

Circular No. A-45 Revised

October 20, 1993

Office of the Director

TO THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS

SUBJECT: Rental and Construction of Government Quarters

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1. **PURPOSE.** This circular sets forth policies and administrative guidance to be used by executive agencies in establishing and administering rental rates and other charges for Government rental quarters and related facilities located within the fifty States, the District of Columbia, and the territories and possessions of the United States. It also sets forth policies and administrative guidance to be used by executive agencies respecting construction of Federally-owned housing (exclusive of military barracks) for civilian and military personnel, as well as for employees of Government contractors, whether provided on a rental basis or free of charge, both in the United States and overseas. This circular does not deal with determinations of whether construction of housing is appropriate, for which please see Office of Management and Budget (OMB) Circular No. A-11, Preparation and Submission of Budget Estimates, section 12.5(n).

2. **BACKGROUND.** The policies and procedures of this circular have been revised pursuant to section 9 of the 1984 version of the circular. Portions of OMB Circular No. A-18, Policies on Construction of Family Housing (rescinded August 26, 1992), have been incorporated into section 8 of this circular.

3. **RESCISSION.** This rescinds OMB Circular No. A-45, dated March 28, 1984, as amended, and incorporates portions of rescinded OMB Circular No. A-18, Policies on Construction of Family Housing, October 18, 1957.

4. **AUTHORITY.** This circular is issued by virtue of the authority vested in the President by 5 U.S.C. section 5911(f), and delegated to the Director of the Office of Management and Budget by section 9 of Executive Order 11609 of July 22, 1971; by 31 U.S.C. section IIII; and by section 2(d) of Executive Order 8248 of September 8, 1939, and section 1 of Executive Order 11541 of July 1, 1970.

5. **POLICY.**

a. Reliance on private housing market. It is the policy of the Federal Government to rely on the private housing market to provide housing for its civilian employees. If there is no requirement of service or protection or if there is no lack of available housing, as discussed in OMB Circular No. A-11, Preparation and Submission of Budget Estimates, subsection 12.5(n)(2) and (3), agencies must not acquire additional rental quarters.

b. Determination of rents. Agencies of the Federal Government must adhere to the following in determining rental rates for Government rental quarters:

1. Reasonable value to employee. Rental rates and charges for Government quarters and related facilities will be based upon their "reasonable value . . . to the employee . . . in the circumstances under which the quarters and facilities are provided, occupied or made available." 5 U.S.C. section 5911. As intended by the Congress, reasonable value to the employee or other occupant is determined by the rule of equivalence; namely, that charges for rent and related facilities should be set at levels equal to those prevailing for comparable private housing located in the same area, when practicable; and
2. Subsidies, inducements prohibited. Federal employees whose pay and allowances are fixed by statute or regulation may not receive additional pay and allowances for any service or duty unless specifically authorized by law. 5 U.S.C. section 5536. Consequently, rents and other charges may not be set so as to provide a housing subsidy, serve as an inducement in the recruitment or retention of employees, or encourage occupancy of existing Government housing.
3. Fairness, consistency. When properly determined in accordance with the provisions of this circular, rental rates will be fair as between the Government and the employee (or other authorized occupant) and as between employees of different agencies living in the same installation in similar housing, or employees living in Government quarters at different installations. Rents should not be set so as to serve as an

inducement to recruit or retain employees. Moreover, rents should reflect a consistent local pattern for all Federal quarters in a given location.

c. Employee responsibilities. Employees have a responsibility to inform themselves of all the conditions that prevail in and near the quarters and duty stations to which they might be assigned before accepting transfer to or employment at such duty stations.

6. DEFINITIONS.

a. Agency. As defined in Pub. L. 88-459, 78 Stat. 557 (1964), the term "agency" means (1) each executive department of the Government; (2) each agency or independent establishment in the Executive Branch of the Government; (3) each corporation owned or controlled by the Government, except the Tennessee Valley Authority; and (4) the General Accounting Office.

b. Air conditioning. The process of cooling air either through evaporation of water (evaporative cooling) or refrigeration (mechanical or absorption), and the distribution of such air.

c. Base rental rate. The base rental rate is the rental value of the quarters, established in accordance with the provisions of this circular, before applying any administrative adjustments or charges for related facilities.

d. Comparable housing. Comparable housing is housing in the private sector that is generally equivalent in size to the rental quarters, with the same number of bedrooms, 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 relatives, for which other considerations may have influenced the rental rates. In addition, other Government rental housing (Federal, State, or local) and housing provided by churches or religious societies are excluded from this definition of comparable housing.

e. Construction. "Construction" includes conversions of structures for dwelling purposes.

f. Established community. An established community is 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 all occupants of Government quarters on a nonemergency basis and a private rental market with housing available to the general public. Population determinations will be based-upon the most recently published decennial census of the United States.

g. Net area. For purposes of construction of quarters, the net area of a dwelling is the space inside exterior or party walls, excluding only attic, garage, and basement (or service and storage space in lieu of basement).

h. 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 that reduce or increase the value of the housing to the tenant.

i. Related facilities. Related facilities are 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.

j. Rental quarters. Except as specifically excluded herein 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 -leased dwellings, apartments, bunkhouses, dormitories, trailer pads, cabins, guard stations and lookouts, mobile homes, house trailers, and housekeeping as well as nonhousekeeping units. The term excludes tents, containers, housing which due to extreme deterioration is unsuitable for occupancy except in exigent circumstances, and "public quarters" designated for occupancy by members of the uniformed services with loss of allowances, but it includes quarters occupied by such personnel on a rental basis under 37 U.S.C. section 403(e), 42 U.S.C. subsection 1594a(f) and 1594b, and other authorities.

k. Room. A room is a living space such as a living room, bedroom, kitchen, finished attic or basement, or other suitable living space. A half room is a small space used for living purposes, such as a dinette, breakfast nook, dressing room, or reception room. No count is made of bathrooms, strip or pullman kitchens, halls or foyers, alcoves, pantries, laundries, storage or utility rooms, or unfinished attics and basements.

7. PROCEDURES FOR DETERMINING RENTS AND OTHER CHARGES.

a. Charges for quarters. The determination of reasonable value of Government rental quarters will be based upon an impartial study of comparable private rental housing. There are two methods that may be employed to determine the base rental rate. The first, an appraisal, involves direct comparison with individual private rental housing units. The second, the regional survey, creates a series of economic models based upon a survey of comparable private rental housing throughout the region. While both methods are accurate, agencies are encouraged to utilize the survey method, whenever possible, due

to the costs and administrative burdens associated with conducting individual appraisals. Both methods are subject to the conditions and limitations set forth below.

1. Appraisals.

(a) Urban and suburban locations. If Government 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.

None of the administrative adjustments provided in subsection 7c 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. Adjustments, suitably documented, may be made by agencies when an appraiser has not considered or incorrectly calculated the effect of these factors.

(b) Rural areas. When the appraisal method is used to determine the reasonable value of quarters that are not located in, or within five miles of, an established community, it will be subject to the following limitation: To ensure a uniform approach to valuation when conducting an appraisal in such areas, the staff or contract appraiser will be limited to comparing the Government rental quarters with housing in the nearest established community. (If the nearest established community does not contain sufficient comparables or is unduly affected by severe economic conditions, the appraiser may select comparable rental units from the next closest established community that does have sufficient comparables or does not have a severely deflated or inflated housing market.) Such comparison will be limited to adjustments for the physical differences in the housing. The appraiser in such circumstances will not make adjustments for location (isolation) or for the absence of site amenities. These adjustments, if applicable, will be made administratively in the same manner as authorized for regional surveys in subsections 7c(1) and 7c(2).

2. Regional surveys. Regional surveys may be used in all locations where Government 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 established communities nearest to the sites in which the Government quarters are located. (If the nearest established community does not contain sufficient comparables or is unduly affected by severe economic conditions, the survey may utilize comparable rental units from the next closest established community that does have sufficient comparables or does not have a severely deflated or inflated housing market. 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.

To avoid duplication and inconsistent rates, all 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. Ideally, the survey would establish the rental rates for a large number of Government quarters and thereby reduce the cost per unit surveyed. The methods of analysis must be capable of recognizing both the physical characteristics and the differences in economic conditions, and reflecting such differences 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. Appropriate adjustments may be made to the base rental rates established for quarters in accordance with the provisions of subsection 7c.

3. Agency review. Regardless of the method used, results of surveys and appraisals will be reviewed by the agency prior to implementation to assure that they are fair and reasonable, and that they were developed in accordance with the provisions of this circular. 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 housing market warrant revision of the base rental rates for the quarters located near those communities.

b. Charges for related facilities and costs.

1. Utilities. It is Government policy to minimize energy consumption. Consumption has been found to decrease when occupants of Government rental quarters are required to pay for the actual cost of utilities used (such as electricity, oil, natural gas, propane, coal, telephone, cable television, water and sewer). Utilities should be furnished by a private company and billed directly to the occupant, wherever possible.

When Government furnished utilities are provided, they should be metered or measured, where practicable. The rate for utilities furnished by the Government will be the same as the residential rate for these utilities in the nearest established community (when the appraisal method is used) or survey area (when the survey method is used) used in determining the base rental rate. The consumed amount of Government furnished utilities that are individually metered or measured will be determined by actual readings.

When Government furnished utilities are 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 rental housing in the nearest established community (when the appraisal method is used) or survey area (when the survey method is used). (Such estimates are usually available from local utility companies.) Alternatively, consumption may be determined using engineering tables (such as design heat loss tables from the American Society of Heating and Refrigeration Engineers) and meteorological records. Normally, utility charges will be clearly shown and separated from rent charges. Utility charges

may be combined, however, in one charge for nonhousekeeping rooms. Where it is impractical to shut off heat and electricity to unused rooms and the employee is otherwise entitled to the reduction in section 7c(5) for quarters of excessive size, a proportionate reduction in the utility charges based on the area of the unused quarters may be made.

2. **Furnishings.** If there is an inadequate market of comparably furnished housing for purposes of comparison with furnished Government quarters, the rents on otherwise comparable unfurnished private units may be used as the base and adjusted by a reasonable charge for furnishings. This adjustment should be based on actual replacement costs allocated over the useful life of the furnishings.
3. **Other services.** Charges for other services provided by the Government including, but not limited to, laundry, trash and garbage removal, lawn care and snow removal will be based upon prevailing rates for such services in the nearest established community (when the appraisal method is used) or survey area (when the survey method is used).
4. **Adjustments to obtain base rental rate.** Where the rental charge for comparable housing includes the values of utilities, furnishings, or other services, downward adjustments to obtain the base rental rate will be based on the prevailing rates for such utilities, furnishings, and other services in the nearest established community (when the appraisal method is used) or the survey area (when the survey method is used). The value of furnishings and other services may be based upon national average costs where such data are available.
5. **Excessive heating or cooling costs.** A deduction from the 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 percent 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 head of agency may determine that the excessive costs (i.e., those in excess of 25 percent over the average) may be deducted from the annual rental rates.

c. **Administrative adjustments.** Additional adjustments in the form of deductions from, the base rental rate are appropriate in the specific situations described below. 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 supplementation of salary in contravention of law. The rental rate, after all adjustments, must not be less than 50 percent 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 percent 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 further to isolate some employees from minimal community services. In such situations, the agency shall grant a reasonable adjustment to ameliorate the direct economic effects of the isolation, utilizing the procedure described below and in the appendix.

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 rental 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 center of 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.

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.

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. When the category of travel is category 4 or 5 on the Isolation Adjustment Computation form in the appendix, 29 and 27 points are added, respectively, to the product of columns A and B. The one-way points in each category are then added to produce total one-way points, which must exceed 30, or there is no adjustment. Finally, the total adjusted 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 Government 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 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 that should be reflected as a negative percentage adjustment to the base rental rate, as shown below.

(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. (No more than a -3 percent adjustment can be made for this category.)

(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. (No more than a -3 percent adjustment can be made for this category.)

(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 (b), above, applies. (No more than a -3 percent adjustment can be made for this category.)

(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 any officer in the nearest established community. Part-time officers are not necessarily unable to meet this test of availability. Gaps in availability due to temporary illness or injury, use of annual leave, temporary duties, training, or other short absences, do not render law enforcement personnel "unavailable" at the Government quarters. (No more than a -3 percent adjustment can be made for this category.)

(e) Fire insurance availability or 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, in the alternative, adequate equipment, adequate water (or fire retardant chemical) supply, and trained personnel should be available on a 24-hour basis to meet foreseeable emergencies. If either element is present, i.e., adequate insurance or an adequate fire fighting capability, no adjustment may be made. (No more than a -3 percent adjustment can be made for this category.)

(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. (No more than a -3 percent adjustment can be made for this category.)

(g) Reliability and adequacy of telephone service. Twenty-four-hour accessibility to commercial telephone facilities should be available. A deduction of 3 percent is authorized if telephone service is unavailable both within the employee's quarters and within 100 yards of the quarters. A deduction of 2

percent is authorized if there is no telephone service within the employee's quarters, but telephone service (either private or party line) is available within 100 yards of the quarters. A deduction of 1 percent is authorized if telephone service is available in the employee's quarters, but is not private line service and/or is not accessible on a 24 hour per day basis.

(h) Noise and odors. There should be an absence of significant, frequent disturbing noises or offensive odors. (No more than a -3 percent adjustment can be made for this category.)

(i) Miscellaneous improvements. One or more of the following improvements should be present: paved roads, sidewalks, or street lights. (No more than a -1 percent 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, the agency will make a special determination 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 (such as where restrictions are imposed on activities in quarters in or near national cemeteries or where quarters are within view of prison inmates), a deduction not to exceed 10 percent 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.

(b) Space devoted to official use. When the agency 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 and uniformed service members on permanent change of station.

(a) Transient quarters. Charges for quarters occupied on a transient basis, that is, 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 circular, and adding to the monthly

rate an additional charge of at least 20 percent 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, the agency is authorized to adjust the rental rate on the quarters unit 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 percent of the base rental rate of the quarters unit, unless the agency determines that the 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 Government 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 percent 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 Government rental quarters or private rental housing, except when the agency determines that the reassignment of quarters will not benefit the Government.
6. Changes in administrative adjustments. For specific quarter rental rates, agencies should implement new administrative adjustments to reflect changes in any of the factors contained in subsection 7c as soon as possible after learning of those changes, normally within 30 days.

d. Cyclical and annual adjustments; newly acquired quarters. Charges for rental quarters and related facilities shall be adjusted periodically in accordance with the following:

(a) When the private rental market survey or appraisal is made during the months of September through February, no CPI adjustment will be made on March 1 of the following year, but will be deferred until the start of the first pay period that begins after March 1 of the following year. Rental adjustments based on the survey or appraisal will be put into effect in the usual manner. Example: If the survey month is October 1989, no CPI adjustment will be made in March 1990, but will be deferred until March 1991. Such CPI adjustments will be based on the changes in the CPI from the actual date of the survey through September 1990.

(b) When the private rental market survey or appraisal is made during the months of March through August, no CPI adjustments will be made in March of that year, but will be deferred until the start of the first pay period that begins after March 1 of the following year. Rental adjustments based on the survey will be put into effect in the usual manner. Example: If the survey month is April 1989, no CPI

adjustment will be made in March 1989, but will be deferred until March 1, 1990. Such CPI adjustment will be based on the changes in the CPI from the actual date of the survey through September 1989.

1. Adjustments based on surveys or appraisal. Base rental rates established for rental quarters shall be affirmed or adjusted by a survey or appraisal of the private rental market, as follows:
 - (a) At least every fifth year or when the base rental rate for the quarters has been increased by 40 percent through application of the rent series of the U.S. City Average Revised Consumer Price Index for Urban Wage Earners and Clerical Workers, Rent Series, whichever occurs first, or
 - (b) 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.
2. Adjustments based on changes in the CPI. Annual adjustments in the base rental rate shall be made by applying the percent change in the CPI Rent Series from the month and year that the last regional survey or reappraisal of the private rental market was conducted. The new rates shall be effective at the beginning of the first pay period that starts on or after March 1 of each year. Though effective in March, the adjustment shall be based on the preceding September CPI data to provide the required lead time.
3. Annual adjustments for isolation. The Isolation Adjustment Factor (currently 1.9) will be recomputed each year to reflect the Government mileage allowance for automobiles published by the General Services Administration as of the last day of September each year. The new isolation adjustment factor will be used to compute the monthly isolation adjustment applicable to rents being charged starting with the first full pay period in March 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 section 7d(2) of this circular.
4. Annual adjustments of utilities, furnishings, and services. To ensure that rates for Government furnished utilities, furnishings, and services keep pace with current costs, they shall be adjusted annually. Where appraisals are used, the rate will be the average residential rate for the utility, furnishings, and services in the nearest established community as of the last day of September. Where surveys are used, utility costs will be adjusted by amounts coinciding with the changes in the appropriate components of the September Consumer Price Index for Urban Wage Earners and Clerical Workers: Nonfood Expenditure Categories, Seasonally Adjusted, U.S. City Average. The adjusted value of furnishings and other services may be based upon local or national average costs. The new changes will be effective at the beginning of the first pay period that starts on or after March 1 of each year.

5. Periodic/cycle year adjustment. The cycle year (and survey or appraisal month within the cycle year) occurs at different times for different employee quarters within an agency. Therefore, since annual CPI adjustments effective in March are based on the preceding September CPI data, cycle year adjustments for any particular quarters or facility shall be made as follows:

(a) When the initial survey or appraisal of the private rental market is made during the months of March through August, the initial CPI adjustment will be made at the start of the first pay period that begins after March 1 of the following year.

(b) When the initial survey or appraisal of the private rental market is made during the months of September through February, the initial CPI adjustment will be made in accordance with the procedure set forth in subparagraph (5) (a), above.

- **Newly acquired service.** Rates for newly acquired quarters shall be the same as those prevailing for similar Government rental quarters in the area. If there are no established rates, an initial survey or appraisal to establish valid and realistic comparability with private rental housing shall be made upon acceptance of newly acquired quarters, and the corresponding rental rates shall be made effective upon occupancy. The initial CPI adjustment in rental rates shall be made as follows:
- **Incremental adjustments.** If new appraisals, surveys or CPI adjustments result in increases in rental rates of 25 percent 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 at least a quarterly basis.

e. **Qualifications and extensions.** The principle of comparability with private rental practice may be modified under the conditions described below:

(1) **Extension of comparability.** For lack of available alternative quarters, employees must sometimes occupy space for use as quarters that is generally unsuitable for that purpose. Such space may be unsuitable, for example, because it was originally built for seasonal occupancy only, 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, bachelor quarters, residence hotel-type structures, barracks-type structures, or guard stations and lookouts.

In all such cases, if no comparable rental data 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 of the same or any other Federal agency. This rate will apply 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 desired 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.

In buildings where space is assigned for occupancy of several persons or families, common-use space in the building will be distributed to all occupants in proportion to the space assigned for the sole occupancy of each, to determine the number of square feet chargeable to each. Common-use space includes, for example, washrooms, stairs, hallways, and storage, lobby, and lounge areas.

(2) Quarters for uniformed service personnel. Rental rates and other charges incident to the occupancy of quarters on a rental basis by members of the uniformed services will be established in accordance with the provisions of this circular.

Those quarters that have been designated inadequate public quarters or substandard pursuant to law and regulations of the Surgeon General of the Public Health Service and the Secretaries of Defense and Transportation require special treatment in one respect. The total of the rental rate, plus charges for furniture and utilities (except telephone), will be adjusted, if required, so as not to exceed 75 percent of the member's basic allowance for quarters. The rental rate, as used in the preceding sentence, is the rate obtained after the additions or deductions required or authorized elsewhere in this circular have been applied to the base rental rate, including that requirement contained in subsection 7c, that the rental rate, after adjustments, will not be less than 50 percent of the base rental rate.

(3) Instances of hardship. In certain hardship cases where continued occupancy of public quarters by former uniformed service members and dependents or by dependents of deceased service members is permitted, an amount equivalent to the member's full basic allowance for quarters and other housing allowances (i.e., Variable Housing Allowance, etc.) may be charged for such periods of time as may be properly allowed in each particular case. Occupancy of quarters in such instances will normally not exceed 60 days.

Similarly, former Federal employees (or other occupants) and dependents, or dependents of deceased Federal employees (or other occupants), may continue to occupy Government rental quarters for a period normally not to exceed 60 days. Such occupants will continue to pay the established rental rate for those quarters.

(4) Alternative requirements. The provisions of this circular will 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 agency or through other means, the valuation rules of this circular need not be applied, so long as the per diem rate (or actual per diem expense rates) 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 the fact that the housing is provided at no cost to the employee.

(b) When employees are receiving a remote worksite commuting allowance, in accordance with 5 U.S.C. 5942, and housing is provided at no cost to the employees, the allowance paid will consist of factors other than the housing cost portion of the allowance.

(5) **Exceptions.** Efforts have been made in the preparation of this circular to allow for unusual circumstances that may exist with respect to rental quarters. Exceptions to the requirements included in this circular will be permitted, therefore, only upon written request and in those very unusual circumstances when it is demonstrated to the Office of Management and Budget that the application of the provisions of this circular will not result in a rental rate equivalent to the reasonable value of the quarters to the occupant. If an exception is granted by the Director of the Office of Management and Budget, the agency concerned will be notified in writing.

8. CONSTRUCTION OF FEDERALLY-FUNDED HOUSING. Unless otherwise provided by law (e.g., 10 U.S.C. 2826), the following provides guidance to agencies on determining housing construction needs and construction standards:

a. Determination of number of families to be housed and pattern of housing required. The agency should determine the number of families to be housed under the particular circumstances and the probable pattern of family size and composition by a statistical study of families and numbers of dependents within the service or agency adjusted for agency experience, changes in staffing patterns, and national trends in family size. Most frequently, the agency will be adding a limited number of houses at a station where some housing already exists. Under these circumstances, the agency should first make certain that existing housing (owned, leased, or otherwise available to the agency) is properly assigned. After ascertaining that there is a proper utilization of existing housing, the agency should determine what further construction, if any, is required to establish a proper pattern of housing at the station. The determination must discount temporary and unusual peak numbers of employees at the station, but not necessarily recurring requirements for seasonal employees who must be housed. Three general situations with basically different housing requirements are likely to occur:

1. **Small station.** Where only one to five Government houses are to be supplied at a station, it is likely that no stable family pattern can be predicted on a statistical basis. The most reasonable method of meeting the housing requirement under these circumstances is to supply three three-bedroom houses, one two-bedroom house, and one four-bedroom house.
2. **Medium station.** Where five to 25 Government houses are to be supplied, the group is probably still too small to expect a stable family pattern, but the group is too large to permit building all houses the same

size. Under these circumstances, the agency should seek to develop a flexible housing supply, if possible. However, in view of family size trends, it would be best to construct mostly three-bedroom houses, with a smaller number of two-bedroom houses, and a few four-bedroom houses.

3. Large station. Where more than 25 Government houses are to be supplied, it is reasonable to expect that a fairly stable family pattern exists. Under these circumstances, the agency should determine what this pattern is, as described above, and, utilizing Table 1, below, plan to provide the appropriate number and distribution of rooms. At military installations the probable number of personnel entitled to family housing quarters by grade, rank, and position will determine the family housing requirements. In the table of net floor areas given below, Table 1, the normal construction limits will govern the maximum areas of houses to be constructed, except that agencies may construct up to the statutory or maximum limitation for housing for commanding officers and in unusual circumstances. The numbers of rooms will be governed by Table 1, below, showing the relation between number of bedrooms and net square footage areas. OMB will consider exceptions under special circumstances only when fully justified.

NUMBER OF ROOMS Persons Rooms to Baths Baths in household be provided Bedrooms One-story
Two-story 2-3 4 2 1 1 or 1&1/2 4 5, 5&1/2 or 6 3 1 or 1&1/2 2 or 2&1/2 5 5&1/2, 6 or 7 3 or 4 1&1/2 or 2 2
or 2&1/2 6 7 4 2 2 or 2&1/2 Table 1

b. Types of family dwellings to be constructed. Family dwellings similar in type to acceptable dwellings normally built in the local area will be constructed whenever practicable, with full advantage being taken of the economy of construction and maintenance of multiple-family dwellings-apartment, row, or duplex. The construction of single-family dwellings may receive special consideration in locations where remoteness of the station from other community facilities makes it undesirable from the standpoint of safety, employee morale, recruitment and retention of personnel, and satisfactory living conditions under adverse circumstances to house employees in multiple-family dwellings.

c. Prospective rental levels and their effect on construction. The type of dwellings to be constructed will also be governed by the amount of rent that the occupants can afford to pay (public quarters excepted) as determined in accordance with this circular. Hence, care must be taken to ensure that dwellings would rent at rates within the reach of employees to be housed. In cases where there are large numbers of high salaried personnel who would normally rent larger houses than are usually provided on the station and where the ability to hold such employees in Government service may be dependent upon the housing available, agencies may construct a limited number of larger houses upon securing specific advance approval from OMB.

d. Determination of the number of rooms to be provided in family housing. The number of rooms to be provided must be based on the size and normal composition of families to be housed. Consideration

should be given to the trends in family size. It is permissible to provide larger houses for civilian directors or military commanders of large stations, for military officers of general or flag rank, chiefs of Foreign Service missions, Foreign Service officers with the rank of career minister, and to a limited extent, for higher salaried personnel who can afford to and will pay commercially comparable rents for superior quarters. Table 2, below, indicates the number of rooms and bedrooms that should normally be planned for families of varying sizes. Again, OMB will consider justified exceptions depending upon the remoteness of the small or medium station and the extent to which the family is isolated from normal community facilities.

MAXIMUM AND MINIMUM NET FLOOR AREA PER DWELLING UNIT 4 or more 1 Bedroom 1/ 2 Bedrooms 3 Bedrooms Bedrooms Minimum 2/ 550 sq. ft. 750 3/ 960 3/ 1,190 3/ Normal 4/ 730 1,000 1,415 1,670 Maximum 810 1,250 5/ 1,670 5/ 2,100 6/ Table 2 1/ For multi-family or apartment construction only. No one-bedroom houses should be built. 2/ Any construction proposed to provide less square footage than these minimums must be specifically approved by OMB. 3/ Applies to flats or multi-family construction. Not recommended for single or duplex houses. 4/ Budget estimates will not be considered for construction beyond these normal limits unless accompanied by a specific determination of the agency that up to the specified maximums are necessary. 5/ Applies to single-family houses without basements for higher salaried personnel only. 6/ Applies to single-family houses without basements for higher salaried personnel only. Larger areas may be considered by OMB on special justification for heads of large stations, flag officers, or in unusual circumstances only.

e. Net area of houses. The net areas shown below in Table 2 may be increased 10 percent (a) if outside the continental United States, (b) for commanding officers or civilian heads of large installations, or (c) under conditions of extreme isolation where the family may be confined to the home for long periods due to weather conditions or lack of community facilities within reasonable distance. The minimum floor areas below represent the limit below which it is not deemed advisable to go when building permanent housing; such minimum areas should be used only for multiple-family dwellings.

Maximum floor areas represent the limit above which Federal funds need not be invested to provide housing reasonably commensurate with income for all but the highest income groups.

Although agencies cannot always determine the grades of the occupants, there is a normal range of grades for the personnel who are required or permitted to occupy Government housing on the station. The minimum size for the number of bedrooms needed should be provided for those in the lowest grades in order that the housing may not be more expensive than the occupants could be expected to rent if they were securing their own quarters commercially. Larger quarters may be provided for progressively higher grades up to the maximums for personnel at and above general schedule grade 14 and ranks equivalent to the military rank of colonel.

f. Special features. Special features may be provided to meet special work or isolation conditions. These include: extra rooms with outside doors for the employee whose home is also his or her work headquarters; special access to bath or shower rooms without going through the house where the employee's work is particularly dirty and shower facilities are not provided in work buildings; fireplaces in remote areas where wood is readily available and the fireplaces would serve a practical purpose; extra storage space and facilities where distances to market are such as to necessitate purchasing food and other supplies in quantity; and some space for recreation purposes where families may be confined to the house for long periods of time during bad weather conditions.

Air conditioning may be installed in living quarters only in locations where during the six warmest months of the year the dry bulb temperature is 80 F or higher for over 650 hours or the wet bulb temperature is 67 F or higher for over 800 hours.

Air conditioning otherwise permitted by the standards described above, should employ evaporative cooling when engineering studies indicate it is feasible and more economical than refrigeration systems to install and operate.

It is suggested that Departments and agencies initiate a priority system for installing air conditioning in existing personnel living quarters to ensure that the air conditioning of quarters in the warmest areas under these criteria is completed first.

g. Design standards. Agencies should consult the Uniform Building Code or the codes developed by the Council of American Building Officials for guidance in planning construction of permanent family housing that is liveable, durable, safe, sanitary, and not impose an unreasonable and uneconomical burden upon the Government.

h. Compliance with design standards. Agencies shall plan new construction of family housing in accordance with this circular and nationally recognized design standards, such as those set forth in the Uniform Building Code or the codes developed by the Council of American Building Officials. Budget requests and apportionment requests for this purpose shall be based upon compliance with the approved design standards and the provisions of this circular. The squarefoot construction cost should not exceed that generally recognized as prevailing in the area for non-Federal dwellings of similar size and type of occupancy. Exceptions may be made by those agencies constructing housing outside the continental United States where climatic conditions or local building codes and restrictions prevent compliance. Any other exceptions should be plainly set forth in the budget or apportionment request.

i. Budget and apportionment requests. Consult OMB Circular No. A-11, Preparation and Submission of Budget Estimates, subsection 12.5(n), for guidance respecting budget and apportionment requests.

9. **AGENCY REGULATIONS.** The following guidelines must also be observed in establishing charges for rental quarters and related facilities and in developing agency regulations and procedures implementing this circular:

a. Conflicts of interest. To avoid potential conflicts of interest, agencies will not assign employee occupants of quarters or their subordinates to perform appraisals or serve as members of regional survey teams used to recommend rents and other charges.

b. Consistent local patterns; Interagency Committees. Where several different Federal agencies provide rental quarters in the same area, those agencies will take necessary steps to ensure a consistent local pattern in rents and utility rates. In particular, such agencies are urged to establish interagency committees to coordinate and oversee the establishment of consistent and uniform rental rates.

c. Agency records regarding recommendations and adjustments. A full record of the findings and recommendations of the appraiser or survey team, as well as documentation to justify administrative adjustments, will be kept by the agency concerned.

d. Agency central records and supervision. Sufficient information will be maintained centrally by the agency to allow agency management to be informed of, and to monitor, the status of administration of the requirements of this circular.

e. Reconsideration, procedures for. Agencies will provide a procedure for dealing with requests for reconsideration of rental determinations and other charges.

f. Leave status, charges during. Employees on leave will continue to be charged for quarters and related facilities, unless the quarters are vacated and made available for reassignment.

g. Landlord-tenant relationship. To aid all agency administrative officials and employees in understanding how the circular is to be applied, agencies will make clear that they assume the customary responsibilities of the landlord and that those who occupy rental quarters assume the customary responsibilities of tenants.

h. Required occupancy. Agency regulations will specify the conditions under which the agency head, or his or her designee, will require occupancy of Government rental quarters, in accordance with the limitations cited in 5 U.S.C. section 5911(e), which provides that employee or member occupancy of rental quarters may not be required unless the agency head determines that necessary service cannot be rendered, or that property of the Government cannot adequately be protected.

i. Safe and sanitary quarters. Agency heads will ensure that Government rental quarters are safe and sanitary. Although adjustments to the basic rental rate are permitted for such circumstances as

excessive heating and cooling costs, poor condition, and lack of potable water, such conditions should not be permitted to continue any longer than absolutely necessary.

j. Agency housing officers. Each Federal agency that provides rental quarters shall appoint a principal housing officer with responsibility to supervise the agency's implementation of the policies of this circular.

10. **INQUIRIES.** For information concerning this circular, contact the Office of Management and Budget, Office of Federal Procurement Policy, 725 17th Street, NW, Washington, DC 20503, telephone (202)395-6803.

Leon E. Panetta

Director

APPENDIX

Isolation Adjustment Computation

The monthly adjustment for isolation, as described in section 7c(1), 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 1. Enter mileages) 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 1

Column A	Column B	Column C	Category	Point	One-way	One-way of Travel	Value	Miles
(1) Paved road or rail	1.0 X _____	=	(2) Unpaved but improved road	1.5 X _____	=	(3) Unimproved road	2.0 X _____	=
(4) Water, snowmobile, pack	2.5 X _____	=	_____ + 29 =	_____	animal, foot or other special purpose conveyance	(5) Air	4.0 X _____	=
							_____ + 27 =	_____

TOTAL ONE-WAY POINTS

Step 4. Calculate the Isolation Adjustment Factor (IAF) using the following formula: Multiply 2 (to reflect round-trip points) by 4 (to reflect number of trips per month) and then multiply by \$x.xx (GSA's current

automobile mileage allowance). For example, the GSA mileage allowance, as of the date of this circular, is \$0.25 per mile, resulting in a IAF of 2.0 (rounded to the nearest tenth).

ISOLATION ADJUSTMENT FACTOR = 2.0

Step 5. Multiply total adjusted points by the Isolation Adjustment Factor to produce the monthly adjustment for isolation (rounded to the nearest whole dollar).

MONTHLY ADJUSTMENT = _____

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