

BASIC ALLOWANCE FOR HOUSING (BAH): WHAT YOU NEED TO KNOW

WHAT IS BAH?

The Basic Allowance for Housing (“BAH”) is a benefit received by active-duty service members in addition to salary that is intended to cover basic housing costs. The amount of BAH a service member receives depends on geographic duty location, pay grade, and dependency status. The Department of Defense (“DoD”) administers the BAH program, which is available to military service members who have dependents. The financial stability and long-term viability of each Military Housing Privatization Initiative (“MHPI”) project is dependent on the local BAH rate established by the DoD, and housing occupancy rates.

DELIVERING VALUE FOR MHPI RESIDENTS

If service members choose to live within an MHPI community, their BAH is paid directly to the housing provider and covers all operating expenses associated with managing each community. Any remaining BAH revenue is reinvested back into the MHPI project to ensure the long-term viability and desirability of the properties, including improvements like home renovations, new home construction, community centers and amenities.

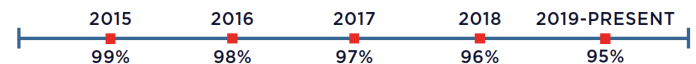
BAH COVERS ALL EXPENSES FOR MHPI COMMUNITIES, INCLUDING:

 <p>THE BASICS</p> <ul style="list-style-type: none"> Rent Gas & Electric Water & Sewer Municipal Services 	 <p>ADDED SERVICES</p> <ul style="list-style-type: none"> 24/7 Maintenance Landscape Services Waste removal Pest Control
 <p>ADDED AMENITIES</p> <ul style="list-style-type: none"> Community Centers Fitness centers Playgrounds Swimming Pools 	 <p>PROJECT COST</p> <ul style="list-style-type: none"> Fees Based on Performance Goals Project oversight Debt Service Fee

HOW IS THE BAH RATE DETERMINED?

Congress and the DoD occasionally adjust the level of BAH funding and revise local market rates annually, resulting in significant swings in the BAH rates in some geographical areas. Since 2019, the BAH has been designed to cover, on average, 95% of housing costs for active-duty service members not living in MHPI housing. In 2021, the U.S. Government Accountability Office (GAO) recommended the DoD review and update their processes for determining local market BAH rates after finding the Department may have often set BAH rates inaccurately.

RECENT BAH REDUCTIONS DRIVEN BY DEFENCE BUDGET CUTS



PROJECTED BAH GROWTH DROVE MHPI PROJECT SCOPES AT PROGRAM INCEPTION

The financial assumptions that underpinned how the MHPI projects were structured have changed significantly since the program's inception. It was originally projected that Congress and the DoD would increase BAH by 3% annually, which would roughly equal projected cost increases. BAH has not increased by that amount over the last ten years, but project expenses have increased well beyond the projected 3% per annum. In 2021, MHA member companies saw the cost of materials and goods increase at least 8-12% overall.

POLICY SOLUTIONS

An increased, stabilized BAH rate would strengthen the purchasing power of military families and allow the MHPI projects to better budget, plan, and execute short- and long-term capital improvements to privatized military housing stock. These goals can be achieved by:

- 1. covering 100% of housing costs for service members** to strengthen the financial security of military families, and
- 2. increasing transparency in the BAH rate determination process** to accurately reflect rental market rates.