

NOT FOR PUBLICATION UNTIL RELEASED BY
THE HOUSE ARMED SERVICES COMMITTEE
SUBCOMMITTEE ON READINESS

STATEMENT OF

THE HONORABLE THOMAS B. MODLY,
UNDER SECRETARY OF THE NAVY

APRIL 4, 2019

BEFORE THE HOUSE ARMED SERVICES COMMITTEE
SUBCOMMITTEE ON READINESS

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Chairman Garamendi, Ranking Member Lamborn, distinguished members of the readiness subcommittee, thank you for the opportunity to testify on the actions we are taking to improve the Department of the Navy's privatized housing. Before I detail the specific actions we have taken, and continue to take to address deficiencies in the management of our PPV housing projects across the Navy and Marine Corps, I think it is important for me to express on behalf of the Department of the Navy that we are both disappointed and embarrassed by the information that has emerged in the last several months. It is particularly difficult for us to learn of these issues because as an institution we love our Sailors and Marines, their families and we take our obligations to them seriously. More significantly, we ask a tremendous amount from them in terms of sacrifice in service to the nation and so to learn that in certain instances we have not lived up to our commitments to provide them with quality, safe housing has been alarming. We are committed to fixing this problem so that our people are provided the housing they deserve, and so to that they can focus on the important jobs we ask them to do. In fact, it was largely this motivation that drove the Department, with the support of Congress, to develop the PPV housing initiative in the first place. The overall objective was to improve housing for our servicemembers, not degrade it. Across the entire program, and taken as a whole, this objective has been largely accomplished as we have registered significantly higher average satisfaction scores from our tenants under PPV than we experienced when the Services managed housing themselves. In fact, our average satisfaction score of 84, using the same survey method and criteria we used prior to the PPV has been consistently 10-15 points higher than it was before the PPV initiative went into effect. That being said, we are still discovering that despite this higher average score several thousand tenants were unsatisfied, and on a project of this scale and importance, this is an unacceptably high number and one that that is simply not good enough

for the Department of the Navy. As a result, in response to the concerns regarding this program, the Navy and Marine Corps are comprehensively reviewing the business systems, reporting mechanisms and oversight procedures governing the way housing maintenance issues are reported, remediated and verified in privatized housing. I have also directed the Naval Audit Service to perform a comprehensive review of the PPV program and report back to me within 90 days. The objective of this audit is to not only look backwards, but to provide insight into how we can better understand and assign accountability across the program.

In late February, the Chief of Naval Operations and the Commandant of the Marine Corps directed unit level leadership personal contact with every Sailor and Marine who lives in a PPV housing unit. The purpose being to: (1) to raise command awareness of family living conditions to ensure that they are safe, secure and environmentally healthy; (2) to personally observe any issues affecting the home and to understand any actions being taken to address them; and (3) if a problem is found, to help service members and their families resolve the problem and ensure that all families are aware of the help and resources available to them. Both the Navy and Marine Corps are also extending their inquiries to better understand how all Sailors and Marines feel about their current housing situations, whether they be in PPV, government run, or rental properties on the private economy.

As of March 5th the Navy has made 100% contact with all 44,522 tenants living in a Navy PPV or government run family housing project. Of those 44,522 contacts 2,179 identified an issue with their housing that required attention. Of those 2,179 tenants, only 825 requested a personal visit by the command to help remediate the problem, or problems. To date, the Navy has completed 346 of these visits. With respect to the Marine Corps, as of March 29 they had made contact with 58,731, or 76% of the 76,706 Marines living in either a PPV, government run, or

private rental housing unit. Of those 58,731 personnel, 7,685, or 13%, had a follow on phone call or a home visit. The Marine Corps expects to reach 100% contact by April 15th.

These ongoing reviews and discussions with tenants have revealed several systemic issues. Most significantly, it appears as though the burden for reporting and escalating a housing issue often falls on the service member, sometimes requiring multiple calls to achieve a satisfactory response. Once the need for corrective action has been established, the contractors hired by our private partners have too often failed to live up to their obligations to conduct satisfactory repairs in a timely manner. The Department of the Navy has too often failed to effectively exert the oversight needed to identify and correct isolated issues before they become systemic.

With respect to the nature of the complaints, many of them were based on repeated instances of poor customer service where problems were identified and then never corrected in a timely or professional manner and required multiple follow up visits and calls that still failed to remedy the original problem. These complaints were particularly distressing for the tenants when the problem related to issues of health and safety, such as moisture, mold, rodents, and electrical hazards. In response to these concerns, and in addition to the concerted effort to contact 100% of Sailors and Marines who are impacted by this issue, we are taking steps to address immediate problems as well as adjust our business processes to permanently correct systemic issues.

To date, the Navy has conducted 71 town halls to learn more about the state of affairs at each housing project and to better understand specific problems that need attention. It is also

streamlining its reporting process so that no Sailor has to exceed two calls before achieving resolution. The first call should be to the housing company, and the second, if necessary, to their chain of command, which will be required to advocate on their behalf with the government base housing office, base leadership, and Commander Naval Installation Command (CNIC) to ensure resolution. Simultaneously, families will continue to have an open channel to the base housing office.

Additional systemic improvements that are being implemented include the following:

- Privatized Housing Crisis Action Teams have been established at the Installations Command headquarters, as well as at each Regional Command to respond with greater urgency to housing complaints.
- Comprehensive reviews of all reporting mechanisms and oversight procedures that govern how discrepancies are reported, remediated and verified through our Public-Private Venture partners are in progress. Additionally, we are working with PPV partners to better address reporting, tracking, rating and resolution, to include the integration of mobile technology that not only allows tenants to contact and track their service requests, but also provides Navy and Marine Corps leadership with real time data about issues and trends.
- Weekly assessments will be conducted by Regional Housing Directors to provide comprehensive oversight and quality control on work orders, including database systems to track work orders and spot checks of individual work orders to ensure quality repairs.
- Increased outreach is being implemented in the form of periodic letters to include a more active social media present communications to all families in PPV housing.

- Regularly scheduled open forums on housing issues will be sponsored by the installations and will be delivered by the local base commanders with the authority to address issues that may arise.
- The out of cycle independent Resident Satisfaction Survey is being updated with specific questions added to ensure resident concerns have been captured fully.
- Quarterly meetings will be established with PPV CEOs and the Service Secretaries to address and monitor the satisfactory delivery of housing for our Sailors and Marines.

The Marine Corps is taking several of the same steps as listed above. Additionally, Marine Corps Commanders are using the Marine Housing Outreach program to increase their awareness and better advocate for military families. Commanders are leveraging appointed service member advocates and the base housing office to streamline communication with providers. Both Commanders and appointed advocates are ensuring effective oversight and remediation is in place, operating with the full authority and support of the chain of command.

We will also evaluate the existing business agreements with our Privatized Housing Partners to incentivize responsiveness, quality control, field management oversight and customer service to ensure that resident safety and satisfaction is improved measurably, and substantially. We are ensuring base officials are aware of the leverage they have to hold PPV partners accountable, including the adjustment of incentive fees, the authority to issue cure notices, and ultimately, the ability to replace the property management company if necessary. We are also developing ways to leverage mobile technology, upgrade our database systems, and improve tenant advocacy through the chain-of-command.

Finally, we are reaffirming that our PPV partners must remain an important component of the housing solutions offered to military families. Our agreements with them are designed as a partnership and not a traditional outsourced contractor relationship. We are also ensuring our military leaders understand that we have not “outsourced” their responsibility to be advocates for our service members who reside in PPV housing. It is an essential function of commanders and small-unit leaders to be engaged in the well-being of Sailors and Marines and their families.

Commanders have a moral obligation to their Sailors and Marines, one that can have a profound impact on readiness. It is important that they understand that the PPV structure is a partnership in which their share of the responsibility of that partnership is to be an advocate for the tenants who the partnership serves. We cannot allow ourselves to take our eyes off the ball on this critical responsibility again, and we are taking every possible step to ensure that we don’t. I can assure you the Department of the Navy is “all hands on deck” in getting after this problem.

Thank you for your engagement and interest in this issue. We look forward to working with you to improve our privatized housing so that it meets both the expectations of our Sailors and Marines and achieves what it was intended to deliver.