

DEPARTMENT OF DEFENSE
MILITARY UNACCOMPANIED HOUSING IMPROVEMENT FUND
Fiscal Year (FY) 2018 Budget Estimate

The FY 2018 Department of Defense (DoD) Military Unaccompanied Housing Improvement Fund (MUHIF) Administrative (Admin) request is \$623,000 to support administration of the Military Housing Privatization Initiative (MHPI) Program as prescribed by the Federal Credit Reform Act of 1990.

APPROPRIATION LANGUAGE

For the Department of Defense Military Unaccompanied Housing Improvement Fund, \$623,000 to remain available until expended, for unaccompanied housing initiatives undertaken pursuant to section 2883 of Title 10, United States Code, providing alternative means of acquiring and improving military unaccompanied housing.

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PROGRAM SUMMARY
(Dollars in Thousands)

	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>
Total Program/Appropriation	0	0	623

Program and Scope

Department of Defense (DoD) has privatized select unaccompanied housing units and temporary lodging (i.e., hotel) rooms on military installations in the United States under the Military Housing Privatization Initiative (MHPI), a federal credit program authorized by Congress in 1996, entering legal agreements that transferred ownership, maintenance, and operations of these housing assets to private partners/developers via long-term (typically 45 to 50-year) ground leases.

Military Unaccompanied Housing Improvement Funds (MUHIF) will be used to accomplish oversight, assessment, and administration of current and future unaccompanied housing and lodging privatized under the MHPI, consistent with OMB Circular A-129, Policies for Federal Credit Programs and Non-Tax Receivables. In particular, the requested funds are necessary for Office of the Assistant Secretary of Defense (OASD) Energy, Installations & Environment's (EI&E) realty advisory consultant support, which is vital for protecting the Government's interest in the MHPI program, including the quality unaccompanied housing it affords military members.

Program Summary

Congress authorized the MHPI in 1996 as a tool to help the DoD address the inadequate condition of on-base housing in the United States, as well as the shortage of quality, affordable community housing available to service members and their families. Under the MHPI authorities, the Military Departments select private developers to enter into agreements to own, maintain and operate housing via a long-term (typically 45 to 50-year) ground lease; and leverage private sector financing, expertise and innovation to revitalize and build new, quality on-base housing faster and more efficiently than traditional Military Construction processes could allow. Privatized housing deals take advantage of MHPI credit authorities (e.g., Federal direct loans, limited loan guarantees), necessitating continued and long-term DoD oversight and monitoring of the financial health (e.g., risk of loan default or financial restructuring) of each of the MHPI deals, to include periodic modifications dependent on military force structure and local housing market changes.

The FY 2018 MUHIF budget request will fund realty advisory/financial consultant support specific to privatized unaccompanied housing/lodging, with focus on financial and accounting support related to Government oversight, including programmatic review and assessment of the financial health of the unaccompanied housing/lodging assets/projects included in MHPI deals (e.g., deal debt structures frequently involve the bond market and credit swaps).

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OP-5 Reconciliation of Increases and Decreases

DoD’s privatization of unaccompanied housing and lodging under the Military Housing Privatization Initiative (MHPI) did not require Government cash equity or utilization of MHPI credit authorities (e.g., Federal direct loans, limited loan guarantees); therefore, DoD has not submitted a budget request for Military Unaccompanied Housing Improvement Funds (MUHIF) in prior years. However, recent changes in the military’s Basic Allowance for Housing (adding a member cost-sharing element), increased Congressional interest in the MHPI, and anticipated review by the General Accountability Office necessitate greater DoD programmatic oversight of privatized unaccompanied housing and lodging. With no prior year balances, FY 2018 MUHIF funding of \$623,000 is needed to cover the costs associated with realty advisory, financial and accounting consultant support necessary for DoD oversight, consistent with OMB Circulars A-11 and A-129, including programmatic review and assessment of the financial health of the unaccompanied housing/lodging assets/projects included in MHPI deals.

	<u>(\$000)</u>
1. FY 2017 President’s Budget Request	0
2. FY 2017 Appropriated Amount	0
3. FY 2017 Current Estimate	0
4. Price Growth:	0
5. Program Increase:	623
Administrative expenses in support of privatized unaccompanied housing	
6. FY 2018 Budget Request	623