

Federal Tenant Brochure

Rental Rates for Employees Living in Federal Housing



Produced by:

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Interior Business Center
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Denver, Colorado**

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INTRODUCTION

The Department of the Interior (DOI), Interior Business Center (IBC) Quarters Program sets rental rates for your housing unit as specified by the Office of Management and Budget (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 how your rental rates are set. It does not address other housing management issues, such as housing assignment, pet policies, maintenance issues, or inspections. Your agency should have its own policies and 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.) Contact your housing office for a copy of your agency housing policy.

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

OMB *Circular A-45* requires that your rent be set at **what you would pay for comparable private rental housing in your area**. Rental rates are determined by a survey of the private rental market in your nearest community and regional averages. 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 or decrease from year to year, depending upon nationwide inflation and rent changes in the private rental market of your nearest community, measured every four years.

YOUR 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 entered into the *Internet Quarters Management and Information System* (iQMIS) software. iQMIS is provided by the IBC and your housing inventory is managed by your local or regional housing office. This Inventory is used to determine your rent, to compare your unit with the **typical charges for similar housing with the same amenities in your area**.

Your agency should inspect your housing unit and review this inventory at least annually to ensure that your 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 ensure the *Inventory* is correct and report any inaccuracies to your local tenant manager.**

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 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. 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.**

The four-year regional survey schedule is as follows:

- Survey in 2014 – Effective in March 2015: Idaho/Montana, Colorado/Utah/Wyoming, Alaska, Plains, American Samoa
- Survey in 2015 – Effective in March 2016: Arizona/Nevada, Oregon/Washington, North Central, Northeast
- Survey in 2016 – Effective in March 2017: Mid-South, Southeast, New Mexico
- Survey in 2017 – Effective in March 2018: California, Hawaii, Caribbean (U.S. Virgin Islands, Puerto Rico), Guam

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 has been determined by your housing office; you may verify it for accuracy (see http://www.census.gov/geo/maps-data/maps/2010ref/st17_tract.html.) The nearest community may change once every ten years, after new U.S. Census populations are released, or if a community loses its only doctor or dentist. The IBC does not survey every possible community in the region; they only survey the communities that are identified by iQMIS housing managers as the closest to federal housing sites.

To conduct these rental surveys, the IBC selects a contractor through a competitive bid process who has experience in collecting data from the private rental market. The contractor selects the market “comparables” and records an *Inventory* on each private rental unit, 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.

The IBC reviews each private rental comparable and analyzes the survey data to develop new rental rates. A “base rent” is determined to exclude additional items the landlord may provide, such as water, sewer, trash removal, furniture, or a washer and dryer. The “base rent” includes only a range, refrigerator, heating system and water heater. Each rent class is analyzed separately: houses, apartments, mobile homes, and trailer pads. For each rent class, **statistical regression methods** are used to determine a value (a charge) for each regression “variable,” such as square feet, bedrooms, bathrooms, age, condition, garage, and community. The resulting “rent formula” will set the “base rent” for any government housing unit 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 regional survey report to explain the private rental market analyses and to summarize the results. The “rent formula” for each housing type is published as a “Monthly Base Rent Chart” in the report. The “Monthly Base Rent Chart” reflects the regional average market rates for each specific housing type. A copy of the current survey report for your region is available from your housing manager.

The “Monthly Base Rent” is printed on your *Rent Computation Schedule* (DI 1880). This is what your housing unit would rent for in the nearest community, not including any furnishings, appliances, utilities or services provided by the government.

If you live near a **low cost** community, the “Monthly Base Rent” (or regional average) is reduced by a community “variable” to reflect the community’s low-cost rental rates. For example, if the “location adjustment” on the *Rent Computation Schedule* for your nearest community is -\$145, this indicates the community’s rental costs average \$145 less than all of the communities surveyed.

If you live near a **high cost** community, you will not pay local community rental rates. The “Monthly Base Rent” (or regional average) is not increased by a community “variable” to reflect the community’s high-cost 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. If there is no “location adjustment” for your community (\$0 on your *Rent Computation Schedule*), this indicates that your community’s rental costs are at or above the regional average of all communities surveyed. A “location adjustment” of \$0 reflects that your rents have been “capped” at the regional average, and you are paying less than the local community market rates.

The amount of the “location adjustment” is not meaningful on its own; it is only one variable in the “rent formula.” The total “Monthly Base Rent” on the *Rent Computation Schedule* reflects the market rate for a similar unit in your nearest community, without any utilities, appliances, furnishings or services included. The base rent remains the same until the next market survey.

“**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 renters would not typically experience in the private market that 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 amenities may not be comparable.

These reductions to rent are generally percentage-based and a few 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. 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 due to the public coming to your home, excessive heating/cooling costs due to a structural problem, etc.) 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.

“Related facilities” include any appliances, furnishings, utilities, or services provided by the government at your unit. Each item is identified on the *Rent Computation Schedule*.

As with any Inventory item, “administrative adjustments” and “related facilities” may be added or removed at any time based on more accurate information provided by you or by another Federal employee, such as a housing inspection or regional Inventory data 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. Please notify your housing manager if you find any errors in the *Inventory* or *Rent Computation*.

YOUR ANNUAL RENT ADJUSTMENT

A-45 requires that national inflation be added to the “base rent” and to each additional item provided by the government, effective in March each year. Bureau of Labor Statistics (BLS) **Consumer Price Index (CPI)** measures are used. BLS produces national inflation measures for rent, electricity, propane, natural gas, water, sewer, trash removal, washers and dryers, lawn care services, etc.

The adjustment for inflation to “base rent” (the “CPI Adjustment” on the *Rent Computation Schedule*) is cumulative from the date of the survey, so the percent indicated is not the change since last year, but rather the total change since the private market survey was conducted.

The best way to see the specific inflation adjustments is to compare last year's *Rent Computation Schedule* to this year's *Rent Computation Schedule* line by line. Survey changes or inflationary changes will be apparent.

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 APPEAL RIGHTS

After a regional rental survey is conducted and implemented, your rents may change significantly. 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; the new survey will catch up to four years of market changes – and these may far exceed the national inflation increases you have been paying for annually. If your rent increases by 25 percent or \$100 per month due to a new market survey, then A-45 allows your agency to implement the increase over quarterly increments in March, June, September, and December. This provides federal tenants time to research their housing options.

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, do some investigation of community rental rates yourself. Be sure to look for units similar to your own (house, 3 bedrooms, 1.5 bathrooms, 1,200 square feet, etc.) If your rent is significantly higher than rents for similar 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 30 days to submit a "Request for Reconsideration" or "Appeal"** to dispute the new rent. In addition, new market-based rents may only be disputed in the year the survey is implemented – not 2 or 3 years later.

Due to this tight 30 day 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, without a written request. 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" within the 30 day deadline.

If your preliminary research indicates that your government 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 collectively file a "Request for Reconsideration" or "Appeal"; 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, or that your pay is not keeping pace with rent increases. **Proof from the market is required to successfully claim that your rental rate is too high for the community.** The burden of proof is on you, the tenant.

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 or documentation that was not submitted with your original request. So, it's very important that any "Request for Reconsideration" be filed on time and with correct documentation. Contact the iQMIS Help Desk for additional information.

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 proper-sized housing for your pay grade and family needs is crucial. The government rent is not based on your pay grade; it is based on local market rates for a similar housing unit.

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.

The *New York Times* reported in 2014 that millions of people are living with roommates or with extended family due to current rental rates and economic conditions. In addition, many people are choosing to rent rather than buy a home. Stricter requirements for a mortgage have affected demand for single family home purchases, and construction has subsequently taken a downturn. **The demand for rental units is increasing rents in many communities.** More people want to rent, including retirees, in today's economy (<http://www.nytimes.com/2014/04/27/upshot/the-housing-market-is-still-holding-back-the-economy-heres-why.html>.) Nationally, half of all renters are spending more than 30 percent of their income on rent (<http://www.nytimes.com/2014/04/15/business/more-renters-find-30-affordability-ratio-unattainable.html>.)

Rent changes since the last survey four years ago are simply a reflection of the market forces in your nearest community. Significant increases to your rent reflect increased demand for rental units. For verification, research your nearest community's rental rates; be sure to look for units similar to your own.

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

- Request reassignment to a smaller government unit, if available.
- At your agency's discretion, request to lock off unused bedrooms and reduce the size of your unit in order to reduce the 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, size, condition, and rental rates.

ADDITIONAL INFORMATION

For questions about your rental rate and inventory, or for a copy of your agency's housing policy and procedures, contact your local housing manager.

Recorded web-based training on the rent setting and appeal process is available at http://www.doi.gov/ibc/services/finance/quarters/recorded_rent_training.cfm.

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

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For housing policy issues, contact your agency's national housing office or the DOI **Office of Acquisition and Property Management (PAM)**:

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