Wherry and Capehart: Army Family Housing Privatization Programs in the 1950s

By William C. Baldwin

The Secretary of Defense, William J. Perry, has made improving military housing one of his highest priorities. Because the job is so big, he wants to enlist the help of the private sector. Using the resources of private industry to improve military family housing is not new. In the long, eventful, and often neglected history of military housing, the Defense Department has tapped the resources of the private market to expand the housing stock of the Army and the other services. In the last decade, the so-called Sections 801 and 802 housing programs gave Army families increased access to adequate and affordable housing.

Four decade ago, two even larger programs relied on private financing to vastly expand the Defense Department's family housing. They produced much of the housing in the Army's now aging inventory. The names of the U.S. senators who sponsored the legislation creating the two programs, Wherry and Capehart, are familiar terms in the Army community. The origins and natures of the Wherry and Capehart programs, however, are less well understood, and the lessons learned from those programs, which could be useful to current decision makers, are often inaccessible or misunderstood.

After World War II, the peacetime Army was many times the size of the peacetime Army of the 1930s. The Cold War and the Korean Conflict ensured that the Army, even during the lean years of the Eisenhower administration, would be the largest peacetime Army in our nation's history. Although family housing had grown during the 1920s and 1930s, it was barely adequate for its day and was clearly inadequate for the expanded Army of the Cold War.

Government leaders struggled to provide adequate housing for eligible families by building trailer parks and adapting wartime temporary buildings, but these improvised measures were not enough. After the huge expenditures of World War II, Congress was reluctant to pay for large numbers of government quarters. The plight of inadequately, even scandalously, housed Army families finally made the pages of *Life* magazine in 1949, complete with photographs. In response to this desperate situation, Congress and the administration devised an innovative housing program in 1949.

Senator Kenneth S. Wherry, a Republican from Nebraska who served in the Senate from 1942 until his death in 1951, sponsored the bill that became law when President Harry S. Truman signed it on 8 August 1949. Under Wherry's program, businessmen, called private sponsors, built and then operated and maintained housing projects on or near military installations. Army families could choose to rent the housing using their basic allowance for quarters. Based on the cost of building and maintaining the housing, the rent could exceed the soldier's housing allowance. The private sponsors built most of the Wherry housing on military bases, where they leased the land from the Defense Department for a nominal fee (see photo).

The financing arrangements for Wherry housing were rather complicated. The military service advertised a proposed housing project, and the winning bidder became a private sponsor. Equipped with a certificate from the Secretary of Defense, who asserted that the service needed the housing and had no plans to close the base, the private sponsor obtained mortgage insurance from the Federal Housing Administration (FHA). Armed with this special insurance, the sponsor then sought money to build the project from the private mortgage market.

Congress limited the average cost of each housing unit to $9,000, a reasonable amount in the early 1950s. The average mortgage per unit, however, was limited to $8,100. Because the private sponsor had $900 of his own money tied up in each unit, Congress thought that would be an incentive for the sponsor to build and maintain good housing. Many sponsors, however, tried to build units for $8,100 or less. They hoped to make a profit both on



Wherry Housing at Fort Dix, New Jersey



Capehart Housing at Fort Devens, Massachusetts



Capehart Housing at Fort Dix, New Jersey

"The Wherry and Capehart programs produced more than 55,000 housing units for the Army and created a 'boom' generation of Army housing that is now showing its age."

constructing the housing and on operating and maintaining it for the full term of the lease, which typically ran for 50 years (and sometimes for 75 years). Housing costs escalated in the 1950s as a result of the nationwide postwar housing boom, and Wherry units soon were recognized as small and inexpensive housing.

The different expectations of the program's proponents and the private sponsors eventually killed the Wherry program. In 1953 and 1954, Congress changed the program to require that sponsors refund the "excess" profits they made from constructing housing for $8,100 or less. By 1954 interest in becoming a Wherry private sponsor had diminished greatly.

In 1955 Senator Homer Capehart, a Republican from Indiana who served in the Senate from 1944 through 1962, sponsored a new housing program. Under the Capehart program, which became law on 11 August 1955, private sponsors built housing but did not operate or maintain it. Again the services advertised housing projects, and the winning bidders obtained mortgage insurance from the FHA on the entire amount of their bids. With this insurance, the sponsors obtained financing in the private mortgage market for 25-year mortgages. When a sponsor completed construction, the company transferred the mortgage to the Department of Defense.

Under the Capehart program, the average housing unit cost $13,500, a limit Congress raised to $16,500 in 1956 (see photos). The services assigned military families to the Capehart housing and used the forfeited housing allowances to make the mortgage payments. Money for operating and maintaining the units came from appropriated funds.

The private owners of Wherry housing projects opposed the Capehart program because they feared the services would favor the new, better housing and leave their Wherry units with high vacancy rates. Congress finally required the services to buy the Wherry units on installations where they built Capehart units, but the Wherry owners and the government struggled for years to determine a fair price for them. The struggle left the Wherry owners bitter and led one of their representatives to declare that "The military and private enterprise are not compatible in the field of ownership and management of military housing."

After some initial problems, the simpler Capehart program succeeded in providing the Army with 36,000 housing units by the early 1960s. But Capehart housing had its critics also. Some argued that this housing was more expensive than comparable units built with appropriated funds. Senator Capehart responded that, with all the demands placed upon it, the Defense Department could not sustain a long-term program for housing construction with appropriated funds. Senator Richard Russell of Georgia accused some private sponsors of "sharp practices." Senator Harry Byrd of Virginia described the program as "...the worst case of back-door spending that has come to my knowledge." In 1961 the Senate voted not to renew the Capehart program but, in a compromise with the House of Representatives, extended it until 1 October 1962. In that year Congress voted to build military family housing with appropriated funds.

Together, the Wherry and Capehart programs produced more than 55,000 housing units for the Army and created a "boom" generation of Army housing that is now showing its age. The Defense Department consistently maintained that it preferred to construct housing with appropriated funds but was grateful for any housing that improved the quality of life for military families. Although Congress promised in 1962 to continue constructing large numbers of housing units with military construction funds, the war in Southeast Asia and other priorities soon brought the Defense Department's post-World War II housing boom to an end, just as Senator Capehart had warned. Instead of replacing the cyclical pattern of military housing programs, the Wherry and Capehart programs became just another, if somewhat longer, cycle in the long boom-or-bust history of Army housing.

Dr. William C. Baldwin is a historian in the Office of History, U.S. Army Corps of Engineers, Alexandria, Virginia. He is researching and writing a history of Army housing.