

EXECUTIVE OFFICE OF THE PRESIDENT
BUREAU OF THE BUDGET
WASHINGTON 25, D. C.

June 3, 1952

CIRCULAR NO. A-45
Revised

TO THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS

SUBJECT: Rent policy for quarters supplied to Federal employees

This revision of Circular No. A-45 replaces and rescinds Circular No. A-45, dated July 9, 1951. The principal changes are as follows:

Paragraph 2 -- Trailer spaces are removed from the definition of quarters.

Paragraph 4b(3) -- Adjustments are permitted when a portion of the quarters is used for office space or for the general convenience of the public.

Paragraph 4b(6) -- It is made clear that rents for temporary Federal housing are to be based on comparison with permanent private housing with appropriate adjustments.

Paragraph 4b(7) -- Except for the Panama Canal Zone, other methods may be substituted for the principle of equivalence in the territories and possessions.

Paragraph 4c -- The rental charge for rooms may combine shelter rent and utilities charges without distinction.

Paragraph 5a -- Instructions have been added pertaining to use of registration and petitioning procedures prescribed by rent stabilization regulations.

1. Purpose. The purpose of this Circular is to establish the principles and standardize the procedures by which agencies of the Federal Government set and administer rents and service charges for the quarters supplied to employees.

2. Definition. The term "quarters," as used in this Circular includes, with the following exception, all housing supplied, under specific Government direction, as an incidental service in support of Government programs. It excludes housing furnished to members of the uniformed services assigned public quarters under 37 U.S.C. 252 (but it includes facilities occupied by such personnel on a rental basis under 37 U.S.C. 111a). It includes housing owned or leased by the Government as well as housing supplied by contract between the Government and private firms. It includes housing not only for direct Government employees but also for contractors, contractors' employees and all other persons whose

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housing is essential to the performance of a Government activity. Finally, it includes housekeeping and nonhousekeeping units (including trailers), furnished and unfurnished, located either within the continental United States, or in U. S. territories and possessions.

3. Relevant statutes. Section 3 of the Act of March 5, 1928 (5 U.S.C. 75a) authorizes the Government to provide quarters for its employees, where the conditions of employment so require, but stipulates that the employees so provided shall be charged, as rent, the "reasonable value" of these quarters.

The Comptroller General has rendered an opinion to this same effect:

"The basis for computing the rate of rental to be charged Government employees furnished quarters by the Government is not the original investment of the Government in the building occupied by the employees, nor necessarily the present investment of the Government in the building, but the reasonable value of the quarters to the employees during the particular period and in the particular locality where situated." (Syllabus, 5 Comp. Gen. 236)

The Act of June 20, 1874 (5 U.S.C. 71) makes it clear that compensation is not to be supplemented through the distortion of rent schedules.

"No civil officer of the Government shall receive any compensation or perquisites, directly or indirectly, from the Treasury or property of the United States beyond his salary or compensation allowed by law: . . ."

4. Principles.

- a. Basic rent principle: Rents should be set at levels similar to those prevailing for comparable private housing in the same area.
- b. Qualifying considerations: There are a number of cases in which the principle of equivalence with private rents needs further explanation, or in which it may be modified.
 - (1) In some cases the Government supplies quarters to its employees in isolated locations where no private rental housing is available in the vicinity for purposes of comparison. In this situation, the nearest representative year-round private community should be used as a base, with a reasonable adjustment to offset the unusual transportation costs incurred by residents at the station (due

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to the distance from public transportation, shopping, educational, medical and social centers, etc.). No attempt should be made to compensate, through the station rent structure, for the intangible disadvantages of isolation.

- (2) Wherever Government quarters are located in areas under Federal rent control and are not exempted or decontrolled by the Housing and Rent Act of 1947 as amended (50 App., U.S.C. 1894), or the regulations issued thereunder, or by subsequent statute, the rent charges should not exceed the rents established for comparable private housing in the same area under that statute.
- (3) Some Government officers provided with quarters by the Government, are frequently required to use a portion of their quarters for the purpose of accommodating official visitors, for office space, or for the general convenience of the public. In calculating the private rental market value of this housing to the employee, recognition may be made of these official demands upon a portion of his space or imposition upon his privacy. In each such case the agency must make a specific determination that the conditions described above exist.
- (4) At some Government stations, particularly the smaller ones, a new employee will not be able to move into a house of the same size and quality that he would select in a private community. Where he is forced to accept size or quality in excess of his normal preferences, the housing will not have the same "reasonable value" to him that it would have to others. Therefore, a special adjustment may be made in exceptional cases of this kind so that, as a general rule, the rent (excluding utilities) charged an employee will not exceed 20% of his gross salary (pay and allowances).
- (5) If there appears to be an excessive differential in the private market between rents for furnished and unfurnished housing, the agency may use the comparable rents on unfurnished private units and adjust these, where appropriate, by a reasonable charge for furnishings.
- (6) Rents for temporary Federal housing will be based on comparison with permanent private housing, and adjustments in the rents may be made to reflect lower standards of amenities which may exist in the temporary Federal housing.
- (7) Except for the Panama Canal Zone, the heads of agencies may substitute for the principle of equivalence such other

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methods as will conform to the Act of June 20, 1874 (5 U.S.C. 71) and other statutes and Comptroller General decisions thereunder in establishing rents for housing in the territories and possessions. Rents in the Panama Canal Zone will be based on comparable housing of the Panama Canal Company.

- c. Utilities principle: As a further extension of the principle of equivalence with private housing practice, Government charges to Government employees for utilities (heat, electricity, gas, water, ice, telephone, etc.) should be set by comparison with local domestic rates for similar services and should be clearly identified and distinguished from charges for rent. However, in establishing rental rates for rooms, the room rent may combine shelter rent and utilities without distinction.

5. Procedures. In order to insure effective application of the foregoing principles, appraisals of Government quarters and utility services and their comparison with private facilities should be thoroughly impartial; the procedure for setting rents and service charges should be formalized and recorded; and the appraisal should be repeated often enough to reflect important fluctuations in the private market.

- a. Initial appraisals: To help assure impartial appraisals, the agency should, wherever possible, obtain the assistance of private citizens with an extensive knowledge of local real estate conditions. In no event should the appraisal be made by residents in the housing under consideration. In situations where several different Federal agencies supply housing in the same general area, an interagency appraisal committee may be set up to make recommendations on both rents and utility rates, thus promoting a consistent local pattern. Where appropriate, advice in making rent determinations may be requested from the Regional Representative of the Housing and Home Finance Administrator in the area where the housing is located. In cases where substantial increases in rents are recommended, the agency may make the adjustment in gradual steps over a period up to twelve months. Wherever the quarters are located in areas under Federal rent control, the establishment of rents according to the basic rent principle will require consultation with the rent stabilization officials in the local area, and the use of such registration and petitioning procedures as may be prescribed by the stabilization regulations.

Whatever the procedure used, a full record of the proceedings, including the findings and recommendations of the appraisal committee, consultant, or appropriate officer, should be kept locally by the agency concerned. In all cases where an

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exception to the rule of equivalence with private rents is considered necessary (according to the guides in paragraphs 4b(1), (3), (4), and (5)), a report of the rent determined and the reasons for the determination should be made promptly to the Bureau of the Budget. Opportunity for systematic consideration of appeals from rent determinations should be provided.

- b. Reappraisals: To make sure that the rent and service charges are kept up to date, rate schedules should be reappraised at least once every three years.

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