

**HEARING BEFORE THE UNITED STATES HOUSE
COMMITTEE ON APPROPRIATIONS
SUBCOMMITTEE ON MILITARY CONSTRUCTION, VETERANS AFFAIRS, AND
RELATED AGENCIES**

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I. Introduction

Chairwoman Wasserman Schultz, Ranking Member Carter, and distinguished members of the House Appropriations Subcommittee on Military Construction, Veterans Affairs, and Related Agencies: Good morning, and thank you for the opportunity to discuss housing for military families.

My name is John Ehle, and I am the President of Hunt Military Communities (“Hunt”), the military housing business of Hunt Companies, Inc. I am responsible for overseeing the management, operations, and partner relationships associated with Hunt’s military family housing portfolio.

Hunt strives to provide the best possible housing and living experience for our military families, as outlined in our mission statement: “Hunt Military Communities creates a living experience that ensures the integrity of our military communities for the families who live there.”

We recognize the trust that service members and their loved ones have placed in us, and we take that responsibility very seriously. While we are by no means perfect, and there have been times when our performance has fallen short of our residents’ expectations, we share the Subcommittee’s and our military partners’ dedication to promoting the safety, health, and well-being of America’s service members and their families. We are committed to taking the necessary actions to ensure that our housing communities meet or exceed expectations.

During the Senate Armed Services Joint Subcommittee hearing in February 2019, it became obvious to us that there were families living in privatized military housing whose voices were not being heard. While that was certainly never Hunt’s intention, it was clear that we needed to do much more and much better to prevent even one voice from getting lost in the crowd. Over this last year, we have been fully engaged with our elected representatives, the Department of Defense (“DoD”), our military partners, our peers in the military housing industry, and most importantly, our residents, to make reforms to both the Military Housing Privatization Initiative (“MHPI”) and our own operating practices to improve significantly the living experience for our service members and their families.

I look forward to sharing today how we are doing that.

II. Hunt is Proud to Serve America's Military Families

Hunt is honored to serve those who sacrifice so much for our country. As a company, we have strong and longstanding ties to the military community. Jack Hunt, one of Hunt Company's founders, served as a naval officer from 1942 to 1947 and experienced firsthand life in military family housing while serving abroad. His experience inspired the Hunt Company's first military housing construction project in 1969, long before the MHPI was created. Today, roughly half of our nearly 1,000 Hunt Military Communities employees are military-affiliated, including active-duty spouses, retired military, and those who grew up in a military household.

Since the inception of the MHPI program in 1996, Hunt has proudly partnered with the DoD. We greatly value our longstanding partnerships with the Military Services, and we appreciate the oversight and guidance they provide.

As part of the MHPI program, we have built approximately 15,000 new homes, executed major renovations of another 8,300 homes, and built 83 community centers, in addition to the construction of other community amenities. A total of more than \$5 billion has been invested in the transformation of the communities that comprise Hunt's MHPI portfolio. Since the conclusion of the Initial Development Periods at our projects, we have invested an additional \$180 million in capital improvements across the Hunt portfolio.

Today, we own interests in approximately 52,000 homes on or within close proximity to 49 Air Force, Navy, Marine Corps, and Army installations located in 21 states and the District of Columbia. Out of that number, we manage about 32,000 units across 44 installations and serve more than 165,000 residents.

III. Hunt is Focused on Listening to its Residents and Rebuilding Trust

Following the Senate Armed Services Joint Subcommittee hearing in February 2019, we heard from a number of residents raising concerns of which we were not previously aware. Over the past year, we have been working diligently to rebuild trust, by doing some big things, such as adopting the "Hunt Standard" for resident-initiated service requests and rolling out a mobile application for residents to submit and track work orders in real time. But we have also done the "little" things, in comparison – those actions that receive less attention, but can impact our residents' lives. One example is our "Hunt Heart" program. This program is designed to address the needs of our new residents, deployed spouses, recently returned spouses, those suffering a family crisis, and those who may be in need of information about or access to social services through military or civilian sources. For example, we provide extra maintenance assistance to deployed spouses when requested, such as removing a Christmas tree, mowing a lawn, or hanging a picture. I also know of instances when our employees, on their own accord, have brought a hot meal to a family that has been temporarily displaced because of repairs in their home. We do these seemingly "little" things, because we care, and that is our culture here at Hunt. We want to make our residents' day-to-day lives a little better.

Although we are always looking to improve, this past year has presented itself as a unique opportunity for industry-wide improvement. Twenty-four years into the MHPI program, the

timing is right to update and improve upon what has historically been a highly successful program. Hunt has taken a leadership role in pursuing improvements across the industry, inside our own company, and within our communities, but with the same goal in mind: to serve our military families, and to provide for a vastly improved and more consistent resident experience.

We have been working hard to retool Hunt Military Communities. We have improved our communication processes because we want to make sure that all voices are heard. And while we are proud of the significant progress we have made over the past year, our work is far from done. We hope that our residents are already seeing the benefits of the changes we have made.

A. Our Goal is to Provide Safe and Healthy Homes for Our Residents

First and foremost, our goal is to provide safe, healthy, and quality homes for military families, which is fundamental to the success of our business. To that end, Hunt has reviewed its policies and procedures to, among other things, ensure close adherence to environmental management plans, including mold operations and maintenance plans. These plans address remediation of environment-related housing issues and ensure that such issues are being handled in a consistent manner with appropriate oversight from a corporate level. Hunt has also enhanced and reinforced the training requirements of its maintenance technicians for environmental conditions and, when necessary, deploys licensed and certified third-party environmental experts. Hunt has also added in-house environmental positions to augment support, oversight, and compliance related to addressing environmental matters when they arise in our homes.

Hunt believes it is important to educate its residents on health- and safety-related issues. Upon move-in, we affirmatively provide new residents with health and safety information regarding moisture and mold, lead-based paint, asbestos, radon, and/or pesticides. We have also redesigned for greater visibility and expanded the content of the Hunt Safety Zone, an online library of safety information for residents that is regularly updated with new or seasonally-specific information.

Hunt has recently created a new move-in orientation process for new residents that has been tested at Fort Lee. With that learning, we are enhancing our software platform to schedule and track the new home orientation visits, and we will be implementing the process at three additional communities by the end of March. When the tracking is validated at those four locations, we will then deploy the program throughout the portfolio. The topics covered at orientation include household safety tips, such as how to operate and care for appliances, HVAC equipment, and water/gas/electric systems. Information is also provided on environmental and safety tips, natural disaster preparedness, and how to save energy.

As part of its mission to keep its homes in good condition, Hunt has an extensive inspection and preventative maintenance program at its properties to ensure the homes are meeting applicable standards. However, we recognize that there is no such thing as maintenance-free housing and that issues will inevitably arise that must be remedied. In these instances, we strive to address the situation in a professional, transparent, and timely manner, with a focus on resident safety.

We classify resident-reported issues that pose an immediate danger to life, safety, or health as “emergencies,” and we strive to respond in one hour or less; other work orders are classified as

“urgent” or “routine” with priority-appropriate target response and completion times. If the nature of the repairs require a resident to be out of their home during a repair for a night or more, we will secure temporary accommodations and may provide financial support to ensure that the resident is not paying out-of-pocket during this time. Recognizing that confusion has arisen as a result of inconsistent displacement accommodations, we have actively collaborated with the Army and other project owners to develop an Army-specific Uniform Resident Displacement Policy. We plan to implement that policy across our Air Force and Navy/Marine Corps properties, as well, and we fully support the adoption of that policy by the DoD for all MHPI properties to establish consistency no matter where residents reside, and to avoid confusion and missed expectations.

Hunt also supports a number of other industry-wide uniform initiatives to promote the safety and health of residents with respect to environmental conditions, and to provide for a more consistent living experience across the entire MHPI portfolio, including:

- A uniform approach to health and environmental inspections;
- A uniform moisture and mold program designed in conjunction with licensed and accredited specialists;
- Implementation of a radon testing program in conjunction with the DoD;
- Developing a process to identify, record, and resolve environmental health hazards that is consistent with EPA and DoD standards;
- Conducting annual training for employees on the identification and remediation of environmental hazards; and
- Creating standard operating procedures to inspect and remediate rodent waste in attic spaces.

B. We Want and Need to Hear From All of Our Residents: Improved Communications

Hunt recognizes that quality homes and resident services depend on open and regular communications with residents. We want and need to hear from all of our residents in order to be made aware of issues so we can address them. We also need to make it as easy and comfortable as possible for our residents to communicate with us. To that end, we have made significant improvements to our resident communication processes throughout our portfolio over the last year, including:

- Work Order Mobile Application: We have launched the RENTCafé mobile app for the real-time submission and tracking of routine work orders and to access select historic work order data. The app also encourages convenient communication between on-site Hunt employees and residents by (i) facilitating direct calls or emails to on-site staff; (ii) providing community announcements at sign-in; (iii) announcing emergencies by the leasing office; and (iv) featuring community events on a calendar.
- Surveys: We have implemented an enhanced resident survey tool run by a third party, SatisFacts, to measure customer satisfaction at move-in, move-out, and after work order completion. It is a very quick 5-star survey that is automatically sent to the resident at the

conclusion of each of these events to ask the resident about their satisfaction. The resident completes the survey, and the results go immediately to the site management team at the resident's property. If the response yields a score of less than 3.5 (in the SatisFacts scale, a 3 is "Satisfied"), the Community Director at the property is to contact that resident the same day to ascertain where we fell short of expectations so we can better resolve the issue and make improvements going forward.

- Hunt Promise Helpline: This 24/7, toll-free hotline makes it easier for residents to voice concerns about issues they feel have not been resolved at the property level by facilitating direct contact between residents and Hunt Military Communities senior management.
- Social Media Coordinator: We now have a dedicated specialist to liaise with each Hunt community online to make sure issues are identified and addressed in a timely manner. This initiative has improved our ability to monitor resident complaints and concerns made on social media and follow up accordingly.
- Community Advisory Board ("CAB"): Residents serve as volunteer members of CABs and meet with the Hunt property leadership on a monthly basis to discuss what they see happening in their neighborhoods and offer to Hunt suggestions for improving processes and service. In addition, the CAB will be involved in identifying opportunities to deploy the resources and services offered by the Hunt Heart program.
- Secret Shopping: We are working with an independent third party on a "secret shopping" service to engage with Hunt employees during the leasing process to assess customer service. Training plans will be based on the results obtained.

Hunt has always valued open and transparent communications. And while we have always encouraged our residents' feedback via traditional means, such as town halls, "open office hours," monthly command meetings, or smaller meetings within a community, now making broader use of current technology, we hope to make communicating with our residents more convenient and effective. But the goal remains the same: hearing from our residents in order to address any concerns or issues they may have, improve performance, and increase resident satisfaction.

A recent example of what is possible with open resident communications and a strong relationship with a military partner can be seen at Fort Lee. Last year, Hunt participated in town halls at Fort Lee where residents voiced serious concerns about housing conditions. The Garrison Commander at Fort Lee was personally involved and determined to hold Hunt accountable to improve performance. Hunt worked hard to address resident concerns, and in November the Garrison Commander recognized the Hunt team with a Certificate of Appreciation for enduring service. Last month, the *Fort Lee Traveller* reported that at a recent resident town hall, compliments were offered for courteous maintenance teams, prompt service, better common area care, and attentiveness by Hunt staff, noting the stark contrast to a similar resident meeting a year ago.

C. **We Want to Provide Better Homes for Our Residents: Maintenance, Staffing, and Training Improvements**

Hunt understands that maintenance service is a critical part of providing quality homes, and last year it became clear to us that we had substantial room for improvement. While maintenance issues will inevitably arise, it is our goal to provide professional, transparent, and timely service. As a result, in the last year, we have enhanced maintenance processes, increased staffing, and improved training.

- **Staffing Improvements:** We have evaluated every one of our properties for additional staffing needs, and we have added positions where necessary to ensure effective service to our residents. The following environmental and technical experts have joined our team to advise and support our maintenance operations across our properties:
 - Two full-time environmental experts added (3 total Hunt full-time employees (“FTEs”)):
 - One full-time Regional Maintenance Director added (5 total Hunt FTEs):
 - Quality Assurance (“QA”)/Quality Control (“QC”) positions at each property: We have added a QA/QC position across a large portion of our portfolio to conduct additional work order/change-of-occupancy maintenance (“COM”) and vendor quality inspections. In some cases, this represents an additional 1 to 2 FTEs per property depending on its size. We continue to evaluate work volume and quality to ensure every location has the QA/QC oversight needed to ensure continuous improvements.
- **The Hunt Standard:** Because the privatization of properties that comprise the MHPI program took place over a 15- to 20-year period, the standards for response and completion of resident-initiated service requests vary greatly among the Military Services and across properties for a particular Service. At any given property, the applicable standards may simply be unclear. Hunt supports ongoing efforts to engage with the DoD and the Services to develop and adopt uniform, clear, and workable standards for all Services, across the industry, and at all properties. In the meantime, Hunt has adopted a company-wide “Hunt Standard” for work order response and completion. We expect these efforts to promote consistent and improved maintenance practices and performance.
- **COM Checklist:** We have also improved the checklist our employees use when completing the turnover of homes for new residents. This will help us to provide a better move-in experience for our residents.

IV. **Hunt is Dedicated to the Long-Term Success of the MHPI: Reinvesting in Properties**

Prior to the creation of the MHPI program in 1996, military housing was subject to a cycle of investment and subsequent neglect that resulted in a subpar quality of life for service members and their families. The MHPI program paved the way for private partners like Hunt to provide the expertise, efficiency, and hands-on oversight needed to break that cycle. The program allowed owner/operators 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.

The MHPI program has significantly improved the standard of living for military families. Since its inception, the program has resulted in the construction of 75,000 new units and major renovations of 50,000 units to date. Approximately 55,000 units were demolished and removed from inventory as they were identified as substandard in quality, and surplus relative to calculated demand. The program has saved taxpayers billions of dollars by leveraging \$4 billion in government funding to execute more than \$32 billion in total development for a portfolio of over 200,000 units across 150 military installations.

For the MHPI projects that Hunt currently owns and operates, Hunt's management revenue is generated primarily through the applicable project owner's receipt of rent payments from residents who opt to live in the project owner's property. These rent payments are in large measure covered by a service member's Basic Allowance for Housing ("BAH"). The project owner receives the BAH as gross revenue. It then uses portions of the BAH to cover operating expenses, service debt payments, pay asset management and property management costs, and contribute prescribed amounts to reinvestment accounts, which fund long-term sustainment.

Only then is any remaining cash divided between Hunt and its government partner. On average, this permits Hunt to retain between one and two percent of the total monthly BAH dollars it receives, assuming the property is performing financially. In short, this means that the vast majority of each BAH dollar Hunt receives goes to supporting our military housing communities and, by extension, the service members that reside there.

Hunt is dedicated to the long-term success of the MHPI program, which requires continual reinvestment in the properties. Hunt dedicates significant reserve funds to replenishing parts of its housing stock. At the outset of its partnership with the DoD, Hunt was aware that many housing units would need to be replaced during the span of the relationship, and we have planned accordingly. Over the next five years, Hunt plans to invest nearly \$530 million in capital improvements across its portfolio, including the construction of 230 new homes in replacement of existing housing stock. This is one of the many benefits of the MHPI program and one of the problems it sought to solve over 20 years ago.

One example is in Hawaii, where we are in the process of replacing existing homes in our Nani Ulupau neighborhood with 40 new houses at a total cost of \$32 million. We have also proposed to the Navy to replace all 190 homes in the Hokulani neighborhood with new houses at an estimated cost of \$100 million.

At their peak of activity, the combined projects are expected to create 200 private sector jobs on the island of Oahu, and ultimately improve the quality of housing offered to our Marine Corps and Navy residents. Both projects demonstrate our steadfast commitment to addressing challenges posed by aging housing structures and providing homes that serve the safety and health of our residents. But, at a higher level, they demonstrate why the MHPI program works, and why we believe in the program and are committed to standing behind it for the long term.

Hunt recognizes that the MHPI program must reform if it is to continue to provide quality homes to service members, while remaining economically viable. However, the exploration of more innovative ways to raise capital at projects that cannot afford to take on additional debt will be required. The removal or mitigation of existing hurdles that currently make it difficult to bring on more private-sector funding, such as current federal scoring requirements, will be essential for us to implement more robust sustainment plans. At Hunt, we have always been focused on the delicate balance between short-term management and long-term sustainment of both our portfolio and the program as a whole. We will remain vigilant in working with our military partners in advancing approvals for execution of short-, medium-, and long-term sustainment efforts. We will also remain focused on innovative thinking to augment available funds wherever practicable.

V. We See This as an Opportunity: Hunt Supports Reforms to the MHPI Program

We have viewed this past year as an opportunity for growth and improvement. The attention the program has received has yielded the forum for building a foundation for enduring improvement. Those residents who previously felt disenfranchised have made their voices heard. We are listening, and we are better for it. We have come together across the industry and across the Services, in partnership with the responsible government officials, and we are working together in unprecedented ways towards one common goal: to provide a better living experience in our communities for the men and women who protect this country. Our ongoing efforts with respect to the National Defense Authorization Act for FY 2020 reflect this goal.

Hunt has actively engaged with the DoD and our residents to identify areas for improvement, develop solutions, and implement reforms with the goal of improving the living experience delivered by the MHPI program. One overarching solution is to provide a more universal experience for our service members as they move from base to base. They should be able to count on a consistent housing experience, so they can focus on the well-being of their families and their important service to our country. Other related goals include clarifying resident rights and responsibilities, establishing more effective and consistent government oversight, and standardizing documents and processes where appropriate.

Hunt has been a leading voice for ongoing industry-wide reform and standardization, and supports a number of initiatives to standardize and improve the MHPI program in partnership with the Services, including:

- Resident Lease;
- Resident Bill of Rights;
- Resident Responsibilities;
- Dispute Resolution Guidelines;
- Facilities Management and Maintenance Plan;
- Moisture and Mold Procedures;
- Resident Displacement/Relocation Policy; and
- Performance Incentive Fee Metrics.

VI. Conclusion

Every resident needs to have a voice and be heard, and we have welcomed the voices of those not previously heard this past year.

While I cannot promise you, or our residents, maintenance-free housing, what I can say is that we have heard our residents loud and clear, and we have implemented tools, services, processes, and procedures so that we can better address their concerns in a diligent, timely, and consistent manner. Over the past year, we have made significant improvements, but our work is not done.

We are singularly focused on rebuilding the trust between Hunt and our residents, and working together with our DoD partners to improve the living experience of our military families and ensure the continued success of the MHPI program.

We recognize that we have been entrusted to build and sustain quality communities for America's heroes. We take that responsibility very seriously and believe our ongoing efforts today, and in the days and years ahead, will reflect that commitment.

Thank you for the opportunity to testify today. I look forward to hearing your views and answering any questions.