

TC-7 Relocation TCS Assistance, Other Options to Move Employees in a Down Economy

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TC-7: Relocation Moving Employees in a Down Economy

Dept. of Defense Program Support

David Gage, SCRIP

Chief, National Relocation Program Office

USACE – Baltimore

June 29, 2010



**US Army Corps of Engineers
BUILDING STRONG®**

U.S. Dept. of Defense (DoD)

- **3 Military Departments, 25 independent agencies**
- **800,000 civilian employees**
- **+/-9,000 annual civilian moves**



DoD Needs & Market Challenges

- **Most DoD PCS (relocation) moves are not discretionary**
- **Agency mission and employee mobility agreements require mandatory job moves**
- **DoD management concerns re attrition, fulfilling agency mission**



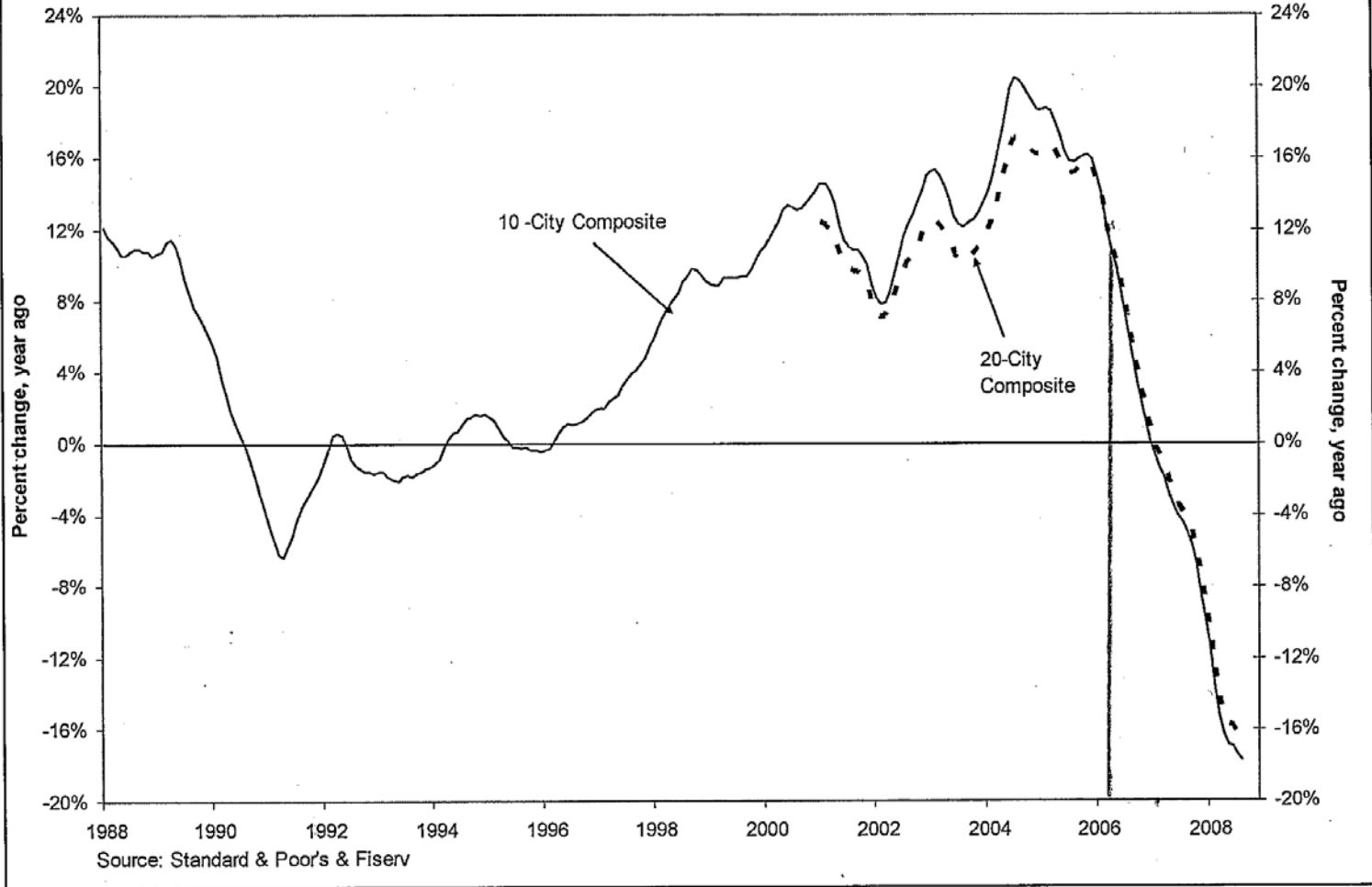
DoD Needs & Market Challenges

- **Problems are compounded due to timing of recession and BRAC**
 - ▶ **BRAC = Base Realignment and Closure Act 2005**
 - 52,000+ civilian & 130,000+ service member jobs affected
 - 47 states, 200+ installations affected, 20+ major military bases closed
 - Legislation requires all BRAC moves to be completed by 9/15/11

- **Bulk of moves to be completed in FY2010 and 2011**



S&P/Case-Shiller Home Price Indices



DoD Needs & Market Challenges

**R.E. Market oversupply, decreased demand,
distressed property sales**

= decreasing property values

**= increased frequency of employee home value-
related concerns**

(less-than-paid and negative equity situations)

= more rejected transfers

**= difficulty for DoD to retain key agency personnel,
sustain/maintain agency mission**



DoD has 2 primary relocation assistance programs for transferring homeowners: DNRP and HAP

DNRP

- Alternative to RE Sale Voucher
- Available at agency discretion
- Civilian employees only
- Offer reflects current value
- Use as HAP Private Sale

HAP

- Triggered by market decline
- 2 Programs: Traditional & Expanded HAP
- Assists Military & Civilian
- Benefit based on Prior Value
- Value Loss Relief



DNRP Program Overview

DNRP – Dept. of Defense National Relocation Program

- **Civilian employees only**
- **Alternative to JTR R.E. expense reimbursement entitlements**
- **Traditional guaranteed home sale program**
 - ▶ **2 appraisals, 10% variance, 60 day offer period**
 - ▶ **Utilize ERC guidelines and appraisal parameters**
 - ▶ **Best Practices incorporated include:**
 - **60 day mandatory home marketing prior to AVO acceptance**
 - **initial listing price NTE 110% contractor's broker's BMA, and NTE 105% of AVO, once established**
 - **optional Home Marketing Incentive Payment (HMIP) sale bonus for Amended Value/BVO sales: 1-5% of sale price up to \$10,000 maximum payment**
- **Property Management option**
- **Destination Services**



HAP Overview

Basis for HAP

Section 1013 of the Demonstration Cities and Metropolitan Development Act of 1966.

HAP provides some financial relief for transferring service member and civilian homeowners whose homes lose value as a result of a DoD announced base closure or realignment.

2 Programs

- **Conventional HAP** – reimburses homeowner for greater of difference between 95% of pre-BRAC announcement home value and current market value sale or mortgage deficiency amount
- **Expanded HAP** – reimburses homeowner for greater of difference between 90% of employee's purchase price and current market value sale or mortgage deficiency amount



BRAC 05 HAP Eligibility

- Military personnel and civilian employees
- BRAC Announcement Date: 13 May 2005
- Assigned to BRAC organization/installation on 13 May 2005
- Position must be relocated or eliminated
- Owner/occupant of primary residence as of 13 May 2005
- Sell home between 1 Jul 2006 and 30 Sep 2012
- Organization and residence must move at least 50 miles to new location



HAP Property Value Change Requirements

- Home values in the county of residence must have declined at least 10% between 1 Jul 06 and date of application
- Individual home value must have declined at least 10% from date of purchase to date of sale



Conventional HAP Program

Requirements for authorizing Conventional HAP benefits:

1. Announcement of a military base closing or realignment action which affects the community.
2. A determination that real estate values have dropped as a direct result of the base closing or realignment announcement.

HAP provides assistance in four ways. For eligible applicants, the Government may:

1. Reimburse the homeowner for part of a loss incurred from sale of home.
2. Pay-off negative equity mortgage deficiencies
3. Purchase employees' homes by paying off the mortgage
4. Provide foreclosure assistance if homeowner defaults on mortgage



Conventional HAP Program

3 Types of Program Benefits

Private Sale

- Eligible applicants may be compensated for the difference between 95% of the appraised fair market value of the property *prior to the announcement date*, and the current market value of the property

Government Purchase

- The government will purchase homes from eligible applicants for an amount not to exceed 75% of the appraised fair market value *prior to the date of the announcement*, or the current total amount of outstanding mortgages, whichever is greater.

Foreclosure Assistance

- If foreclosure proceedings have commenced, foreclosure benefits may be paid to the applicant to reimburse for foreclosure costs incurred, or paid to third parties on the applicant's behalf.



Private Sale

Benefit pays up to 95% of May 13, 2005 property value

▪ May 2005 home value (PFMV): \$200,000 X 95% =	\$190,000
▪ Applicant sells house (CFMV) for	\$150,000
▪ Mortgage payoff amount	\$130,000
▪ Basic HAP benefit = \$190,000 - \$150,000	\$40,000
▪ HAP reimbursement of closing costs (7% of sale price)	\$10,500*
▪ Cash after mortgage payoff	\$60,000
	Military applicants \$70,500
Taxable liability (Unemployment Compensation Extension Act of 2009)	\$0

Notes:

* Military applicants only. Civilian employees receive reimbursement of closing costs as part of relocation



Government Acquisition

If not able to sell home within 120 days, and approved by HQUSACE, applicant eligible to receive the greater of:

- **75% of the purchase price**

OR

- **Mortgage payoff**

Note: HAP will not reimburse or pay-off second mortgages, including equity lines of credit, unless obtained when home purchased, or funds were used to improve home.



Government Acquisition

Acquire home for 75% of the pre-BRAC announcement date value or the balance of existing mortgages, whichever is greater...

▪ May 13, 2005 (PFMV) of \$200,000 X 75%	\$150,000
▪ CFMV on date of acquisition	\$140,000
▪ Mortgage payoff amount	\$190,000
▪ Cash payment to applicant (Equity)	\$ 0
Taxable Liability (Unemployment Compensation Extension Act of 2009)	\$ 0



ARRA HAP (Expanded HAP)

- **The American Recovery and Reinvestment Act of 2009 (ARRA) authorized expansion of HAP benefits:**
 - ▶ **Eliminated requirement to prove market decline was caused by the BRAC announcement**
- **Provides for HAP benefits to**
 - ▶ **Wounded, Injured, Ill and Surviving Spouse homeowners**
 - ▶ **BRAC-affected DoD civilian employees & service members**
 - ▶ **Service member homeowners permanently reassigned during the home mortgage crisis**



Home Purchase Price Cap of Expanded HAP

- **Maximum eligible property value can not exceed 2009 Fannie Mae/Freddie Mac conforming loan limits by county**
- **\$417,000 - \$729,750**
- **Applies to all ARRA applicant homes**



ARRA HAP Benefits

- **Private Sale:** Reimburse: difference between 90% of purchase price and current market value sale price
- **Foreclosure:** Assist after the foreclosure. Benefits may include direct cost of judicial foreclosure, expenses and enforceable liabilities according to the terms of the promissory note
- **Govt. Acquisition:** Only with approval of USACE, following a mandatory 120 day marketing effort. Applicant eligible to receive the greater of: 75% of the purchase price OR Mortgage payoff

HAP will not reimburse or pay-off second mortgages, including equity lines of credit, unless obtained when home purchased, or funds were used to improve home



Tax Liability of Expanded HAP Benefits

Expanded HAP benefit tax liability was eliminated when the President signed the Unemployment Compensation Extension Act of 2009 into law on 7 Nov 2009.



Solutions to Market Challenges

DNRP and HAP may be used in conjunction with one another to provide maximum service and benefit support for transferring eligible DoD employees and BRAC-affected commands.

- **Utilize DNRP buyout as Private Sale for HAP Benefits**
- **Utilize DNRP appraisals/BMA's to document current market value for HAP claims**

For more information about HAP:

<http://hap.usace.army.mil/>



Office of Governmentwide Policy

(TC-7) Relocation

TCS Assistance & Other Options to Move Employees in a down Economy

Pam Silvis-Zelasko, CRP

Office of Travel, Transportation and Asset Management

- **Temporary Change of Station Moves (TCS) as they relate to the Federal Travel Regulation (FTR).**
- **Relocation Test Pilot Programs**

FEDERAL TRAVEL REGULATION (FTR)

- ❑ Issued by GSA to implement Title 5 United States Code (U.S.C.) Chapter 57 regarding travel, transportation, and subsistence expenses of federal civilian employees
- ❑ FTR is a “legislative rule” proclaimed by Congress – it is entitled to special weight & binding on federal agencies
(41 Code of Federal Regulation)
- ❑ Agency policy/regulations are “interpretive rules” since they are typically issued without statutory authority and are generally used to implement and supplement the FTR for civilian employees

The Over Looked Option for Reassigning Employees

§ 302-3.400 What is a “temporary change of station (TCS)? A TCS means the relocation to a new official station for a temporary period while performing a long-term assignment, and subsequent return to the previous official station upon completion of that assignment.

Was introduced into the FTR in March 1997 after enactment of the Federal Employee Travel Reform Act of 1995.

- Added new section 5737 to Title 5 of the United States Code.
- The statute created a new category of assignment for federal employees, the “extended assignment”.
- Established special provisions for reimbursing an employee, who is on such an assignment, for relocation expenses.

§302-3.401 What is the purpose of a TCS?

A TCS provides agencies an alternative to a long-term TDY which will increase your satisfaction and enhance morale, reduce your income tax liability, and save the Government money.

§302-3.406 How long must my assignment be for me to qualify for a TCS?

To qualify for a TCS, your assignment must be not less than 6 months, nor more than 30 months.

Key Elements of a “TCS”

- ❖ If authorized, employees “official station” is changed temporarily to the location of the long-term temporary assignment.
- ❖ Found in the FTR at Part 302, Subchapter B, Part 3, Subpart E - *Employees Temporary Change of Station*.
- ❖ No required minimum distance. Agency may establish area of authorization.
- ❖ No service agreement required to be signed.
- ❖ No TDY per diem authorized.

Key Elements of a “TCS”

Paid Relocation Expenses:

- ✓ Travel and transportation, including per diem, for you and your immediate family under FTR part 302-4.
- ✓ Transportation and temp storage of HHG's.
- ✓ Misc. expense allowance.
- ✓ Shipment of Privately owned vehicle.
- ✓ Relocation income tax allowance.
- ✓ Optional: HHT, TQ, and Property Management.



Relocation Test Pilot Programs

FTR Part 300-80

What is a relocation expenses test program?

It is a program to permit agencies to test new and innovative methods of reimbursing relocation expenses without seeking a waiver of current rules or authorizing legislation.

Who may authorize test programs?

The Administrator of General Services may authorize an agency to conduct tests when determined that such tests to be in the interest of the Government.

Relocation Test Pilot Programs

Key Highlights

- Re-Approved on November 30, 2009 by Public Law 111-112.
- Effective date of December 18, 2009.
- GSA is authorized to approve up to 12 programs.
- Six have currently been approved.
 1. Variations of lump sums.
 2. 1 year RITA calculation.
 3. Enhanced Home Marketing Incentive Payment
 4. Payments to help defray housing costs.

Relocation Test Pilot Programs

- Review requirements on what you as an agency need to do to apply at §FTR 300-80.3.
- Review the factors that GSA is required to evaluate in approving a program at §FTR 300-80.5.
- Contact our office if your agency is interesting for further guidance and assistance.

FTR Policy Questions:

First: Your Agency Travel Policy Office

Email: travelpolicy@gsa.gov

Check out the following web sites:

www.gsa.gov/relopolicy

www.cbca.gsa.gov

www.gsa.gov/ftr

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U.S. General Services Administration

Federal Acquisition Service

(TC-7) Relocation

TCS Assistance & Other Options to Move Employees in a Down Economy

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FAS Program Perspective

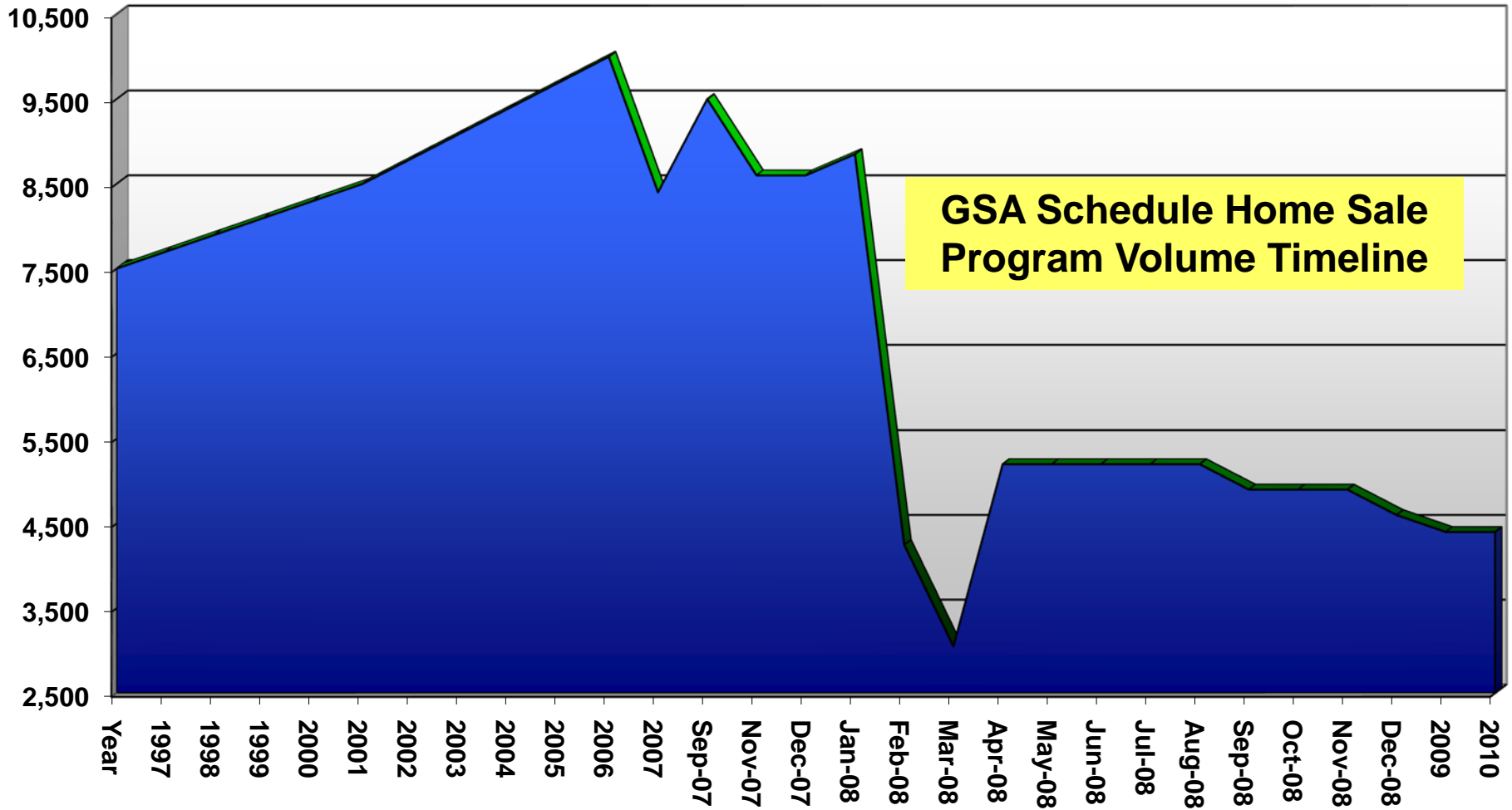
- **Background**
- **Adjusting Programs to Shifting Market Demands**
 - **GSA FAS**
 - **Agencies**
 - **Suppliers**
- **Trend Watch**

Adapting Programs to Meet Shifting Market Demands

- Real estate down-turn significantly impacted Government relocation programs.
 - In 2008, lost 3 of the 4 largest homesale vendors (71% of volume capacity)
 - Average cost of appraised value sales jumped from 18% of the home's value in 2007 to 30% in 2008. Prices remain static.
 - Government relocation volume
 - Five suppliers joined the Schedule from April 2008 to present
 - Despite competitive pool of homesale service providers willing/able to assist the government, some agencies have not re-instituted formal homesale programs...yet.



FAS Program Perspective



Adapting Programs to Meet Shifting Market Demands

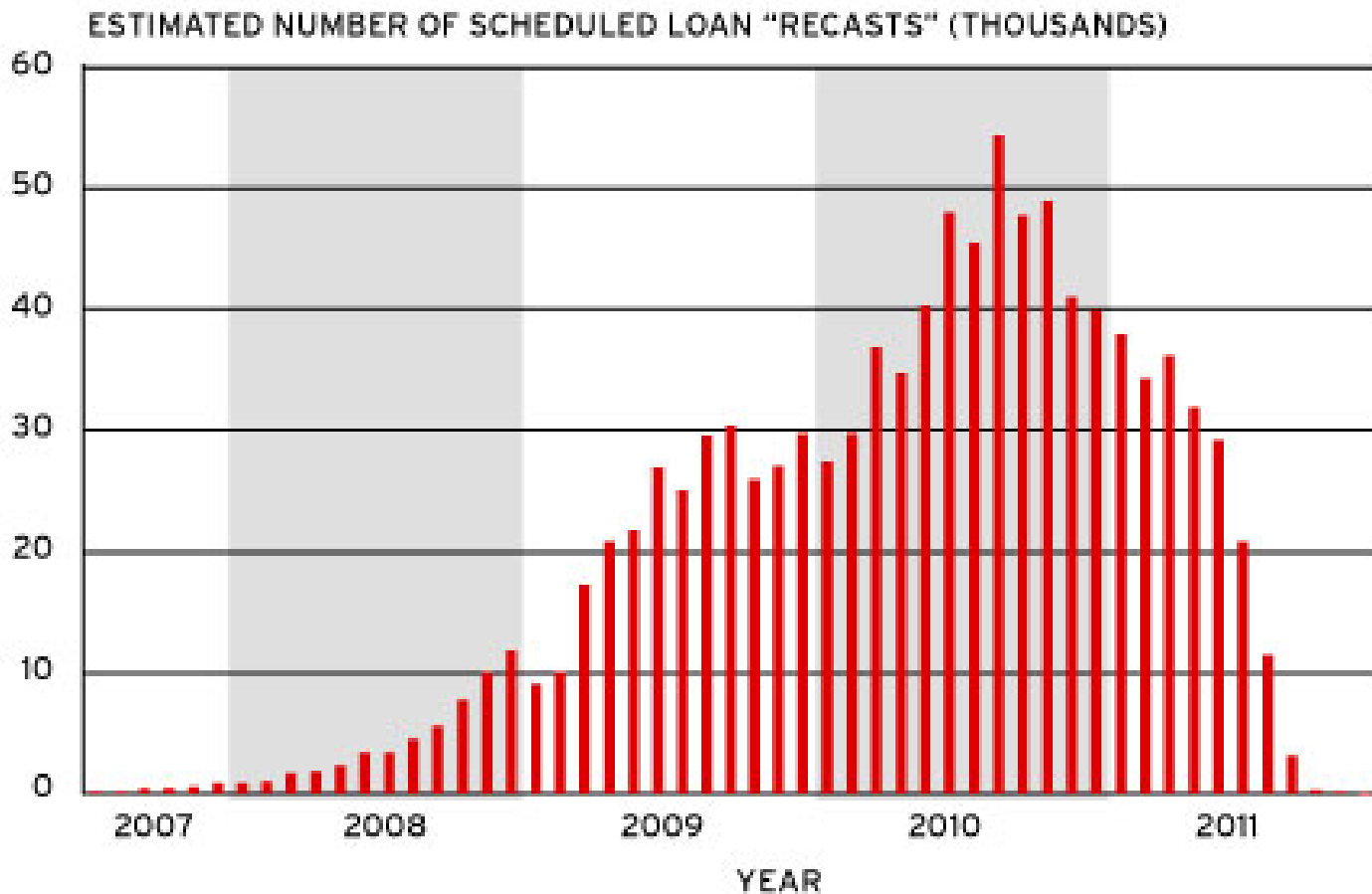
- Noted shift in how services are marketed or packaged by suppliers, e.g., unbundled property management from homesale services and/or bundled homesale and household goods (HHG) procurements.
- Deregulation of HHG tariffs created a lot of confusion for agencies that do not use CHAMP...GSA is assisting agencies in understanding implications of varying tariffs.
- Heightened awareness of relocation-related security considerations have affected contract requirements and some suppliers' operations.



FAS Program Perspective

Housing market remains fragile.

Highest number of adjustable rate mortgage loan "recasts" are due to occur this summer.



SOURCE: First American Core Logic

msnbc.com



FAS Program Perspective

Ways GSA Adapted Programs to Market Shifts

- Incorporated policy drivers into 653-1 pricing options
 - ✓ Mandatory marketing time
 - ✓ Capped listing price
 - ✓ Mandatory use of real estate and appraiser network

- Allowed more flexibility in program to enable niche suppliers to offer specialized services

- Increased knowledge-sharing opportunities for agencies and suppliers



FAS Program Perspective

GSA FAS transitioned from separate, stand-alone service lines to an integrated, “total-move” service delivery approach





FAS Program Perspective

Ways Agencies Are Adapting Programs to Market Shifts

- Implementing policy drivers into BPAs and task orders
- Authorizing price increases/referrals for special handling
- Reassessing mobility requirements, rotation cycles, and impacts of “cascade effect” relocations
- Examining costs relative to investment in employees and benefits to the organization
- Participating in training opportunities, monthly agency meetings, and “hot topic” working groups

FAS Program Perspective

Ways Suppliers Are Adapting to Market Shifts

- Since March 2008, five homesale suppliers joined the Schedule and two suppliers now offer exclusively niche services
- Changed how services are marketed or packaged by suppliers, e.g., unbundled property management from homesale services and/or bundled homesale and household goods (HHG)
- Tightly framed contracts/statements of work
- Increased communication among suppliers/clients/transferees
- More diligent/rigorous security standards/protocols

Trend Watch

- All-inclusive lump sums
- Buyer value option (BVO) and managed direct reimbursement
- Assurance of appraisal and inspection integrity
- Pre-decision counseling
- Test programs
- Continued focus on privacy and security

QUESTIONS

