

**Government
Business
Council**

Upgrading “Private” Property

Providing Improved Housing for Service members and their Families

GORDIAN®

The Big Issue:

Many aging homes inhabited by military members and their families are in dire need of repair or replacement. Some service members and families living in military housing across the country have reported dealing with substandard living conditions, including mold, lead paint, faulty wiring, poor water quality, and pestilence. In response, military leadership is investing billions of dollars to improve the quality of existing housing and provide safe and well maintained housing for service members and their families.

Why it Matters:

Around one-third of US military families, or roughly 700,000 people, live in privatized housing across more than 100 federal military bases.¹ Moreover, rental housing off-base can often be scarce and costly, and deployments can limit options for military families. Providing a safe and dignified standard of living to all those in military accommodation is a critical goal for the US military.

Fast Facts:

1996

The Defense Department began privatizing its military housing in 1996.²

roughly
1/3

Roughly 1/3 of military families live in military housing built by the private sector.³

more than
55%

According to a 2019 survey, over 55% of respondents had a negative or very negative experience with privatized military housing.⁴

\$3
billion

The Army plans to spend \$3 billion to improve housing over the next five years.⁵

Background:

In 1996, Congress established the Military Housing Privatization Initiative (MHP) as a tool to help the military improve housing conditions for service members and their families. This privatization of military housing was designed to attract private sector financing, expertise, and innovation that would provide necessary housing faster and more efficiently than traditional military construction processes would allow.⁶ This is the basis for the DoD's long-standing policy of relying primarily on the private sector for its housing.⁷ According to the DoD, roughly 63% of military families live in military housing.⁸

Issues



Poor conditions

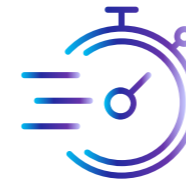
A survey fielded in January 2019 by the nonpartisan Military Family Advisory Network found that just 16% of its nearly 17,000 respondents had a positive view of their base housing and over 55% had a negative one.⁹ Some families reported unsafe conditions including lead-based paint, rampant mold, exposed asbestos, faulty electrical wiring, vermin infestations, and gas leaks.



A massive undertaking

According to the DoD, around 43% of its base housing, or 58,000 units, are old and in need of extensive repair.¹⁰ The DoD would traditionally address the need for housing improvements through its military construction (MILCON) program. However, the DoD notes that, using MILCON practices and funding, it would need 30 years and \$20 billion dollars to complete the required renovations and improvements.¹¹ As a result,

Congress established the MHPI which allowed developers to bid in an open competition to operate and maintain housing communities at more than 150 military installations while the DoD maintained ownership of the land of each property.¹²



Project agility

The roughly \$20 billion housing maintenance backlog provides clear evidence that families living in military housing require rapid solutions. Furthermore, the DoD notes that there is not enough family housing on every installation, and acknowledges concerns over long wait times faced by some military members when moving.¹³ In a December 2019 hearing of the Senate Armed Services Committee to address the housing issue, there was bipartisan concern regarding the slow progress.¹⁴

Solutions

1

Military spending plan

To address the aforementioned housing issues, the DoD is planning significant investments. The Army alone is expected to set aside nearly \$3 billion to improve housing over the next five years.¹⁵ According to the acting Assistant Secretary of the Army for Installations, Energy and Environment, J. E. Surash, the Army has already invested \$2.1 billion toward the construction, restoration, and modernization of barracks over the past three years.¹⁶ In January, 2021, the Army approved a financing arrangement to deliver \$1.1 billion in new funding to renovate and replace homes across six bases (Fort Hood, Texas; Fort Campbell, Kentucky; Fort Knox, Kentucky; Fort Wainwright, Alaska; Fort Drum, New York; and various properties in Hawaii)¹⁷. Additionally, the Army has reportedly allocated \$10 billion to improve Active, Guard and Reserve barracks facilities over the next decade and intends to eliminate poor and failing barracks by 2036.¹⁸

“This additional investment will go a long way in improving the quality of homes for soldiers and their families.”

- General Ed Daly, head of Army Materiel Command

Solutions

2

Building resilient homes

Whether maintaining, renovating, or rebuilding military housing, producing more resilient housing is essential. Companies in the private sector often sign 50-year lease agreements with the government to build military housing, so ensuring these homes can withstand the impacts of natural disasters and weathering is imperative to their longevity.

3

Sustainment, Restoration and Modernization Funding

The Facilities Sustainment, Restoration and Modernization (SRM) program provides funds to keep the DoD's inventory of facilities in good working order (i.e., day to day maintenance requirements). In addition, it provides resources to restore facilities whose age is excessive or have been damaged by fire, accident, or natural disasters and alterations of facilities to implement new or higher standards to accommodate new functions or missions.¹⁹



Solutions

4

Addressing the backlog

Indefinite delivery, indefinite quantity (IDIQ) contracts have been used by the US Armed Forces as a standard form of construction procurement for nearly a half century. IDIQ contracts deliver both flexibility and cost savings by allowing owners to complete an unlimited number of construction projects under a single, longstanding contract rather than needing to take each individual project to bid.²⁰ There are several types of IDIQ contracts, but one particularly effective method is Job Order Contracting (JOC). A JOC is a contract for a fixed term or maximum dollar value, whichever occurs first, in which a contractor is selected based on a competitive bid to perform various separate job orders in the future, during the life of the contract.²¹ With the DoD's significant backlog of housing issues, JOC is especially beneficial given that it allows for expedited maintenance and repair while staying within budget.

Use Case

US Army Garrison Fort Riley used Job Order Contracting to reroute storm sewers around a historic post cemetery. The original estimate for the project was \$5 million and would have included taking the project out to bid. By using the JOC program, the total project cost was less than \$700,000, providing Fort Riley with the desired results at \$4 million under budget.²²

Industry Perspective



While serving as USACE's Chief Engineer for NATO operations in Europe, Gordian's founder, Harry Mellon, co-created the Job Order Contracting method. By establishing a preset Unit Price Book for construction tasks, equipment and materials, JOC enabled NATO to gain streamlined access to contractor support for a variety of small- to medium-sized projects without having to bid each one separately.

Upon returning stateside, Mr. Mellon established Gordian to bring the benefits of JOC to domestic federal, state and local entities. Now 30 years later, Gordian, manages hundreds of JOC programs of various sizes, ranging from single-site to enterprise level. Combined, these programs complete \$2.6 billion of construction work across public and private sectors annually.

Studies have found JOC to increase the likelihood of projects finishing on budget and on schedule, making it ideal for maximizing SRM budgets and completing timely or emergency repairs without cost overruns.²³ JOC has also been shown to notably improve the owner-contractor relationship, due to the reduction of change order negotiations and high focus on early contractor

involvement.²⁴ And because JOC leverages the services of local, highly qualified contractors, it enables federal agencies to provide work to small businesses, 8(a) firms, and MWDBEs.

Gordian manages all JOC programs according to a proven set of best practices²⁵ that amplify the benefits of JOC's innovative methodology. Supported by secure, cloud-based software that meets federal requirements and decades of experience partnering with federal and DOD groups, Gordian's JOC solution is a powerful tool to add to your procurement toolbox.





Final Considerations

The Department of Defense is already well aware of the immediate challenge and has set aside the appropriate funding. Now, the remaining task is to address the housing improvements and take swift action in restoring, rebuilding, and maintaining housing that is resilient enough to withstand the test of time. Choosing the right private sector partner, taking a more proactive stance when addressing housing concerns, and ensuring more cognizant oversight of housing conditions are all essential for the DoD to provide better, more resilient homes for our nation's service members and their families.

Government Business Council

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About Gordian:

Gordian is the leader in facility and construction cost data, software and services for all phases of the building lifecycle. A pioneer of Job Order Contracting, Gordian's solutions also include proprietary RSMeans data and Facility Intelligence Solutions. From planning to design, procurement, construction and operations, Gordian's solutions help clients maximize efficiency, optimize cost savings and increase building quality.

Learn More at: https://www.gordian.com/?utm_medium=social&utm_source=linkedin

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