

## WRITTEN STATEMENT

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Before the Subcommittees on Readiness and Military Personnel of the House Armed Services Committee

Hearing on “Privatized Military Family Housing: Update on implementation of Housing Reforms”

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### I. INTRODUCTION

I thank you for the opportunity to testify before you and provide an update on Balfour Beatty Communities’ implementation of the housing reforms included in the National Defense Authorization Act for Fiscal Years 2020 and 2021. We share your commitment to supporting the safety, health and wellbeing of our service members and their families as part of the Military Housing Privatization Initiative (MHPI) and welcome your oversight to ensure we continue to deliver the highest level of service.

I also appreciate the opportunity to provide a comprehensive update on the status of our MHPI projects and ongoing efforts to make improvements to the quality of the homes, the services we provide and the resident experience for the long-term.

We work hard to maintain vibrant, diverse and active communities for our men and women in uniform and their families. We recognize that these communities are central to the quality of life for our service members, and we do not take that lightly. We value the continued partnership with Congress and the Department of Defense, and remain focused on our common goal of enhancing the housing experience for service members and their families.

### II. SERVING THOSE WHO SERVE

Balfour Beatty Communities is a diversified real estate services company focused on the acquisition, management and renovation of residential assets in the military, multifamily and student housing sectors. The Balfour Beatty Communities team has been a leader in the U.S. residential real estate market for more than 20 years. Today, we are responsible for housing operations at 55 Air Force, Army and Navy installations in 26 states, encompassing more than 43,000 military homes and 150,000 residents. Through these projects, we have partnered with the Department of Defense (DOD) to oversee the construction of more than 15,000 new military homes and the renovation of more than 14,000 legacy military homes. This portfolio also includes nearly 1,000 homes that qualify as historic properties.

As one of the earliest partners in the MHPI, we consider it an honor and privilege to serve those who serve our country. From the delivery of new and renovated housing to the provision of responsive property management and maintenance support, we work to create thriving communities that fully support the diverse and evolving housing needs of our service members and their families. We also pride ourselves on delivering dynamic resident events, community gathering spaces, playgrounds, parks and other amenities for our residents.

### III. DELIVERING MEASURABLE, SUSTAINED IMPROVEMENT

Two years ago, we conducted a comprehensive review of our business and restructured and optimized every aspect of our operations, ultimately transforming the way in which we run our privatized military housing program. Over the past two years, we have recommitted ourselves to providing residents with safe, quality homes supported by superior customer service and prompt, effective maintenance support.

Our team has focused on improving maintenance services and operations, strengthening quality assurance and compliance, developing enhanced environmental-related policies and procedures, including for mold/moisture issues, and delivering the highest level of responsive customer service to residents. The following is a high-level overview of the steps we have taken to date.

- Realigned our leadership structure to ensure we better align technical and customer service responsibilities and improve oversight.
- Invested in an enhanced property performance management system (Microsoft Power BI) to better track key metrics and generate reporting for internal and external stakeholders; and strengthened coordination with local installation command and housing partners, including more frequent reporting on metrics and resident relations.
- Implemented a more robust preventive maintenance program that includes quarterly visits to each home, allowing our teams to identify any emerging issues in a timely manner, perform basic maintenance tasks, and ensure all systems and home features are working properly.
- Engaged a national HVAC specialty company (Motili) to manage and maintain the HVAC systems in all homes across our military portfolio, including rigorous preventive maintenance and, as-needed, repairs and replacements.
- Increased transparency in the work order process by launching the RENTCafe mobile app for the real-time submission and tracking of work orders and access to work order data.
- Amended work order closeout process to include resident sign-off indicating that the work was completed to their satisfaction; and currently rolling out an enhancement to allow residents to perform their work order closeout via text message.
- Increased our maintenance staff and added new roles dedicated to quality assurance and control, environmental management and resident engagement; and retained additional third-party contractors for specialty services like mold and moisture remediation.
- Appointed a head of training and development and added significant employee training resources; and developed and implemented an enhanced training program focused on

understanding and compliance with all policies and procedures, and strengthening customer service skills.

- Increased transparency and communication with residents through the launch of an online Resident Portal, monthly newsletters, quarterly 'town hall' meetings with military partners, and ongoing email.

#### IV. IMPLEMENTATION of NDAA HOUSING REFORMS

Balfour Beatty Communities continues to fully support the implementation of the Department of Defense's MHPI Tenant Bill of Rights. We remain committed to ensuring service members and their families have access to safe, quality, and well-maintained homes, along with fair treatment.

The majority of the rights where we have a responsibility to deliver were either already established and offered to residents prior to the development of the Bill of Rights or have been implemented soon after its inception.

We continue to work in coordination with the Services toward implementing the outstanding rights and completing the actions necessary to administer those rights within our military housing project legal documents. This includes our adoption of the Department of Defense's Universal Lease that, subject to lender consent, will be used across all of our military housing installations, and embeds a process for dispute resolution available to residents and procedures that allow residents to withhold rent until disputes are resolved.

To date, we have already initiated the seven-year maintenance history process at a number of our sites through a pilot program until the Universal Lease is finalized with the Services and our project lenders.

We are also actively working on the final stages of the Universal Lease implementation, which includes the development of state specific addenda for each project location that ensure compliance with local landlord/tenant laws and negotiating with lenders on agreed procedures for rent withholding under our project financing agreements. In partnership with the Department of Defense, we are committed to initiating use of the Universal Lease within our military housing portfolio by June 1, 2021. In the interim, we are awaiting formal guidance from the Services regarding the dispute resolution policies and procedures that will be followed and administered by each installation Military Housing Office.

#### V. NAVIGATING COVID-19

In these unprecedented times, we are even more dedicated to our commitment to delivering exceptional living through exceptional customer service. Throughout the COVID-19 pandemic, our on-site teams have provided uninterrupted service to our residents. From leasing activities and maintenance support to ongoing renovation and improvement projects, our employees have reported to work every day to deliver on our promises.

The health and safety of residents, employees and contractors is our top priority, and this has guided our response since the beginning of the pandemic. From the outset, our teams acted quickly to implement state and local orders and directives from the Department of Defense. As part of our safety

protocols, we require employees to perform a daily health screening certification, require the wearing of masks and social distancing by everyone on our work sites and community amenity spaces, and have implemented enhanced cleaning procedures for our offices and any areas where we undertake work in residents' homes.

During the temporary halt of military reassignments, Balfour Beatty Communities worked directly with the Department of Defense and military housing partners to determine how to best support service members who were impacted. For current residents, we extended leases that were due to terminate if requested by the family. For non-residents, we used our vacant homes to accommodate service members and provided short-term leases for those who needed a place to stay. Our goal was to ensure all military families at our installations were accommodated.

We adapted our ways of working and emphasized the use of online resources to continue serving our residents, including our online Resident Portal which residents can use to complete many tasks, including initiating work orders and accessing community information. Once the halt to military reassignments was lifted, we implemented virtual tours of our homes for prospective residents and contactless options for resident move-in and move-out procedures to limit in-person contact between residents and Balfour Beatty Communities employees. To keep our communities engaged, we shifted our LifeWorks@BalfourBeattyCommunities® resident activities and events to a virtual format across our properties.

## VI. CREATING MORE RESILIENT, SUSTAINABLE COMMUNITIES

Balfour Beatty Communities is strongly committed to advancing the Department of Defense's energy security goals by increasing the sustainability and improving the energy performance of military housing communities. Working with the Service branches, we are leveraging the latest technologies and practices to further the Office of the Assistant Secretary of Defense for Sustainment's goals to ensure mission assurance for our soldiers, reduce energy costs, and improve the energy resilience of domestic military installations.

We have deployed a variety of strategies and programs to increase the sustainability and improve the energy performance of our military housing, including making homes more energy efficient, investing in renewable energy solutions, and following sustainable construction practices. We believe these endeavors help to strengthen our communities and better position them to be part of our military installations of the future.

### Solar Energy Initiatives

Balfour Beatty Communities has partnered with the Army, Navy, and Air Force on rooftop solar programs that are critical to achieving the Department of Defense's energy security goals.

Adding solar capacity to military neighborhoods also benefits the long-term financial health of military housing projects by lowering utility costs. Those utility cost savings are then invested back into the communities to make improvements to housing and enhancements to neighborhood amenities. The energy initiatives achieved through our MHPI projects are improving the quality of life for military families while making installations more energy efficient.

To date, we have worked with our solar partners to install more than 39 megawatts of solar across our military housing portfolio, offsetting on average 25% of each community's energy consumption.

### Energy Efficiency Investments & Strategies

Balfour Beatty Communities also has invested in energy efficient systems and environmentally sensitive construction practices to reduce the demand for energy on base. As part of the construction, renovation and ongoing maintenance of our military homes, we are installing upgraded, energy efficient appliances and systems, including water heaters, furnaces, air conditioning units, lighting and plumbing fixtures.

This past November, our Fort Eustis/Fort Story project executed a \$12.2 million contract to improve the energy performance of more than 1,000 privatized Army homes in Virginia. This innovative project will deliver turnkey energy efficiency improvements through a self-funding Energy Savings Performance Contract (ESPC). Upgrades will include new, highly-efficient HVAC systems equipped with modern thermostats and humidity-sensing bathroom exhaust fan switches, which will make the homes more comfortable to live in, reduce mechanical outages, and standardize equipment across the portfolio which will reduce operating and maintenance costs. The project will also improve the homes with weatherization sealing and provide comprehensive water efficiency and energy upgrades through domestic water retrofits and LED lighting technology. We are currently working with the Services to implement similar ESPCs at several additional military housing locations in the coming months.

In addition to these energy saving methods, we work to employ environmentally responsible building methods during construction and renovation. Some of these methods include: recycling demolition materials to limit landfill use, re-purposing certain materials onsite such as concrete debris to reduce trucking/haul off impacts, constructing bio-swale and retention systems to filter and protect watersheds, and utilizing building materials with a high percentage of recycled or sustainable content to reduce overall carbon footprint.

### Housing Improvements

We are constantly evaluating the financial resources available to our projects that are necessary to fund housing improvements. This is especially the case for older legacy units that were not programmed for replacement. To design housing for the military family of the future, however, we are collaborating with the Services and our financial advisors on ways to maximize project income streams.

Currently, we are engaged in ongoing efforts with the Army to evaluate a potential refinancing of certain of our military housing projects. Proceeds from any such refinancing of projects would be used toward continued demolition of older housing and replacement with new construction homes, as well as for renovations of other homes across a number of Army bases.

To date, Balfour Beatty has developed several innovative ways to financially support our projects. Examples of this include issuing licensing unused land within our projects to cell tower operators and solar providers to construct ground mounted solar arrays.

We also continuously look at opportunities to raise additional financing for our projects – whether through project refinancing in the form of follow-on equity or debt issuances or securitization structures.

We recognize the financial challenges our MHPI projects face to stay within budget while meeting the expectations of today's military families. But we remain 100% aligned with our partners in the collective desire to provide the type of housing our military families need and deserve.

## VII. LONG-TERM VIABILITY of MHPI

We remain committed to the long-term viability of the MHPI program. We believe that these public-private partnerships are the most effective way to provide the highest quality standard of life in housing for service members and their families. The significant risk that the Department of Defense has taken in prioritizing its infrastructure should highlight the benefits of MHPI. But the costs associated with the response to COVID-19, implementation of major program reforms, and the increasing unpredictability of Basic Allowance for Housing (BAH) funding, pose challenges for a number of projects.

We believe that open communication and transparency with all MHPI stakeholders—residents, the Department of Defense, the Services, Congress and program lenders—is key to continuing to improve and strengthen the MHPI program. Balfour Beatty Communities has worked diligently over the past two years to meet regularly with each of these stakeholders, including members of this committee and your professional staff, to share updates on our progress. We remain committed to sustaining these efforts and continuing to work with residents, military housing advocates and our partners in the Congress and the Department of Defense to address this challenge and seek creative ways to address the long-term viability of the MHPI program.

Again, we appreciate the opportunity to testify today and to continue serving our men and women in uniform and their families.