INTRODUCTION

The Department of the Interior (DOI), Interior Business Center (IBC) Quarters Program sets rental rates for your housing unit as specified by OMB Circular A-45, “Rental and Construction of Government Quarters” (http://www.whitehouse.gov/omb/circulars_a045.) OMB Circular A-45 regulates how rental rates are to be established for all federally owned or leased civilian housing in the 50 United States, the U.S. Virgin Islands, Puerto Rico, American Samoa, and Guam.

This Federal Tenant Brochure focuses on rent-setting as prescribed by OMB Circular A-45. It does not address other housing management issues that may arise, such as housing assignment, pet policies, maintenance or inspections. Your agency should have its own policies or procedures for employee housing, such as the DOI Housing Management Handbook, 400 DM Chapter 3 (http://www.doi.gov/pam/programs/property_management/upload/Housing-Management-Handbook.doc.) For your agency’s housing policy, contact your housing office.

Your employer is one of 19 Federal agencies that participate in the IBC Quarters Program to set rental rates. In all, the IBC establishes rental rates for over 18,000 federal housing units. By servicing several agencies, the IBC is able to provide A-45 rents more efficiently and cost effectively. However, whether your agency participates in the IBC Quarters Program or not, rents for civilian housing still must be set in accordance with A-45.

OMB Circular A-45 bases your rent on what you would pay for comparable private rental housing in your area. To determine rental rates, A-45 requires a survey of the private rental market in your nearest community and region at least every five years. In addition, A-45 requires annual adjustments for inflation. These changes to your rent are effective every year on the first full pay period in March.

This means that your rent will not remain the same as when you were first assigned to housing. Your rent can increase from year to year, depending upon nationwide inflation measures and rents in the private rental market of your nearest community.

HOUSING INVENTORY

Your agency has conducted an inventory of your housing unit. During an on-site inspection, the size, age, number of bedrooms, bathrooms, condition, appliances, and other items were verified and recorded on a Government Housing Inventory form (DI 1875). The Inventory data for your unit has been entered into the Internet Quarters Management and Information System (iQMIS) software, which is provided by the IBC and managed by your local or regional housing office. This Inventory is used to determine your rent, based on the typical charges for similar housing with the same amenities in your area.
Your agency should inspect all housing and review this *Inventory* at least annually to ensure that your housing unit is accurately described. You should receive a printed copy of the *Government Housing Inventory* of your unit each year for review, but you may request a copy from your housing office at any time. **It is your responsibility as a tenant to make sure the Inventory is correct and report any inaccuracies.**

Nearly every aspect of your Inventory affects the rent, so accurate data is important. For example, rent for a 3-bedroom unit is greater than rent for a 2-bedroom unit. Rent for a 1,500 square foot unit is greater than rent for a 900 square foot unit. Rent for a unit with a garage is greater than one without a garage. The charge for each item in your Inventory is printed on the *Rent Computation Schedule* (DI Form 1880.)

The *Inventory* of your unit may be corrected at any time, either at your request, or by other agency employees (for example, if an error is discovered or during an inspection of the unit.) If a change in *Inventory* affects your rent, you will be given a new *Rent Computation Schedule* (DI 1880) and *Tenant Rent Notice* (DI 1882) documents.

### REGIONAL PRIVATE RENTAL MARKET SURVEY

Regional private rental market surveys must be conducted at least every five years, per A-45. The current survey schedule is once **every four years**, as approved by the agencies participating in the IBC Quarters Program.

The four-year regional survey schedule is as follows:

- **Survey in 2012 – new rents effective in March 2013:** Mid-South, Southeast, New Mexico, Guam
- **Survey in 2013 – new rents effective March 2014:** California, Hawaii, Caribbean (U.S. Virgin Islands, Puerto Rico,) American Samoa
- **Survey in 2014 – new rents effective March 2015:** Idaho/Montana, Colorado/Utah/Wyoming, Alaska, Plains
- **Survey in 2015 – new rents effective March 2016:** Arizona/Nevada, Oregon/Washington, North Central, Northeast
- **Survey in 2016 – new rents effective March 2017:** Mid-South, Southeast, New Mexico

This means that once every four years, the private rental market of your nearest community is surveyed and **your rent is brought into alignment with what you would pay to rent a similar unit in that community.**

According to A-45, **the closest community used for your rental rates** must have a 2010 U.S. Census population of at least 1,500 (5,000 in Alaska), a doctor, a dentist, and a private rental market. This community was determined by your housing office. The IBC only surveys the communities that are near Federal housing sites; they do not survey every community in the region. A copy of the latest survey report for your region is available from your housing manager.

To conduct these rental surveys, the IBC selects contractors through a competitive bid process who have experience in collecting data from the private rental market. The
contractor selects the market “comparables” and records an Inventory on each, such as address, property owner, monthly rent, size, age, bedrooms, bathrooms, garage, condition, as well as appliances, furnishings, services and utilities included in the rent. Photos and square foot measurements are also collected.

The contractors must follow specific requirements while collecting the data. For example, they may only include comparable units from unsubsidized year-round rental housing. The comparables do not have to be vacant in order to be included in the survey.

**ANALYSIS OF REGIONAL PRIVATE RENTAL MARKET SURVEY DATA**

The IBC reviews each private rental comparable and analyzes the survey data to develop new rental rates. Market rents are adjusted downward to exclude the value of any appliances, furnishings, services or utilities provided by the landlord. This determines the “base rent” for comparison. Any unusual or unexplainable high or low rents (outliers) are removed prior to analysis.

Each rent class is analyzed separately: houses, apartments, mobile homes and trailer pads. For each rent class, statistical regression methods are used to determine which physical characteristics (size, age, condition, number of bedrooms, number of bathrooms, community location, etc.) are important in explaining the differences in “base rent” between individual comparables. The regression produces a new rent “formula.” This formula provides a market value (a charge) per square foot, per bedroom, per bathroom, per garage, per community, and so forth. The formula is thoroughly tested for accuracy against the “base rents” of the private comparables in each community. The resulting “rent formula” for any government housing unit will set the “base rent” at or below market value for a similar unit in the nearest community. This is a fundamental requirement of A-45 rent regulations.

The IBC produces a survey report to explain the data analyses and to summarize the results. The rental formula for each housing type is depicted as a “Monthly Base Rent Chart” in the regional survey report.

**MONTHLY BASE RENTAL RATES**

The new rent formulas from each survey are programmed into the iQMIS application each year, and your housing office calculates and distributes your new rent around January each year.

The “Monthly Base Rental Rate,” as printed on your Rent Computation Schedule (DI 1880,) is the survey rent formula applied to your housing Inventory. This is the “base rent” for your unit, in your community, not including furnishings, appliances, utilities or services that are also provided to you.

If you live near a low cost community, your rent is decreased to reflect that community’s low-cost rental rates. The location adjustments for each community are printed in the survey report “Base Rent Charts” and on the Rent Computation Schedule.
For example, if the “location adjustment” for your nearest community is -$145, this indicates this community’s rental costs average $145 less than the regional average of all communities surveyed.

Since the “location adjustment” is just one variable in the rent formula, its value will change every four years after a new regional survey is performed and a new statistical regression is completed. For example, the 2009 survey may have resulted in a -$145 adjustment for your community, but the 2013 survey resulted in a -$25 adjustment for your community. The “location adjustment” is not meaningful on its own; it is only one piece of the rent formula and is meaningful only as a part of the whole. The total “base rent” is the bottom line result of the survey. It reflects the market rate in your nearest community for a similar unit without any utilities, appliances, furnishings or services included.

If you live near a **high cost** community, you will not pay the local community rental rates. In the IBC program, tenants do not pay more than the regional average. Rents in high-cost areas are “capped” at the average rent for the region. If there is no “location adjustment” for your community, this indicates that your community’s rental costs are at or above the regional average of all communities surveyed. A “location adjustment” of $0 indicates that your rents have been “capped” at the regional average.

**After a regional rental survey is conducted and implemented, your rents may change significantly.** These changes reflect the rental market factors in your nearest community.

**INFLATION (CONSUMER PRICE INDEX – CPI)**

Assuming your Inventory doesn’t change, your “base rent” will remain the same for four years, until the next private rental market survey is conducted. However, national inflation must be added to the “base rent” each year, as required by A-45. You are also charged for appliances, furnishings, services and utilities provided in your housing unit (“related facilities.”) For example, you will pay an additional charge for all government-furnished items, such as a washer and dryer, trash removal, water, sewer, etc. Each of these items will be identified on your Rent Computation Schedule (DI 1880.) Please report any discrepancies in these Inventory items to your housing office immediately.

To determine inflation, Bureau of Labor Statistics (BLS) Consumer Price Index (CPI) measures are used. BLS produces national inflation indices for rent, electricity, propane, natural gas, water, sewer, trash removal, washers and dryers, etc. The rent and each item included in your unit are adjusted annually for inflation.

The best way to identify specific inflation adjustments to your rent is to compare line by line between last year’s Rent Computation Schedule and this year’s Rent Computation Schedule.
ADMINISTRATIVE ADJUSTMENTS

“Administrative adjustments” are authorized by A-45 to compensate for some of the living conditions at the government site and for the distance to community services. Administrative adjustments are reductions to rent, intended to compensate for conditions that you would not typically experience in the private rental market, and therefore are not reflected in the market “base rent.” For example, in most communities, residents have adequate police, fire, water, and electrical services. In some government locations, these may not be adequate.

These reductions to rent are generally percentage-based and may be scaled by management to differentiate among individual circumstances. The definitions and many of the percentage values are fixed by A-45, and are not subject to change. Your housing official or supervisor is NOT authorized to exceed the percentages in A-45, nor are they permitted to give an adjustment for which you do not qualify. In fact, A-45 and Federal law 5 U.S.C. 5536 specifically prohibit the government from subsidizing your housing costs in any way. If you are eligible for administrative adjustments, there must be complete documentation in the official housing files, and these adjustments must be reviewed every year.

The administrative adjustments allowed by A-45 include deductions for isolation from community services, lack of typical site amenities, lack of privacy due to frequent public intrusion, excessive unit size, inadequate unit size, and excessive heating and cooling costs. Eligibility is based on individual circumstances and furnished documentation. In some cases, the employee is required to keep records and produce proof that he or she is entitled to receive the adjustment (i.e., loss of privacy, excessive heating/cooling.) To determine eligibility for any adjustment to which you believe you are entitled, see A-45 and your agency’s written policy or contact your housing office.

As with any Inventory item, administrative adjustments may be added or removed at any time, based on information provided by you or by another Federal employee, such as a housing inspection or regional inventory review. Your rent may be changed at any time to comply with A-45 requirements, for example, if an error is discovered or if an inadequate situation is remedied and no longer exists.

IMPLEMENTING NEW RENTAL CHARGES

Your rent will be adjusted once each year in March, based on new survey rental formulas and inflation, as required by A-45. You should receive a written notification of your new rental rate from your housing office no later than the first week in February.

Your “net rent” – the rent you pay through payroll deduction – is the sum of the inflation-adjusted “base rent,” related facilities charges (appliances, utilities, furnishings and services), and administrative adjustments. The “net rent” is printed on the Tenant Rent Notice. If you have a question about your rental rate, or on any Inventory matters, contact your housing office.
APPEAL RIGHTS

Because your rent must be based on local, regional and national market values, **there is no legal limit to the amount that your rent may increase.** And, since your nearest community is only surveyed once every four years, it is quite possible that your rents may increase substantially; they are “catching up” to four years of market changes that have far exceeded national inflation. If your rent increases by 25 percent or more, then A-45 allows your agency to implement the increase over quarterly increments in March, June, September, and December.

Although large increases to your rent may be unexpected or surprising, you cannot appeal your rent simply because it has increased – even if it increased significantly. This is because the **adjustment of your rent to reflect private rental market rates is required by A-45.**

If you are concerned about your new rental rate, take some time to research the community rental rates. If your rent is significantly higher than rents for similar-sized housing in the community, and if you provide sufficient evidence and follow your agency’s appeal procedures, your rent may be corrected.

However, the time to conduct this investigation is immediately after new survey rates are provided to you, after you receive the Tenant Rent Notice. The DOI Housing Management Handbook and other agency’s policies provide only a 30-day window to submit a “Request for Reconsideration” or “Appeal” to dispute your new survey-based rent.

Due to this tight timeline, please review your annual rent adjustments immediately upon receipt and verify the housing inventory accuracy.

Matters regarding an incorrect nearest community or housing inventory error can usually be settled quickly and informally. Any error you discover should be brought to the attention of your housing office right away; once verified, your rent may be recalculated. If your concerns are not resolved quickly, or not to your satisfaction, then submit a written “Request for Reconsideration” or “Appeal.”

If your preliminary research indicates that your rent is more than a similar unit in your nearest community, refer to your agency’s rent appeal procedures for the specific documentation required to prove your case.

Note that several tenants at a government site may file a “Request for Reconsideration” or “Appeal” collectively; they do not need to be filed individually.

It is not sufficient merely to allege that a rental rate is unreasonably high, or that the increase is unreasonably high. Proof is required to successfully claim that your rental rate is too high for the community. You must include acceptable private rental market comparables from the nearest community in your written “Request for Reconsideration” or “Appeal” to prove that your rent is too high. The burden of proof is on you, the tenant. If you do not provide sufficient documentation, unfortunately, it cannot be remedied later.
For DOI tenants/employees only, if your “request for reconsideration” is denied, or if the approving official fails to respond to you within 30 days, you may appeal in writing directly to the Department of the Interior, Office of Hearings and Appeals. The appeal must be filed within 30 days of receipt of the denial of your “request for reconsideration.” You may not appeal based on an issue that was not raised in your original request, and may not provide additional proof that was not submitted with your original request.

YOUR OPTIONS

In any given year, your rental adjustment may exceed your annual “cost of living” and “locality pay” adjustments. Rents and rent adjustments are not related to your pay grade, locality pay or pay increases; they are completely separate regulations and processes. For this reason, assignment to the right sized housing for your pay grade and family requirements is crucial.

Federal employees who do not live in government housing are also experiencing changes in market prices. For example, renters in the private market receive annual adjustments with each new lease. If a renter cannot afford the new rent, they may choose not to renew their lease. They may choose to relocate to a smaller unit, move in with a family member, or take on a roommate to share expenses.

If a new rental rate poses a financial hardship, you may:

- Request reassignment to a smaller unit, if available.
- At your agency’s discretion, tenants may request to lock off unused bedrooms in order to reduce rent. Within DOI, tenants that choose this option must relocate when a smaller more affordable unit becomes available.
- Request a roommate (another federal employee only; you may not sub-lease your government unit.)
- Relocate to the private rental market, where you may have a greater selection of housing types, sizes and rental rates.

CONCLUSION

For additional information on rent setting and the appeals process, recorded web-based training is available at http://www.doi.gov/ibc/services/finance/quarters/recorded_rent_traning.cfm.

For rent determinations, technical and iQMIS assistance, contact the DOI Interior Business Center (IBC):

Doug Pokorney, Quarters Program Manager
Laura Walters, Quarters Program Specialist
Quarters Program Office / iQMIS
Interior Business Center
Office of the Secretary  
U.S. Department of the Interior  
Denver, CO  
E-Mail: nbc_iqmis_sys_mgr@nbc.gov  
Phone: (303) 969-5050 or 5696  
Fax: (303) 969-6634  

For policy assistance, contact your national housing office or the DOI Office of Acquisition and Property Management (PAM):  

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