WASHINGTON, AND THE NAVY, WHO FURNISHED WRITTEN COMMENTS ON OUR ANALYSIS. OUR EVALUATION OF THEIR

COMMENTS IS INCLUDED IN THE REPORT. WE WOULD, HOWEVER, LIKE TO HIGHLIGHT A FEW OF THEIR REMARKS AND OUR RESPONSE TO THEM.

THE KITSAP COUNTY TRIDENT COORDINATOR STATED THAT PLANS FOR COMMUNITY DEVELOPMENT HAVE BEEN BASED ON HOUSING 1,400 FAMILIES ON BASE AT TRIDENT. HOUSING LESS THAN 1,400 ON BASE WOULD REQUIRE CHANGES TO THE PLANS. WE BELIEVE THAT CONSTRUCTING 642 ONBASE UNITS, WITH THE COMMUNITY PROVIDING THE 758 ADDITIONAL UNITS FOR MILITARY FAMILIES, PHASED IN OVER AN 8-YEAR PERIOD, WILL NOT HAVE A SIGNIFICANT IMPACT ON EXISTING PLANS. COMMUNITY PLANS HAVE UNDERGONE CHANGES IN THE PAST AND UNDOUBTEDLY WILL REQUIRE SOME CHANGES IN THE FUTURE.

ALL THE RESPONDENTS VOICED CONCERN THAT HOUSING SUPPLY MAY NOT MEET DEMAND, BECAUSE IN THE PAST THE HOUSING MARKET HAS UNDERBUILT MULTIFAMILY UNITS. AS WE STATED EARLIER, AND DETAILED IN THE REPORT, THE HOUSING MARKET IS PRESENTLY MEETING DEMAND AND THERE ARE NO INDICATIONS THAT IT WILL NOT CONTINUE TO DO SO. AT THE SAME TIME, WE ARE RECOMMENDING THAT THE NAVY UNDERTAKE AN ANNUAL MARKET ANALYSIS IN ORDER TO MONITOR ANY DISCREPANCIES BETWEEN SUPPLY AND DEMAND.

THE COUNTY OFFICIALS STATED THAT OUR ANALYSIS DID NOT CONSIDER WHAT THE IMPACT WOULD BE ON THE COUNTY'S LOW-INCOME FAMILIES IF AN ADDITIONAL 758 FAMILIES RESIDED IN THE COMMUNITY. WE BELIEVE THE EFFECT ON LOW-INCOME FAMILIES WILL BE MINIMAL. THE 758 REMAINING UNITS REPRESENT ONLY 1.5 PERCENT OF THE PROJECTED NUMBER OF HOUSEHOLDS IN THE COUNTY BY 1985. THEREFORE, TRIDENT FAMILIES WILL BE PHASED INTO

THE AREA OVER A PERIOD WHICH APPEARS LONG ENOUGH TO ENABLE THE COMMUNITY TO ABSORB THEM WITHOUT UNDUE PROBLEMS.

PUGET SOUND APARTMENT OWNERS ASSOCIATION OFFICIALS TOLD US THAT THE COMMUNITY CAN READILY HANDLE THIS NUMBER OF FAMILIES WITH LITTLE OR NO EFFECT ON RENTS. FURTHERMORE, SINCE THE LOWEST INCOME FAMILIES ARE NOT ELIGIBLE FOR ONBASE HOUSING--ENLISTED PERSONNEL IN GRADE E-4, WITH DEPENDENTS, WITH LESS THAN 2 YEARS OF SERVICE AND E-1'S THROUGH E-3'S-- CONSTRUCTION OF THE ONBASE HOUSING WOULD NOT APPEAR TO HAVE MUCH EFFECT ON THE LOW-INCOME MARKET.

WE WERE ALSO ASKED TO COMPARE THE COST TO THE FEDERAL GOVERNMENT OF PROVIDING HOUSING ON BASE WITH THE COST OF OFF-BASE HOUSING, AND TO ADDRESS THE EFFECT ON COMMUNITY ASSISTANCE FUNDING IF THE NAVY RELIED ON OFFBASE HOUSING TO MEET ITS FAMILY HOUSING NEEDS AT BANGOR.

WHAT IS THE COST TO THE GOVERNMENT OF
CONSTRUCTING FAMILY HOUSING ON BASE
COMPARED WITH THE COST OF PAYING BASIC
ALLOWANCE FOR QUARTERS TO MILITARY
FAMILIES LIVING IN THE COMMUNITY?

WE ESTIMATE THAT, OVER THE ESTIMATED USEFUL LIFE OF GOVERNMENT-OWNED HOUSING UNITS (45 YEARS), IT WOULD COST THE GOVERNMENT ABOUT \$51,568 PER UNIT MORE TO PROVIDE HOUSING ON BASE THAN TO PAY BASIC ALLOWANCE FOR QUARTERS. ON THIS BASIS, WE ESTIMATE THAT THE GOVERNMENT WOULD SAVE ABOUT \$26.8 MILLION IF THE 520 ONBASE HOUSING UNITS ARE NOT CONSTRUCTED.

WHAT IS THE EFFECT ON COMMUNITY
ASSISTANCE FUNDING IF THE NAVY
RELIED ON OFFBASE HOUSING?

PLANS FOR COMMUNITY DEVELOPMENT HAVE BEEN BASED ON NAVY PLANS TO EVENTUALLY CONSTRUCT 1,400 HOUSING UNITS ON BASE. SINCE 642 OF THESE ONBASE HOUSING UNITS HAVE BEEN BUILT OR ARE UNDER CONSTRUCTION, COMMUNITY OFFICIALS SAID THE EFFECT ON COMMUNITY ASSISTANCE FUNDING IF THE REMAINING 758 FAMILIES WERE HOUSED IN THE COMMUNITY COULD NOT BE ANALYZED WITH ANY CONFIDENCE. HOWEVER, BASED ON UNVERIFIED DATA PROVIDED BY KITSAP COUNTY OFFICIALS, ABOUT \$2.2 TO \$6.2 MILLION WOULD BE REQUIRED FOR ROADS, PARKS, LIBRARIES, AND OTHER COMMUNITY SERVICES IF THESE 758 ONBASE UNITS ARE NOT CONSTRUCTED.

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IN SUMMARY, MR. CHAIRMAN, WE BELIEVE THAT THE COMMUNITY SHOULD BE GIVEN EVERY OPPORTUNITY TO PROVIDE THE NECESSARY HOUSING FOR MILITARY FAMILIES. PRESENT CONDITIONS INDICATE THAT MOST FAMILIES WILL BE ABLE TO AFFORD TO LIVE OFF BASE AND SUFFICIENT ONBASE HOUSING UNITS ARE ALREADY UNDER CONSTRUCTION TO MORE THAN MEET ONBASE FAMILY HOUSING NEEDS. HOWEVER, PRESENT NAVY POLICY FOR ASSIGNING ONBASE HOUSING WILL NOT EFFECTIVELY UTILIZE THIS HOUSING. IF ONBASE HOUSING IS ASSIGNED TO MILITARY FAMILIES BASED ON NEED, ADDITIONAL HOUSING UNITS WILL NOT BE REQUIRED.

WE ARE RECOMMENDING, THEREFORE, THAT THE SECRETARY OF DEFENSE:

--CANCEL CONSTRUCTION PLANS FOR THE 520 ADDITIONAL
HOUSING UNITS.

--ANNUALLY ASSESS THE NEED FOR ONBASE HOUSING AT
TRIDENT USING THE PROCEDURES DISCUSSED IN OUR REPORT.

--DIRECT THE NAVY TO GIVE PRIORITY IN ASSIGNING ONBASE
HOUSING AT TRIDENT TO LOWER-GRADED ELIGIBLE PERSONNEL.

MR. CHAIRMAN, THIS COMPLETES MY PREPARED STATEMENT. WE
WILL BE HAPPY TO RESPOND TO YOUR QUESTIONS.