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DEPARTMENT OF THE NAVY
Office of the Chief of Naval Operations
Washington, DC 20350-2000

OPNAVINST 11101.42
NMPC-67
8 December 1988

OPNAV INSTRUCTION 11101.42

From: Chief of Naval Operations
To: All Ships and Stations (less Marine Corps field addresses not having Navy personnel attached)

Subj: ESTABLISHMENT OF CHARGES FOR MILITARY FAMILY HOUSING

Ref: (a) OMB Circular A-45 (NOTAL)
(b) Title 5, USC, Section 5912
(c) DOD Directive 1330.5 of 16 Aug 69 (NOTAL)
(d) OPNAVINST 11101.13H
(e) Title 5 USC Section 5923
(f) Title 5 USC Section 5942
(g) DOD Directive 4640.4 of 22 Dec 82 (NOTAL)
(h) Title 10 USC Section 2830
(i) OMB Circular A-18 (NOTAL)
(j) NAVCOMPT Manual, Vol 3, Chapters 2 and 7
(k) NAVFAC P-930 (NOTAL)
(l) DODINST 7290.3-M of Sep 86 (NOTAL)
(m) Public Law 99-227
(n) Public Law 99-366

Encl: (1) Definitions
(2) Guidance for Establishing Rents and Charges
(3) Procedures for Effecting Periodic Adjustments in Rental Rates and Charges for Related Facilities
(4) Financial Procedures
(5) Isolation Adjustment Computation

1. Purpose. To provide policy and criteria governing the rental of Navy-managed military family housing (MFH) and to promote standardization in the Navy-wide implementation of these policies and criteria in implementing reference (a).

2. Scope. This instruction applies to MFH under Navy control and supported by Family Housing,

Navy (FH,N) account funds. The provisions encompass civilian employees of the federal government, members of the uniformed services, foreign nationals (military and civilian), and all non-government personnel who occupy housing owned or controlled by the Department of Defense (DOD) and located within the 50 states, the District of Columbia, the territories and possessions of the United States, and U.S. military installations overseas. It does not apply to public quarters designated for occupancy by members of the uniformed services with loss of allowances or to Military Assistance Advisory Group (MAAG) quarters.

3. Definitions. See enclosure (1).

4. Policy

a. Rental rates and charges for facilities made available in connection with the occupancy of rental quarters shall be based on the reasonable value of the quarters and facilities to the occupant under the circumstances the quarters and facilities are provided, occupied or made available. Rates may not be set to provide an inducement in the recruitment or retention of personnel or as a means to encourage occupancy of Navy quarters.

b. Although quarters operated by the Navy in foreign countries are not subject to reference (a), it is the Navy's policy to establish fair and reasonable charges for all housing rental units owned or controlled by the Navy. The principle of comparability established by this instruction shall be followed in establishing housing rents and charges in foreign countries for those occupants not provided rent-free quarters.

c. An employee or a member of the uniformed services shall not be required to occupy quarters on a rental basis unless the DOD Component concerned determines that necessary service cannot be rendered or that property of the government cannot be adequately protected otherwise.

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d. Responsibilities

(1) **The Commander, Naval Facilities Engineering Command (COMNAVFACENG-COM).** COMNAVFACENGCOM is responsible for the administration of Navy rental quarters. In fulfilling this responsibility, COMNAVFACENG-COM will:

- (a) Administer the establishment and implementation of rents and charges.
- (b) Review actions on appeals or requests for exception.
- (c) Provide guidance and assistance to field activities.
- (d) Disseminate the annual Consumer Price Index (CPI) adjustments.
- (e) Ensure that all appraisals are performed on a scheduled basis.
- (f) Coordinate appraisals with other services or Government agencies and encourage joint appraisals when appropriate.

(2) **Field Activities.** Field activities are primarily responsible for the management of Navy rental quarters. In fulfilling this responsibility, field activities will:

- (a) Initiate requests for rental appraisals.
- (b) Implement established rents and charges and any changes.
- (c) Establish and implement procedures for the accountability of funds to include the collection of money.
- (d) Initiate requests for exception or appeals.

e. Procedures. Rental rates and other charges incident to the occupancy of quarters on a rental basis will be established per references (a) through (n) and enclosures (1) through (5).

(1) Appraisal of Quarters

(a) The Naval Facilities Engineering Command (NAVFACENGCOM), through its Engineering Field Divisions (EFD), will either negotiate for and retain the services of professional contract appraisers or employ professional staff appraisers to establish rents and charges. To avoid potential conflicts of interest, occupants of rental quarters or their subordinates shall not be assigned to perform appraisals or serve as members of regional survey teams used to recommend rents and other charges.

(b) Where several DOD components or federal agencies provide rental quarters in the same area, efforts should be made to coordinate professional appraisal efforts and to ensure a consistent local pattern in rents and utility rates. A joint DOD or government interagency committee should be established, where appropriate, to coordinate and oversee the establishment of consistent and uniform rental rates.

(2) **Adjustments to Rental Rates and Other Charges.** Charges for rental quarters and related facilities shall be adjusted periodically per enclosure (3).

(3) **Charges for Mobile Home Spaces.** Charges for mobile home spaces provided to members of the uniformed services for house trailers and mobile homes not owned by the government shall be established in an amount sufficient to cover the cost of operations, maintenance and utilities and to amortize the cost of construction of the facility over the 25-year period beginning with the completion of such construction. When such facilities are provided to other than members of the uniformed services and their families, full Fair Market Rental (FMR) and other appropriate charges will be collected from the occupants.

(4) **Rental Rates and Charges for Foreign Nationals.** Rental rates for quarters and charges for related facilities supplied by the Navy to foreign nationals (military and civilian) will be established per the terms of agreements between

the U.S. and foreign governments. When there is no formal agreement, rates will be set as follows:

(a) **Foreign Student Assigned Quarters Excess to U.S. Requirements.** Determine the most recent annual operation and maintenance cost for family housing at the installation, multiply by the inflation index, divide by the number of housing units, divide by 12 months, add \$100. (This is used for amortization of Wherry Family Housing). This then becomes the monthly rental fee to be charged.

(b) **Foreign Student Assigned Quarters Not Excess to U.S. Requirements.** Charge an amount equal to the sum of Basic Allowance for Quarters (BAQ) and Variable Housing Allowance (VHA) forfeited by the U.S. service person of comparable rank/rate who occupies family housing.

(c) **Foreign National Not a Student.** Charge the FMR rate as set per enclosure (2).

(5) **Quarters for U.S. Military Personnel.** Rental rates and other charges incident to the occupancy of substandard family housing units on a rental basis by members of uniformed services will be established per enclosure (2), except that in no case can charges exceed 75 percent of basic allowance for quarters (BAQ). Military members will not be forced to occupy substandard government quarters on a rental basis. Members of the uniformed services utilizing transient quarters will forfeit a portion of their per diem as applicable under regulations established by the Per Diem, Travel and Transportation Committee.

(6) **Quarters for Non-DOD Federal Employees.** As prescribed in Volume 3, Chapter 2 of the NAVCOMPT Manual, field activities must negotiate fixed rate agreements providing for reimbursements of operation and maintenance (O&M) costs to permit authorized non-DOD federal employees and their dependents to occupy Navy family quarters when available. Fixed rate agreements will be negotiated with the Coast Guard District Commander, or commanding officer of a headquarters unit, as appropriate, or

with the non-DOD Federal agency sponsoring the occupancy of a family housing unit on the basis of the last fiscal year Family Housing Operations and Maintenance Management Report. Fixed rate agreements will be reviewed at the end of each fiscal year and revised, if required, on the basis of increased or decreased costs.

(7) **Quarters for U.S. Civilian Employees**

(a) **Continental United States (CONUS), Hawaii, Alaska, District of Columbia, Territories and Possessions of the United States.** Rental rates for quarters and charges for related facilities for appropriated and non-appropriated fund federal employees, Red Cross and United Service Organizations (USO) personnel will be established per enclosure (2).

(b) **Foreign Military Installations.** Per references (b) and (c), a federal employee who is a citizen of the U.S. or a Red Cross employee permanently stationed in a foreign country may be furnished, without cost, living quarters, including heat, fuel and lights, in a building owned or rented by the government. Per reference (e), the aforementioned employees will be paid a living quarters allowance when such government quarters are not provided. USO personnel are expected to pay FMR.

(8) **Instances of Hardship**

(a) Dependents of members of the uniformed services who die while on active duty and are occupying public quarters, including mobile home spaces, at the time of death may continue to occupy such facilities, without charge, for a period of 90 days from the date of death. When residency is extended beyond 90 days, rental rates equivalent to the member's full housing allowances or FMR will be charged.

(b) In cases of hardship where continued occupancy of public quarters is permitted for retired or discharged uniform service personnel and dependents, an amount equivalent to the member's full BAQ and other housing allowances (i.e. Variable Housing Allowances, Rent Plus,

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etc.) may be charged in lieu of FMR. Occupancy of quarters in such instances will normally not exceed 60 days.

(c) In cases of hardship where continued occupancy of public quarters is permitted for retired and resigning federal employees and dependents, or for dependents of deceased federal employees, such occupants will continue to pay the established rental rate. At overseas activities where federal employees receive rent-free quarters and an FMR rate has not been established, the EFD is to be contacted for assistance in establishing an equitable rate. EFDs normally have information available for comparable locations that can be adjusted to establish an equitable and reasonable charge.

(9) **Personnel on Leave.** Personnel on leave will continue to be charged for quarters and related facilities unless permitted to vacate quarters and make them available for assignment to others.

(10) **Alternative Requirements.** This instruction does not apply in the following instances:

(a) When employees attend training programs at federal or private facilities and the cost of housing is factored into the program cost to the Navy or through other means, so long as per diem rate (or actual per diem expense rate) paid the employee is set to reflect the fact that the housing is provided at no cost to the employee. In other than training situations when employees are receiving per diem (or actual per diem expense rates) and occupying government housing, the per diem paid the employees is set to reflect that the housing is provided at no cost to the employee.

(b) When employees are receiving a remote worksite commuting allowance, and housing is provided at no cost to the employees, the allowance paid will consist of factors other than the other cost portion of the allowance.

(11) **Appeals and Exceptions.** The Navy provides for systematic and expeditious consideration of appeals concerning the determination

of rents and other charges. The approval authority for appeals or requests for exception to Navy policy is the Assistant Secretary of the Navy (Manpower and Reserve Affairs) (ASSTSECNAV (M&RA)).

(a) **Appeals.** The schedule of rents and charges determined by the EFD may be appealed by the field activity, provided that the appeal is submitted without delay. The field activity will forward a detailed rationale for the appeal to the ASSTSECNAV (M&RA) via the EFD, COMNAVFACENGCOM, and the Chief of Naval Operations (CNO). The implementation of approved rents and charges will not be delayed on the basis that an appeal is being submitted. Appeals must be processed at all echelons so as to permit the decision to be returned to the field activity within 60 days. If a decision resulting in a lower rental schedule is made, an adjustment of the charges will be made retroactive to the date the rents and charges were placed in effect.

(b) Exceptions

1. When, in the opinion of a field activity, the criteria for the conduct of an appraisal are inappropriate, a request for exception may be submitted. All requests for exception will be addressed to ASSTSECNAV (M&RA) via the EFD, COMNAVFACENGCOM, and CNO. Requests for exception must be submitted early enough to allow time for a decision to be reached before the next scheduled appraisal.

2. Appraisals for quarters scheduled for deactivation within one year of the appraisal or survey are not required.

(12) **Financial Procedures.** See enclosure (4).

5. Reports and Forms

a. The reporting requirement contained in enclosure (2) is exempt from reports control by OPNAVINST 5214.7.

b. The following forms are available in the Navy supply system using requisitioning procedures contained in NAVSUP P-2002, Navy Stock List of Publications and Forms:

NAVCOMPT 2006 (1-57)
Cash Receipt - USN Housing Project
SN 0104-LF-70108600

NAVCOMPT 2277 (2-81)
Voucher for Disbursement and/or Collection
SN 0104-LF-702-2770 (8-Part Snap-Out)
SN 0104-LF-702-2771 (6-Part Continuous)

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DEFINITIONS

1. Appraisal. Involves direct comparison of government-furnished rental housing with individual private rental housing units.
2. Base Rental Rate. The rental value of the quarters, established per this instruction, before applying any administrative adjustments or charges for related facilities.
3. Common-Use Space. Space assigned for occupancy of several persons or families. For example: washrooms, stairs, hallways, storage, lobby, and lounge areas.
4. Comparable Housing. Housing in the private sector which is generally equivalent in size to the rental quarters, with the same number of bed-rooms, and with generally equivalent amenities and related facilities. Such housing is housing available on a landlord-tenant basis, with rental rates reflecting the fair market value of the accommodations. This is distinguished from housing rented on an "employer-employee" basis or between friends and relations, for which other considerations may have influenced the rental rates. In addition, such housing as other government-furnished housing (Federal, State, or local) and housing provided by churches or religious societies are excluded from this definition of private housing.
5. Established Community. Ordinarily the nearest population center (Metropolitan Statistical Area or an incorporated or unincorporated city or town) having a year-round population of 1,500 or more (5,000 or more in Alaska), provided that it has minimum essential medical facilities (i.e., at least one physician and one dentist) available to occupants of government quarters. Population determinations will be based upon the most recently published decennial census of the United States.
6. Professional Contract Appraiser. A private citizen, preferably a resident of the area, who has at least the minimum qualification of an appraiser, Grades 11/15, as set forth in Civil Service Standards, occupational series GS-1171.
7. Professional Staff Appraiser. An employee of a particular DOD Component or other Federal agency who meets the same minimum qualifications as the contract appraiser.

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8. Reasonable Value. Reasonable value for rental quarters is to be measured by the test of equivalence (i.e., what the employee would pay for comparable housing in the open market). Rental rates, including charges for related facilities when appropriate, will be based upon prevailing rates for comparable private housing located in the same general area, after taking into account those factors which reduce or increase the value of the housing to the tenant.

9. Regional Survey. Creates a series of economic models based upon a survey of comparable private rental properties throughout the region.

10. Related Facilities. Equipment, supplies, and services made available in connection with the occupancy of quarters including, but not limited to, household furniture and equipment, garage space, utilities, subsistence, and trash and laundry services.

11. Rental Quarters. Except as specifically excluded here or by statute, the term "rental quarters" includes all furnished and unfurnished quarters supplied under specific government authority to government employees, contractors, contractor employees, and all other persons to whom housing is provided as an incidental service in support of government programs. It includes, but is not limited to, government-owned or controlled single family dwellings, apartments, bunkhouses, dormitories, trailer pads, cabins, guard stations and lookouts, mobile homes, house trailers, permanent and semi-permanent tents, and housekeeping and nonhousekeeping units. It excludes:

a. Public quarters assigned to members of the uniformed services in lieu of a BAQ or to civilian employees in foreign countries occupying rent-free quarters;

b. Quarters available for occupancy to personnel where forfeiture of a portion of per diem travel allowance is involved;

c. Privately-owned Wherry housing;

d. Parking facilities (including utility connections) provided to members of the uniformed services for house trailers and mobile homes not owned by the government.

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e. Temporary Lodging Facilities (TLF's), guest houses, and related facilities only when used by active duty military personnel, authorized civilian employees, and their dependents, and spouses or relatives of active duty personnel confined to hospitals. TLF's, guest houses, and related facilities are considered "rental quarters" when occupied by all other persons.

As defined above, the term "rental quarters" includes housing facilities designated as substandard family housing quarters.

12. Uniformed Services. Refers to the Army, Navy, Air Force, Marine Corps, Coast Guard, Commissioned Corps of the U. S. Public Health Services, and the Commissioned Corps of the National Oceanic and Atmospheric Administration.

13. U. S. Possessions and Territories. Outlying areas of the U. S., including Puerto Rico, Virgin Islands, Trust Territory of the Pacific Islands, American Samoa, Wake and Midway Islands, and Guam.

Enclosure (1)

GUIDANCE FOR ESTABLISHING RENTS AND CHARGES

1. Determining Rents and Charges for Quarters

a. The determination of reasonable value of DoD-furnished quarters will be based upon an impartial study of comparable private rental housing. Either an appraisal or a regional survey may be employed to determine the base rental rate. While both methods are accurate, the Navy should use the survey method, whenever possible, due to the costs and administrative burdens associated with conducting individual appraisals. The results of surveys and appraisals will be reviewed by the Engineering Field Division (EFD) prior to implementation to assure that they are fair and reasonable and that they were developed per reference (a) and this instruction. Both methods are subject to the conditions and limitations set forth below.

(1) Appraisals

(a) Urban and Suburban Locations

1 If Navy controlled quarters are located in or within five miles of an established community, in an urban or suburban location, the base rental rate may be determined by either a staff or contract appraiser, applying recognized real estate valuation principles.

2 None of the administrative adjustments provided in attachment A will be made for isolation, site amenities, space devoted to official use, or excessive heating or cooling costs when an appraisal is made in an urban or suburban location. These factors, if appropriate, will already have been considered by the appraiser in the appraisal process.

(b) Rural Areas

1 When the appraisal method is used to determine the reasonable value of quarters which are not located in or within five miles of an established community, the staff or contract appraiser will be limited to comparing the Navy-furnished quarters with housing in the nearest established community to ensure a uniform approach to valuation when conducting an appraisal in such areas. If there is no adequate rental market in the nearest established community which is not unduly affected by severe economic conditions, the appraiser may select comparable rental units from the next closest established community having a rental market.

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2 Such comparison will be limited to adjustments for the physical differences in the housing. The appraiser in such instances will not make adjustments for isolation or those site amenities listed in Appendix (A). These adjustments will be made administratively in the same manner as authorized for regional surveys.

(2) Regional surveys

(a) Regional surveys may be used in all locations where Navy quarters are located. If the regional survey method is used, the base rental rates will be set by means of a series of economic models that utilize typical rental rates for comparable private rental housing in the general area in which the DoD quarters are located. (The actual analysis of rental data for the establishment of base rental rates may be accomplished using appropriate statistical techniques, such as step-wise multiple regression.)

(b) To avoid duplication and inconsistent rates, all DOD Components and Federal Agencies with quarters in a given location should coordinate their survey plans and conduct a single survey applicable to all. The area selected for survey should be large enough to permit an adequate sampling of comparable rental properties in several established communities and may encompass one or more States. The methods of analysis must be capable of recognizing both the physical characteristics and the difference in the base rental rates. Private rental housing samples reflecting extremely high or low rental rates should be excluded from the data base subjected to final analysis. In those communities where the rental rates are extremely high or low, the rental housing market should be reviewed periodically between surveys to determine whether changes in the private rental market warrant revision of the base rental rates for the quarters located near those communities. Appropriate adjustments may be made to the base rental rates established for quarters per Appendix (A).

b. Since the professional contract and staff appraisers will employ the generally accepted real estate concepts, standards, and criteria developed and used in their profession, appraisers will consider but not be limited to the criteria listed below and as set forth in this instruction.

(1) Focus attention on the basic rent principle (that rents should be set at levels similar to those prevailing for comparable private rental housing).

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(2) Consider only those rentals which a willing tenant would pay a willing landlord, with compulsion on neither party, in a reasonably competitive market.

(3) Give due consideration to all factors and amenities directly affecting the rental value of the government quarters and facilities as compared to the relative desirability of privately-owned rental units and facilities.

(4) Weigh the plus or minus monetary values assigned to compensate for each material difference in amenities.

(5) In the case of a housekeeping unit, compare the government unit only with the furnished value of privately-owned units; in the case of a non-housekeeping unit, compare it with similar privately-owned unfurnished units (with similar utilities, services, and equipment).

2. Charges for Related Facilities

a. Utilities. Whenever possible, utilities should be furnished by a private company and billed directly to the occupant. When government-furnished utilities are provided, the following applies:

(1) Individually Metered or Measured. The rate for utilities will be the same as the residential rate for these utilities in the established community or survey area used in determining the base rental rate. The consumed amount of utilities will be determined by actual readings.

(2) Not individually Metered or Measured. Consumption will be determined on the basis of an analysis of the average amounts of utilities used in comparable private sector housing in the established community or survey area. Normally, utility charges will be clearly shown and separated from rent charges. Utility charges may be combined, however, in one charge for nonhousekeeping rooms.

b. Furnishings. Where housing is provided with furniture by the government, an additional unit charge for such furniture will be made based on actual replacement costs allocated on the useful life of the furnishings using the following authorized formula:

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"The monthly charge to occupants for rental of furniture shall be set at the level that will amortize the replacement value at the time of appraisal, during the estimated useful life of the furniture, but not to exceed ten years."

Replacement value may be determined by direct comparison with the local second hand or used furniture market. Replacement value and estimated remaining useful life determinations may be made by the appraiser. A consistent policy must be followed in regard to charges for furniture for all housekeeping units on a single installation.

c. Other Services. Charges for other services provided by the government including, but not limited to, laundry, trash and garbage removal, fire and police protection, lawn care and snow removal will be based upon prevailing rates for such services in the established community or survey area.

3. Administrative Adjustments. Application of the preceding guidelines might result in some instances in rental rates that are either higher or lower than "the reasonable value of the quarters." In such instances, adjustments in the form of additions to, or deductions from, the base rental rate are appropriate in the specific situations described in Appendix (A).

4. Itemization of Charges for Quarters. The total charge for occupancy of quarters will be itemized as follows:

a. Shelter Rent. Includes shelter rent and all public services except those included under "Utilities and Related Services" and "Nonappropriated Fund Services," and telephone service.

b. Utilities and Related Services. Includes electric power; steam; compressed air; water; sewage and garbage disposal; natural, manufactured, or mixed gas; ice; and mechanical refrigeration when furnished by the government. Does not include telephone service. Charges for telephone service for personal or unofficial purposes, whether the facilities are government owned or government leased or are under a contract or implied agreement with a commercial communications company are the responsibility of the occupant.

c. Nonappropriated Fund Services. Includes all services financed from nonappropriated funds.

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5. Appraiser's Report and Certificate. A full record of the findings and recommendations of the appraiser or survey team, as well as documentation to justify administrative adjustments, is required. In order to provide a uniform appraisal reporting procedure, a certificate of appraisal and a detailed appraisal report, reflecting as minimum requirement the items listed in Attachment B, shall be required of the appraiser or survey team and retained by the activity and EFD for audit and review purposes.

6. Review of Appraisal Reports. In reviewing appraisal reports, the EFD and activity are alerted to the following items which have frequently resulted in unrealistic rents and charges and are inconsistent with the requirements and intent of reference (a).

a. The deduction of taxes from comparable private rents on the basis that the government does not pay taxes and, therefore, can charge a correspondingly lower rent.

b. Establishment of rents depressed from true comparability in order to recruit or retain key personnel.

c. Too liberal application of allowable deductions (see Appendix (A)).

d. Establishment of rents on the basis of comparison with company-owned (or otherwise subsidized) housing.

e. Too liberal application of isolation factors (see paragraph 1 of Appendix (A)).

f. Maintaining the gross rent comparable to gross rents for private housing, but shrinking the shelter rent portion to permit an overly generous recovery of charges for utilities.

g. Establishment of a base rental rate below comparability because the comparable rates exceed the BAQ of the military occupant or exceed the BAQ forfeited by military personnel for equivalent or more adequate public quarters.

h. Deduction of a profit made by private landlords on the theory that the government cannot or should not charge rents resulting in a profit.

i. Discrimination (e.g., establishing different rents for civilian and military occupancy).

Enclosure (2)

7. Family Housing Quarters Designated as Substandard

a. When such quarters are occupied by members of the uniformed services and their dependents, the amount of the fair market rental value of the housing unit shall be charged against the member's basic allowance for quarters except that such charge may not be in an amount in excess of 75 per cent of the member's BAQ. The total rental rate, including charges for furniture and utilities, will be adjusted so as not to exceed 75 per cent of the member's BAQ. The rental rate, as used here, is the rental rate to be charged after effecting the additions or deductions authorized in this instruction. This includes the requirement in Attachment A that the rental rate, after adjustments, be set so that it will be at least 50 per cent of the base rental rate.

b. Charges for operation and maintenance applicable to substandard quarters occupied by personnel of any of the uniformed services other than DOD military personnel shall be levied against the applicable Service.

c. When such quarters are occupied by other than members of the uniformed services and their families, full fair market rents and charges will be collected from the occupants.

8. Qualifications and Extensions. The principle of comparability with private rental practice may be modified under the following conditions:

a. Extension of Comparability. For lack of available alternative quarters, employees must sometimes occupy space for use as quarters which is generally unsuitable for that purpose. For example, space may be unsuitable because it was originally built for seasonal occupancy or because it was not originally built for use as quarters. In other instances, quarters may be suitable only for particular types of occupancy, such as rooming houses, bunkhouses, unaccompanied personnel quarters, residence hotel-type structures, barracks-type structures, or guard stations and lookouts.

In such cases, if no comparable rental rates can be obtained or professional appraisals are not made, rental rates will be determined by the square footage occupied at a rate equivalent to one-half the base rental rate per square foot charged for the nearest adequate rental quarters owned or controlled by DOD or any other Federal agency. This rate will apply

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only to the shelter rental, with additions thereto for all other related facilities at rates comparable to those in the area. Rental and other charges will be based upon designed capacity and, when so determined, will remain in effect for each occupant without regard to fluctuations in the number of occupants from time to time either above or below designed capacity.

Common-use space in a building will be distributed to all occupants in proportion to the space assigned for the sole occupancy of each to determine the number or square feet chargeable to each.

Enclosure (2)

ADMINISTRATIVE ADJUSTMENTS

The total amount deducted for all reasons must not be excessive, resulting in a rental rate to the occupant that is less than the reasonable value of the quarters since this would constitute a supplement of salary in violation of law. The rental rate, after all adjustments and the addition of charges for furnishings, must not be less than 50 per cent of the base rental rate, unless an adjustment for isolation has been made. In such instances, the rental rate may be set at not less than 40 per cent of the base rental rate.

1. Isolated Locations. In some cases, the government supplies quarters in locations where minimal community services are available but only at some distance from the quarters. In addition, travel conditions or mode of transportation may serve to further isolate some employees from minimal community services. In such cases, a reasonable adjustment to improve the direct economic effects of the isolation utilizing the procedure described below (see enclosure (5)) shall be included.

a. The nearest established community will be used as the community for calculating the deduction, even though that community may not serve as the location of the comparable private housing used in establishing the base rental rates. The mileage used in computing the adjustment will be the shortest route usually traveled from the rental quarters to the nearest established community. If that route is closed seasonally, a weighted average adjustment will be used for the entire year, based upon the number of months each route would ordinarily be used.

b. The adjustment is designed to recognize different categories of highways and modes of transportation. Because of the range of possible travel conditions and modes of transportation, point values have been assigned to each category of transportation. These point values represent differences in time, cost, or both associated with each mile of each category of transportation from the quarters to the nearest established community.

c. The point values are multiplied by the number of one-way miles from the quarters to the nearest established community to produce one-way points. When travel from the quarters to the nearest established community involves more than one category of transportation, the one-way miles are distributed accordingly. The one-way points in each category are then added to produce total one-way points,

Appendix (A) to Enclosure (2)

which must exceed 30 or there is no adjustment. Finally, the total one-way points for all modes of transport are multiplied by an isolation adjustment factor (based on the automobile mileage allowance determined by the General Services Administration) to produce the monthly dollar adjustment.

2. Site Amenities. Living conditions at the locations of some Navy-owned or controlled housing are not always the same as those found in or immediately adjacent to the survey or appraisal communities. In such communities, the amenities listed below are generally, but not always, present and their contributory value included in the base rent. The lack of availability of any of these items at the quarters location represents a generally less desirable condition which should be reflected as a negative percentage adjustment to the base rental rate, as shown below. An upwards percentage adjustment should be made in the base rental rate for quarters possessing site amenities which are not present in the survey or appraisal communities used to establish the base rent.

a. Reliability and Adequacy of Water Supply. The system should provide potable water (free of significant discoloration or odor) at adequate pressure at usual outlets. (+ or -3 per cent).

b. Reliability and Adequacy of Electric Service. Service must equal or exceed a 100 ampere power system capable of providing 24-hour service under normal conditions. Occasional temporary outages are considered normal. If an adequate backup generator is available, the amenity will be rated as present regardless of the reliability of the primary power source. (+ or -3 per cent).

c. Reliability and Adequacy of Fuel for Heating, Cooling and Cooking. There should be sufficient fuel storage capacity to meet prevailing weather conditions and cooking needs. Where electricity is used to heat, cool, or cook, this adjustment is to be made only when the deduction in paragraph B2 above applies. (+ or -3 per cent).

d. Reliability and Adequacy of Police Protection. Law enforcement personnel, including government employees with law enforcement authority, should be available on a 24-hour basis. Availability is defined as the ability to respond to emergencies as quickly as if located in, or adjacent to, an established community. (+ or -3 per cent).

Appendix (A) to Enclosure (2)

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e. Reliability and Adequacy of Fire Protection. Fire insurance should be available with the premium charge based upon a rating equal to the rating available to comparable housing located in or adjacent to the nearest established community, or adequate equipment and trained personnel available on a 24-hour basis to meet foreseeable emergencies. (+ or -3 per cent)

f. Reliability and Adequacy of Sanitation Service. An adequately functioning sewage disposal system and a solid waste disposal system, whether community or individually provided, should be available. Individual sewage disposal systems (septic, cesspool or other) will be considered adequate even though they may require periodic maintenance as long as they are usable during periods of occupancy. (+ or -3 per cent)

g. Reliability and Adequacy of Telephone Service. 24-hour accessibility to commercial facilities with private lines should be available. (+ or -1 per cent) The service interruption level should not substantially exceed that normally occurring in the nearest established community. (+ or -1 per cent)

h. Noise and Odor. There should be an absence of significant, frequent disturbing noises or offensive odors. (+ or -3 per cent)

i. Miscellaneous Improvements. There should be one or more of the following improvements: paved roads, sidewalks, or street lights. (No more than a + or -1 per cent adjustment can be made for this category.)

3. Impositions on Privacy or Living Space. Administrative adjustments in the base rental rate are allowed if the living space or privacy of the occupant is restricted. In each such case, a special determination will be made of the specific conditions making certain that the conditions have not already been reflected in establishing the base rental rate.

a. Loss of Privacy. If occupants are subject to loss of privacy during nonduty hours by virtue of repeated public visits (i.e., occurring several times daily) or inhibited from enjoying the full range of activities normally associated with rental occupancies due to restrictions imposed by the Navy, a deduction not to exceed 10 per cent of the base rental rate is allowable. Proportional deductions will be made in situations of less frequency or seriousness in their impact upon privacy or usage or to reflect seasonal variations.

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b. Space Devoted to Official Use. When the Housing Authority determines that the use of a portion of the quarters is required for official business (i.e., office, storage, etc.), loss of living space should be reflected by an adjustment to the base rental rate based on the square footage occupied.

4. Transient and Temporary Use of Quarters for Other Than Temporary Duty Assignments

a. Transient Quarters. Quarters that may be made available to transients shall be identified and rental rates established. Charges for quarters occupied on a transient basis, normally for 90 days or less, will be assessed at rates equivalent to private transient housing of comparable type and quality. These rates may be set on a nightly or weekly basis, or both. If comparable private transient housing does not exist in the area, the rental may be established by determining the reasonable monthly rental rate for the quarters through application of the other provisions of this Instruction and adding to the monthly rate an additional charge of at least 20 per cent to cover necessary additional administrative and service charges. The total will be divided by 30 days for the nightly rate or 4 1/3 weeks for the weekly rate.

b. Temporary Quarters. This adjustment will apply when an employee occupies quarters for the convenience of the government on a temporary basis, normally more than 60 days, and does not receive per diem. Under these circumstances, if the employee maintains two households, an adjustment to the rental rate on the quarters unit will be made so that the combined rent or rent and mortgage payment paid during the period of occupancy is not excessively burdensome. The adjustment may not exceed 20 per cent of the base rental rate of the quarters unit unless severe circumstances fully justify a greater deduction.

5. Quarters of Excessive or Inadequate Size or Quality. If there is a lack of housing of appropriate size or quality, an employee may be provided Navy-owned or controlled quarters of a size or quality either excessive or inadequate to that which the prudent employee would have selected in the private community. In these exceptional circumstances, the base rental rate will be reduced by up to 10 per cent in direct proportion to the degree of the excess or deficiency. This reduction will not continue beyond one month after the availability of either appropriate rental quarters or private housing except when the reassignment of quarters will not serve to benefit the government. The

Appendix A to Enclosure (2)

determination of the availability of alternate housing will comply with the accepted regulations of adequacy within a reasonable commuting distance (not more than one hour each way).

6. Excessive Heating and Cooling Costs. A deduction from the base rental rate is permissible if quarters require an unreasonable additional expense to the employee for heating or cooling because of poor design, the lack of all-weather construction or other related factors. The amount of the deduction will be determined as follows: If the rental quarters in question require expenses to the occupant in excess of 25 per cent for the heating or cooling season over the average of heating or cooling for comparable housing in the same area and climate zone as determined by a suitable survey or appraisal, the excessive costs (i.e., those in excess of 25 per cent over the average) may be deducted from the annual rental rates.

7. Changes in Administrative Adjustments. For specific quarters rental rates, implementation of new administrative adjustments reflecting changes in any of the factors contained in this attachment will be published as soon as possible after learning of those changes, normally within 30 days.

DATA TO INCLUDE IN APPRAISAL REPORTS (Where Applicable)

1. Construction Details:

- Physical description of quarters evaluated by type (brick, frame, stucco, etc..)
- Classification (apartment, house UOPH/VOQ, dormitory/barracks, mobile home park, etc..)
- General grade of construction work
- Materials and decoration
- Number of rooms
- Floor space
- Porches and garages
- General appearance and condition

2. Equipment and Accessories (Exclude Ordinary Furnishings):

- Refrigeration
- Cooking facilities
- Kitchen cabinets
- Closet space
- Built-in conveniences
- Screening
- Elevators
- Telephone service
- Utilities
- Plumbing
- Air Conditioning

3. Site Conditions:

- Approximate lot size for each living unit
- Approximate access (street and road frontage)
- Restrictions
- Land improvements (walks, driveways, shrubbery, lawns, topography, etc.)
- Hazards

4. Neighborhood Development and Data:

- Desirability of location or local zoning regulation
- Public transportation
- Schools
- Shopping facilities
- Recreation facilities
- Supply and demand for housing
- Population statistics
- General trend and development

5. Comparable Rental Data:

- Show the result of the comprehensive survey on current rental rates for the most nearly similar privately-owned housing or mobile home facilities in the nearest competitive or comparable neighborhood or community.

6. Comparable Relationships:

- Discuss the relative merits of government quarters and mobile home facilities in comparison with similar private housing and mobile home facilities.

7. Correlation of Rental Value:

- Discuss the basic reasoning supporting final rental value for each distinctive rental bracket.

8. Attach photographs of different views of the quarters and mobile home facilities appraised; also, of the typical private housing cited as comparable rental(s).

9. A completed appraisal will separately reflect rates established for shelter rent, utilities, furnishings and each additional related service.

10. Appraisal Certificate:

"I (we) hereby certify that I (we) have carefully examined the property described and the estimates as developed in this report represent my (our) unbiased judgment of the present fair market rental value of the _____, subject only to all the assumptions and limitations as specifically set forth here."

"I (we) further certify that I (we) have no past, present, or future interest in the property which would influence the preparation of this report."

Date:

Prepared by:

Signature & Title

Signature & Title

PROCEDURES FOR EFFECTING PERIODIC ADJUSTMENTS IN
RENTAL RATES AND CHARGES FOR RELATED FACILITIES

1. Cyclical and Annual Adjustments. Charges for rental quarters and related facilities shall be adjusted periodically in accordance with the following:

a. Adjustments Based on Surveys or Appraisals. Base rental rates established for rental quarters shall be affirmed or adjusted by a survey or appraisal of the private rental market, as follows:

(1) At least every fifth year or when the base rental rate for the quarters has been increased by 40 per cent through application of the rent series of the U.S. City Average-Regional Consumer Price Index (CPI Rent Series), whichever occurs first, or

(2) Any year when changes in the private rental market in the nearby established community indicate a need to adjust base rental rates on the basis of a survey or appraisal of the rental market.

b. Annual adjustments based on changes to the CPI will be effective on 1 February each year or at the beginning of the first pay period which starts on or after 1 February. Annual CPI adjustments will be disseminated by COMNAVFACENGCOM by December of each year. Annual CPI adjustments effective in February are based on the preceding September CPI data; therefore, when an appraisal is made during the months of August through January, no CPI adjustment will be made in the subsequent February, but will be deferred until the following year.

c. Implementation of Rents and Charges. Approved adjustments resulting from an appraisal will be effected no later than 70 days from receipt of approval. Occupants must be given a minimum of 40 days notice of the imposition of all adjustments to the rental rate, which will include the annual CPI adjustment. If the adjustment is an increase to the rental rate, the entire amount of the increase will be implemented on this schedule.

d. Annual Adjustments for Isolation. The Isolation Adjustment Factor (IAF) will be recomputed each October. The recomputation will reflect the government mileage allowance for automobiles published by the General Services Administration as

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of the last day of September each year. The new IAF will be used to compute the monthly isolation adjustment applicable to rents being charged starting with the first full pay period in February of each year. This is done to coincide with the implementation of rental rates adjusted by the CPI Rent Series each year, as required in paragraph 1b.

e. Annual Adjustment of Utilities

(1) Utilities provided by private utility company and measured/metered. Occupant pays for the consumed utilities at the existing utility rate.

(2) Utilities Furnished by the Government and Measured/Metered. Charges will be based on the domestic rates for similar services in the locality used for survey comparison and will be adjusted whenever utility rates change in the locality used for comparison. In this instance, application of the current rates to meter readings ensures precise charges to the occupant as well as ensuring the policy of community comparability is maintained.

(3) Utilities Furnished by the Government and Unmeasured/Unmetered. The initial FMR appraisal survey will base the utility charges for Navy rental quarters on the cost of utilities in comparable private rental housing. The charges will be adjusted annually by application of the CPI. Utilizing the CPI precludes the necessity of conducting a survey of the community to determine the current charges and effects the price changes occurring in the private community.

f. Newly Acquired Quarters. The initial CPI adjustment in rental rates for newly acquired quarters shall be made as follows:

(1) When the initial survey or appraisal of the private rental market is made during the months of February through July, the initial CPI adjustment will be made at the start of the first pay period which begins after the upcoming February 1.

(2) When the initial survey or appraisal of the private rental market is made during the months of August through January, the initial CPI adjustment will be made per the procedure set forth in subparagraph 1a.

Enclosure (3)

g. Incremental Adjustments. If new appraisals, surveys, or CPI adjustments result in substantial increases in rental rates (i.e., 50 per cent or more above the current rental rate), such increases may be imposed incrementally over a period not to exceed one year, on the condition that they be applied in equal increments on a least a quarterly basis.

h. Rental Adjustments in Foreign Countries. Cyclical and annual adjustments in the base rental rate will be made as above. In the event that rental rates, when adjusted based on the CPI, are not in keeping with local conditions, an appraisal or survey should be conducted.

Enclosure (3)

FINANCIAL PROCEDURES

1. Cash Transactions

Collection of rents and other charges is the responsibility of the field activity designated collection agent. Each transaction will be recorded on NAVCOMPT 2006, Cash Receipts - USN Housing Project. Rents and charges are due on the first day of the month; however, a collection period not to exceed 10 days may be established.

a. A 30-day month will be used to standardize rents and charges regardless of the actual number of days in the month. Charges for occupants who move into or vacate rental quarters during the month will be computed on a pro rata basis. Occupants will be charged for the first day of occupancy; however, they will not be charged for the day they vacate.

b. A security deposit in the amount of 1 month's rent is mandatory for all civilian occupants of rental quarters to forestall delinquencies or to cover possible loss of or damage to Government property. No charges are authorized against security deposits except to meet obligations of vacating occupants or for refunds to occupants. The security deposit will remain in the suspense account until the occupant vacates and satisfactorily cleans quarters.

c. Liability for loss of or damages to Government property is the responsibility of the occupant. Guidelines and procedures for the collection of charges from an occupant are detailed in reference (j), and Chapter 10 of reference (k).

2. Records. Records will be maintained per reference (j). Exceptions to the use of stipulated forms are not permitted unless specific approval is granted. Requests for exceptions containing complete justification will be submitted to the Comptroller of the Navy via the EFD's and COMNAVFACENGCOM.

3. Reimbursements

a. In order to use the funds collected from rents, reimbursable authority is requested by COMNAVFACENGCOM in the annual budget process. Upon authorization and appropriation of

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the family housing (FH,N) budget, COMNAVFACECOM will issue unfunded reimbursable authority quarterly as increases to direct funds to field activities via the EFD. A statutory violation will occur if on 30 September total obligational authority issued exceeds direct allocation received plus collections.

b. COMNAVFACECOM manages and executes the unfunded reimbursable program entirely at Headquarters. Increases and decreases to the direct funding are based on the transactions reflected in the Centralized Expenditure Reimbursement Processing System (CERPS). The CERPS is a consolidated accounting of the collections deposited to the COMNAVFACECOM Authorized Accounting Activity, (UIC 00025).

c. When collections are received on behalf of occupancy of Navy family housing, NAVCOMPT 2277, Voucher for Disbursement and/or Collection, is prepared to deposit the funds as follows:

(1) COLLECTIONS FOR ADVANCE RENTALS AND UTILITIES, COAST GUARD, MOBILE HOME RENTS, DAMAGES, KEY CHARGES, ETC. The following "Accounting Classification to be Credited" in Block 11 is:

<u>ACRN</u>	<u>APPN</u>	<u>SUBHEAD</u>	<u>OBJECT CLASS</u>	<u>BUREAU CONTROL</u>	<u>AAA</u>	<u>TT</u>	<u>COST CODE</u>
	17*7035	2552	007	ACTIVITY UIC	00025	3C	UIC of Disbursing Officer, followed by zero fill.

*FY in which the funds are deposited, NOT the FY in which the event occurred causing the collection.

(2) COLLECTION FOR SECURITY DEPOSITS. As the only exception to paragraph c(1) above, the following "Accounting Classification to be Credited", Block 11, will be used:

<u>ACRN</u>	<u>APPN</u>	<u>SUBHEAD</u>	<u>OBJECT CLASS</u>	<u>BUREAU CONTROL</u>	<u>AAA</u>	<u>TT</u>	<u>COST CODE</u>
	17X6875	1250	007	ACTIVITY UIC	00025	3C	UIC of Disbursing Officer, followed by zero fill.

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(3) REFUND TO AN OCCUPANT FOR PAYMENT MADE IN ADVANCE FOR RENTAL/UTILITIES. The "Accounting Classification to be Charged", Block 13, is the accounting classification displayed in paragraph c(1).

(4) REFUND TO AN OCCUPANT FOR SECURITY DEPOSIT. The "Accounting Classification to be Charged", Block 13, is the accounting classification displayed in paragraph c(2).

ISOLATION ADJUSTMENT COMPUTATION

The monthly adjustment for isolation, as described in appendix A to Enclosure 2, is computed as follows:

Step 1. Determine the one-way distance in miles (from the quarters to the nearest established community) for each affected category of transportation listed in Figure I. Enter mileage(s) in the appropriate block(s) under Column B.

Step 2. Multiply mileage figures entered in Column B by point values listed in Column A for each affected category of transportation to produce one-way points for each category. Add 29 points to the category 4 subtotal and 27 points to the category 5 subtotal to reflect relative differences in cost or time by use of these modes of travel.

Step 3. Add all categories of one-way points in Column C to produce total one-way points. (The total must exceed 30 points or there is no adjustment for isolation.)

Figure I

<u>Category of Travel</u>	<u>Column A Pt Value</u>		<u>Column B One-Way Mi</u>	=	<u>Column C One-Way Pts</u>
(1) Paved road or rail	1.0	x	_____	=	_____
(2) Unpaved but improved road (or hazardous conditions at least 4 months per year)	1.5	x	_____	=	_____
(3) Unimproved road (or hazardous conditions at least 6 months per year)	2.0	x	_____	=	_____
(4) Water, snowmobile, pack animal, foot or other special purpose conveyance	2.5	x	_____	+29 =	_____
(5) Air	4.0	x	_____	+27 =	_____
Total One-Way Points =					

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Step 4. Calculate the Isolation Adjustment Factor (IAF) using the following formula: 2 (to reflect round trip points) times 4 (to reflect number of trips per month) times \$x.xxx (GSA's current automobile mileage allowance). For example: If the GSA mileage allowance is \$0.205, the IAF would be 1.6 (rounded to the nearest tenth).

Step 5. Multiply total one-way points (sum of Column C) by the IAF to produce the monthly adjustment for isolation (and round to the nearest whole dollar).

Enclosure (5)