

APARTMENTS WE LIVE HERE

MILITARY HOUSING ALLOWANCES

NMHC/NAA VIEWPOINT

As the Department of Defense (DoD) addresses budget options, NMHC/NAA oppose any changes to the Basic Allowance for Housing (BAH) that would undermine the long-term stability of the Military Housing Privatization program. We encourage DoD to be transparent in their analysis of changes to the BAH and engage private-sector stakeholders throughout the process.

AS OF 2012, 193,000 MILITARY FAMILY HOUSING UNITS WERE PRIVATIZED, COMPARED WITH 53,000 GOVERNMENT-OWNED UNITS.

Since 1996, the apartment industry and the Department of Defense (DoD) have successfully partnered to fulfill the armed services' housing needs through the Military Housing Privatization Initiative (MHPI). The program was created to address severe deficiencies in and shortages of military housing. Today the program leverages private market forces to provide high-quality, affordable homes to military families.

The Basic Allowance for Housing (BAH) is a critical component of the MHPI. It is provided to service members to pay for housing when government housing is not provided and is pegged to local market rents and other personnel factors. Service members can use their BAH for privatized military housing, off-base rental housing or to purchase a house.

As a result of sequestration, DoD is considering changes to the BAH that would increase the out-of-pocket housing expenses for nearly one million troops. Under one scenario, service members would see an across-the-board reduction in BAH of anywhere from five to 15 percent. However, even a more measured approach involving a period of flat BAH rates could seriously impact service members and housing providers alike.

In privatized military housing projects, rents cannot exceed the BAH rate. Reducing or stagnating the BAH would result in a revenue loss that would undermine the financial and business assumptions private housing providers used to warrant participating in the MHPI program. Revenue reductions could force some firms to scale back property services and amenities and can deplete the reserve accounts used to pay for maintenance and property improvements, threaten a property's ability to meet debt service obligations and jeopardize future recapitalization efforts.

The impact will be felt far beyond the MHPI program, though. Two-thirds of military personnel live off-base in private communities. BAH reductions will increase demand for limited on-base housing or drive service members farther from installations in search of lower-cost housing. Changes to the BAH can damage the local economy itself given that ongoing apartment operations and maintenance support considerable spending and job creation in those communities. Moreover, spending by apartment residents powers local economies, with roughly 70 percent of dollars spent staying in the immediate community.

Learn more at nmhc.org and naahq.org

