

TESTIMONY OF PHILIP J. RIZZO
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BEFORE THE
SUBCOMMITTEE ON MILITARY CONSTRUCTION, VETERANS AFFAIRS,
AND RELATED AGENCIES
OF THE
HOUSE COMMITTEE ON APPROPRIATIONS

MARCH 31, 2022

Chairwoman Wasserman Schultz, Ranking Member Carter, and distinguished members of the Subcommittee:

Thank you for the opportunity to testify before you today on behalf of the employee-owners of Liberty Military Housing (LMH). As stated in our testimony before this Subcommittee in 2019 and 2020, we understand and are honored to serve our Nation's heroes, and the military families who support them at home. Our team of over 1,200 men and women, many of whom are veterans, military spouses, or have a military affiliation in their family, come to work each and every day with one goal in mind - to give back to the families who have sacrificed so very much to protect our freedoms. We continue to listen intently to our residents' feedback, and our aim is to exceed their expectations. Our military families deserve the highest level of service, and we are committed to delivering just that every day.

We appreciate this Subcommittee's commitment to improving the lives of our military families and, by extension, our national defense. While we can confidently say that our mission at LMH has always been to provide exemplary service to every family who lives with us, it is clear we have had instances where we regrettably fell short of expectations. As I testify today, I can confidently say that through the leadership and oversight of Congress and this Subcommittee, the collaborative efforts of our Government Partners, and the hard work of our team of employee-owners, we have moved the needle significantly. We have strengthened our management practices, refined our policies, retrained our teams, and we are in a much better position to recommit to our mission of exemplary service for our military families today than we were three or even two years ago. We acknowledge that there may be instances where we still fall short, though today, those are signs of exceptions to be addressed as opposed to underlying gaps in our procedural approach. Further, the numerous backstops ensure that families are not left on an island when a discrepancy does fall through the procedural cracks. With local Military Housing Office oversight, more uniformed personnel engaged than ever before and the Tenant Bill of Rights, not to mention the active Congressional outreach, families are more supported now at any time in the history of the program. We still have work to do together, we can do even better, and we will.

It is important to note that MHPI was always designed as a supplement to the local economies' housing market surrounding each installation, serving less than 25% of qualifying active-duty military families serving today. With just a little more than 200,000 homes in the program, over 800,000 military families are required to find housing "off-base." What's more notable, is that since MHPI has been in existence, 1996, the needs of our Nation's service members and their families have changed greatly. With record high deployments, and redeployments, we have watched as the ebbs and flows of the economy and the housing market have directly impacted the military community and how they find compatible housing with each time they move, which happens, on average, every 2 to 3 years. Through MHPI, along with added congressional oversight and together with our military partners, military families living with Liberty now have access to added protections, known as the Tenant Bill of Rights, that no other service member living in the conventional market ("off-base") has today. Liberty is proud to report to this Subcommittee that, along with our Government Partners, we have fully implemented each right

and they are available now to our residents. We believe military housing should be the standard and not the exception, and as such, we remain concerned that the roughly 75% of military service members who do not reside in military housing, many of whom have seen rent increases of up to 20% annually, do not benefit from these added protections.

While we had industry-leading resident survey scores in 2019, it was evident from individual family experiences that the data did not tell the whole story, which resulted in us looking hard in the mirror to analyze our processes. At the same time, at the 2020 Subcommittee meeting on this issue, it was very clear from you, Madam Chair, that we needed to move from analysis to action. We initially took several steps to address the issues raised, from increased customer service training, to improved technology to allow our residents to submit and track their requests for service. We had a qualified environmental firm review our policies and procedures around best practices for addressing water intrusion and mold, then adopted their recommendations. We launched an active campaign to reach out and make contact with all 36,000+ Liberty families to see what more we could do to accommodate them while living with us. In partnership with the Military Housing Departments, as mentioned, we fully implemented the Tenant Bill of Rights for our military families, a great added benefit only available to those families living in MHPI housing. With COVID having an especially hard impact on our families whose spouses tend to work in the service industry, we partnered with other organizations to help close the food insecurity gap with pick-up events where families could get meals. As a result of all these efforts to support and serve, in 2021, Liberty received our highest resident satisfaction survey scores of all time. While we believe that this is a direct result of following through on our commitment to this Subcommittee and our military families to deliver exemplary service, we are not satisfied, and in 2021 we rolled out a number of new initiatives that we hope will even better reaffirm our commitment to our military families.

After evaluating our teams' training plans that were providing roughly 10,000 hours of aggregate training annually through 2019, we determined that this annual training approach alone was not sufficient to provide our team members with the breadth of knowledge and skills they need to properly serve our families. Since training and professional development are the cornerstone to any well-run organization, we instituted a daily dedicated hour that is known at LMH as "EmpHour" or "**Employee Empowerment Hour.**" While we modify the schedule in the busy summer season, EmpHour ensures that our team members at LMH have the opportunity to receive over 150 hours of training and development each year, compared to the average for mid-size American companies that provide just 34.7 hours. EmpHour courses focus on industry best practices and standards, they emphasize the needs of serving our military families through military culture training, and they enable our teams to receive industry certifications. In 2021, our team collectively completed 159,841 hours of training and professional development.

Given that water intrusion and mold can occur and reoccur despite our preventive measures and education, it is critical that we have a dynamic plan to manage and address concerns when they arise. In addition to making the recommended changes to our processes to stay ahead of industry standards, we are pleased to announce that every region in our portfolio has currently completed, or is working to obtain, Applied Microbial Remediation Technician (AMRT) and Water Restoration Technician (WRT) certifications through the Institute of Inspection Cleaning

and Restoration Certification (IICRC). These elevated certifications will give our maintenance and property management staff a higher level of training and understanding when addressing the issue of water intrusion and mold for our families.

LMH worked with each of the military departments and renegotiated our business agreements to ensure the incentive structure reflected the needs of our families. Moving from an emphasis on one annual survey, to multiple surveys, as well as metrics around timely response and quality of work, as validated through the military department's oversight. At the request of this and the Senate committees, uniformed representatives at every level, to include Flag Officers, are now more involved in ensuring the families in their command are represented and that the fees earned by the project companies are tied to the level of service provided to those families.

In an effort to answer the call from advocacy groups on the need to provide opportunities for spouses, who struggle to find a career as their significant other is relocated frequently around the country and the world in support of the military's mission, we redoubled our efforts to hire military spouses. Not only are we able to support military families with this approach, we gain an employee-owner who has a unique understanding of the culture and sacrifices our residents face. We want to thank Congress for the introduction to Blue Star Families and other organizations that support the military family community. As you know, Blue Star Families is committed to strengthening military families' support networks by connecting them with their neighbors to create vibrant communities. The Blue Star Families' annual Military Family Lifestyle Survey (aMFLS), which began in 2009 and continues today, consistently provides a comprehensive understanding of the experiences and challenges encountered by military families. Following our introduction in 2020, LMH partnered with Blue Star Families on aligning resources to help ensure military families have access to what they need to thrive. To date, we have hired over 100 military spouses who are now owners with Liberty.

The 2021 aMFLS survey, released March 16th, 2022, identified the following top four issues affecting military families:

1. **Military spouse employment**
2. **Amount of time away from family**
3. **Dependent child(ren)'s education**
4. **Relocation/PCS issues**

LMH and our MHPI partners are proud to offer support services to address these primary issues affecting our military families.

Military spouse employment: As mentioned, military spouses now make up 10% of our workforce, and we have worked alongside our PPV partners to promote career opportunities to this incredibly valuable workforce through the Military Housing Association. With the common goal of reducing military spouse unemployment, and adding their valuable skills to our organization, our recruiting teams have connected military spouses with employment opportunities. We encourage military spouses and veterans to apply to work with LMH and become an employee-owner by visiting JoinLMH.com today.

Amount of time away from family: LMH has proudly hosted community services events and provided wellness resources for our families since our founding in 2001. Through our Community Services program, we foster connections in our communities and help our residents build relationships, develop support networks, and most importantly - connect as a family through the unique opportunities this program affords. The Community Services program has proved invaluable through the past 20+ years and through the record number of deployments the military community has faced. In 2021, even during the height of COVID-19 and with modified safety procedures, we were able to host over **1,300+ events** for our families.

Dependent child(ren)'s education: Providing opportunities to advance our military children's education is incredibly important to Liberty. In 2022 we launched [Liberty's Little Libraries \(LLL\) in partnership with United Through Reading](#), whose mission is to connect military families who are separated —for deployment or military assignment—by providing the bonding experience of shared storytime. LLL provides every resident living with LMH access to free books that they can borrow from our lending libraries located in the communities we serve and provides them direct access to the resources that United Through Reading offers.

Relocation/PCS issues: As an organization that employs many military spouses, we see firsthand the unique challenges a Permanent Change of Station can present. Through a long-standing partnership with our PPV partners, and in an effort to reduce the stress of moving, we are proud to provide support services by connecting military families with MHPI housing representatives at their next duty station or installation, regardless of which project company/housing provider might be serving their next installation.

Internally, Liberty underwent a significant shift in our corporate structure, transitioning to an ESOP (Employee Stock Ownership Plan). Liberty Military Housing is now employee-owned, where team members at all levels of the organization are afforded the benefits of ownership in the company. We are excited to be the first and only employee-owned company in the military housing industry, and the largest in the multifamily housing industry. You may ask, "what does this mean for military families?" The ESOP directly benefits our families, our government partners and our employee-owners. As an initial matter, it ensures a steady state for the company, and our military family residents, as we transitioned in 2021 from being privately held by a few owners to employee-owned. It also means accountability. Each of our employee-owners, at all levels, now has a vested stake in the success of the organization, which is manifested in providing our military families the finest quality homes, communities, and services. Since the renegotiated fees are more closely tied to overall service, the ESOP structure means that the better service we provide our military families, the more financial security our employee-owners have for their families. It is a win-win that will ensure our interests are aligned at every level, with exemplary service to our residents at the center.

BACKGROUND

As this Subcommittee is aware, in the mid-1990s, military family housing was in serious disrepair; residents at that time rated their satisfaction at around 60 out of 100 and DOD estimated that rehabilitating the housing stock would cost taxpayers at least \$16 billion over 30 years. Through the MHPI, private sector investment in military housing has exceeded \$25 billion over the past 20 years, and military families have experienced a marked improvement in the quality of housing, as evidenced by a 15-20 point increase in their self-reported satisfaction scores across the portfolio of homes.

Today, Liberty manages over 36,000 residential units at several locations throughout the U.S. Together with our military partners and with the power of private capital markets, we have been able to raise and invest approximately \$4 billion into housing for military families, without any additional appropriations from Congress. Much of that has been for new construction. Some of that has been significant renovations to existing properties. And some of that has been new schools, parks, recreational facilities, and other amenities that are not available to military families who choose to live off base. LMH currently has a five-year plan to reinvest \$500 million more across our portfolio by 2027, with another \$5 billion scheduled over the next 20 years, all with no additional taxpayer funding.

LMH employs over 1,200 men and women who dedicate themselves every day to making sure our military families enjoy a quality living experience, thereby enabling them to be their most effective when serving their country. Many of our employees are veterans, military spouses, or have family members that served; many were once residents in our housing. These shared backgrounds contribute to a sense that serving our military family customers is more of a vocation than simply a job. And part of that culture of dedication means owning up to mistakes when they are made and fixing them promptly, whether that means repairing a piece of drywall or making sweeping reforms throughout our entire housing portfolio.

LMH is proud of its partnership with the Department of Defense, which has, since the inception of the Military Housing Privatization Initiative, significantly improved the quality of military housing for military families. We are pleased that many of the reforms we have put in place in the last two years are aligned with those that this Committee and other Members in the House and Senate have offered.

PROGRESS TOWARD REFORM

LMH takes very seriously any resident who believes their concerns have not been remedied in a professional and satisfactory way. Every day, we work with our military families to try to go above and beyond to serve their needs because we understand the unique nature of their residency and their contribution to the readiness of our Armed Forces.

Over the past several years, LMH has implemented a number of changes in response to residents' concerns, through Congressional oversight and legislation, and through collaboration with our military and private sector partners. A non-exhaustive list of these reforms is below.

INITIATIVES/LEGISLATION	ACTIONS LMH HAS TAKEN
Universal Lease	LMH has worked with the DoD, our Military Department Partners, and our other MHPI partners to facilitate the implementation of the Universal Lease, which provides access to common forms and policies for our residents while adhering to federal, state, and local laws.
Seven Year Maintenance	LMH has committed to providing every prospective military family access to seven years of maintenance history to a home before they sign a lease. Current residents are entitled to that same history for their home upon request. The seven year maintenance history provides unprecedented transparency to service members when deciding where to live as they transfer to a new duty station.
Dispute Resolution	Dispute resolution was implemented throughout LMH on June 1, 2021. LMH is committed to following the DoD Dispute Resolution process and works diligently and collaboratively to resolve all disputes informally to the satisfaction of our residents. All LMH property management employees are trained in this process. When a resident contacts LMH and states they would like to initiate the formal dispute resolution process, we immediately connect them to the Government Housing Office to begin the process.
Incentive Fee Modifications	LMH's incentive fee structure was recently revised, emphasizing meeting key metrics that directly link to our commitment to delivering exemplary service to our residents. The newly revised incentive fee structure directly emphasizes input from our residents and prioritizes real-time feedback after fundamental interactions such as a work-order or move-in, versus an annual survey.
Renters Insurance	LMH has formally requested that we have the ability to require all residents to obtain renters liability insurance as they do in conventional multifamily housing. We feel that this standard should be for every family, regardless of whether they live in our housing or not, and will protect our residents from unexpected casualty losses they would otherwise be personally responsible for. We also believe it is the responsibility of insurance companies marketing products to the military community to be

	transparent if a policy does not cover specific events.
Window Safety	LMH takes window safety very seriously. In 2011, well before Evan’s Law was signed into law, LMH began working with our government partner to implement educational programs and place window safety stickers in each of our homes. In 2018, LMH began a voluntary program to install window safety devices in our homes. LMH has been in continuous discussions with the Department of Defense and the military services on their plan to implement Evan’s Law. We look forward to continued discussions and supporting them in that effort.
Resident Energy Conservation Program (RECP)	LMH is committed to energy conservation and awaits guidance from the Services on how the RECP program will be restarted so that we can evaluate the benefits to both our residents and our environment. In an effort to support our residents, we have communicated that reimplementation of RECP will not be considered until 2023. We would encourage Congress to address the utilities provided by the DoD/Military Departments as the costs of DoD infrastructure upgrades and maintenance are being unfairly borne by our military families.
Exceptional Family Member Program (EFMP)	DoD determines if a family qualifies as EFMP. Upon such qualification, LMH’s role in the process is to provide an accessible/adaptable home, based on availability. Vacant accessible/adaptable homes are prioritized for the EFMP families referred to LMH from DoD. While there are certain occupancy circumstances where LMH may offer an accessible/adaptable home to a family that is not enrolled in the EFMP or does not have a disability, LMH has processes in place to enable the no-cost transfer of those families out of accessible/adaptable homes in case the need arises to move a higher priority family into that home, such as one enrolled in the EFMP or with a disability.
Reasonable Accommodations	LMH’s reasonable accommodation policies adhere to all state and Federal laws pertaining to privatized military housing, including the Americans with Disabilities Act, the Fair Housing Act, and Section 504 of the Rehabilitation Act, as applicable. To further compliance, each one of our LMH team members receives detailed annual training on the

	proper interpretation and implementation of those laws.
Basic Allowance for Housing (BAH)	The allowance for housing today is only 95% of the “Cost of Adequate Housing (CAH)” as calculated by the DoD. That change in 2015 has had an impact on every service member’s choices when deciding where to live. By decreasing the amount available, families are given less control over where they live. Raising the BAH back to covering 100% of housing costs for service members would strengthen the financial security of all of our military families, particularly the 70% that live outside of military housing. Additionally, increased transparency in the BAH rate determination process would assist with the accurate reflection of rental market rates. Further, an increased, stabilized BAH rate would allow project companies to better budget, plan, and execute short- and long-term capital improvements to our inventory.
Pre Move-In Inspections	LMH is committed to aiding in the facilitation and improvement of move-in inspections. We look forward to 100% of our units being approved for move-in by our Navy, Marine Corps, and Army partners. We have continued to build on measures for improvement internally and facilitate move-in surveys and analyze findings daily. We have grown our team, adding positions specific to quality assurance/control. We recently rolled out make-ready and preventative maintenance checklists through collaboration with other MHPI providers and analyzing our government partner’s change of occupancy inspections.
Water Intrusion	LMH employs industry-leading water intrusion and mold management standards and processes. LMH team members, where applicable, complete the Applied Microbial Remediation Technician (AMRT) and Water Restoration Technician (WRT) certifications courses from the Institute of Inspection Cleaning and Restoration Certification.
Minimum Standards for Displacement	Unlike the 70% of military families living outside of PPV housing, the relocation of residents due to safety or habitability issues in LMH homes is governed by the DoD’s Minimum Standards for Tenant Displacement Guidelines, which were developed in collaboration within the MHPI

	partners. All displacement or relocation decisions are made by LMH in consultation with the local installation Government Housing Office, upon which residents are provided temporary lodging and a daily per diem provided by the MHPI partner company for the duration of their displacement.
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CONCLUSION

While we have made significant strides in the two years since we last met, LMH continues to welcome congressional oversight of the Military Housing Privatization Initiative and our ongoing constructive dialogue with our government partners and our military families. We believe hearings like this strengthen our collective resolve to improve the quality of housing and property management services for that most important subset of our population, while offering an opportunity to ensure progress is being made. We welcome your input as we, our DoD partners, and other stakeholders evaluate and implement ideas for continued improvement. I also sincerely thank you for the opportunity to represent the work of our employee-owners by testifying at this hearing, I look forward to answering your questions.