

**ALASKA STATE LEGISLATURE
JOINT ARMED SERVICES COMMITTEE
FAIRBANKS, AK**

September 14, 2009
1:08 p.m.

MEMBERS PRESENT

Representative Nancy Dahlstrom, Co-Chair
Senator Bill Wielechowski, Co-Chair
Representative Jay Ramras
Representative Pete Petersen

MEMBERS ABSENT

Representative John Harris
Representative Charisse Millett
Senator Charlie Huggins
Senator Lesil McGuire
Senator Joe Paskvan
Senator Gene Therriault

OTHER LEGISLATORS PRESENT

Senator Joe Thomas
Representative Harry Crawford
Representative Scott Kawasaki
Representative David Guttenberg

COMMITTEE CALENDAR

Hearing regarding Military Base Housing Contracts at Fort
Wainwright and Eielson Air Force Base
HEARD

PREVIOUS COMMITTEE ACTION

No previous action to report

WITNESS REGISTER

JIM DODSON, President and CEO
Fairbanks Economic Development Corporation
Fairbanks, AK

POSITION STATEMENT: Testified on the contract with Actus Lend
Lease ("Actus").

MARK CONNER, Associate Deputy General Counsel
Installations, Environment and Civil Works
Department of the Army

POSITION STATEMENT: Represented the Army in discussions about housing privatization at Fort Wainwright.

JESYNA RAUSCH
Osborne Construction Company
Fairbanks, AK

POSITION STATEMENT: Asked what Actus Lend Lease will do at Eielson Air Force Base with respect to housing privatization.

DAVE MILLER, President
Interior Alaska Building Association (IABA)
Fairbanks, AK

POSITION STATEMENT: Testified about problems with Actus Lend Lease related to bidding on contracts at Fort Wainwright.

DAMIAN THOMAS, Business Agent
Laborers Union Local 942
Fairbanks, AK

POSITION STATEMENT: Provided the union perspective of job opportunities at Fort Wainwright in the housing privatization project.

JEFF BIZZARRO
Carpenters Local 2143
Fairbanks Building Trades
Fairbanks, AK

POSITION STATEMENT: Reiterated Dave Miller's statements about problems between Actus Lend Lease and contractors.

MARK HOJEIN
Accessible Solutions
Fairbanks, AK

POSITION STATEMENT: Testified about a problem he had with Actus Lend Lease related to a contract to mow residential lawns at Fort Wainwright.

MIKE HOLZ
NLC General Contracting
Fairbanks, AK

POSITION STATEMENT: Testified that the contract his company has with North Haven Communities has gone smoothly.

BRIAN BARNEY, Estimator
Nenana Lumber Company

Fairbanks, AK

POSITION STATEMENT: Testified that it's difficult for contractors to communicate with Actus Lend Lease.

RICHARD TILLY, Owner

Tilly & Company

Fairbanks, AK

POSITION STATEMENT: Testified that it's difficult to get the facts of what was going on with respect to contracts and scope of work on the housing privatization project at Fort Wainwright.

LARRY KOLLMEYER, Architect

Bettisworth North Architects and Planners

Fairbanks, AK

POSITION STATEMENT: Asked if there are local designers on the housing privatization project at Fort Wainwright.

JOHN MACCHEYNE, Owner

MacCheyne's Carpet Plus, Inc.

Fairbanks, AK

POSITION STATEMENT: Testified that it is difficult to get information about scope of work changes when rebidding on the housing privatization project at Fort Wainwright.

JACK HEBERT, President

Cold Climate Housing Research Center (CCHRC)

Contractor

Hebert Homes LLC.

Fairbanks, AK

POSITION STATEMENT: Testified that he's had a positive experience working with Actus Lend Lease.

LAKE WILLIAMS, Local Representative

International Union of Operating Engineers Local 302

Vice President

Fairbanks Central Labor Council

Fairbanks, AK

POSITION STATEMENT: Testified that wages need to be high enough that workers can afford to live in the Fairbanks community.

MIKE RAIDER, Director of Construction

Actus Lend Lease

Nashville, TN,

POSITION STATEMENT: Responded to questions about the housing privatization project at Fort Wainwright.

MIKE HALE, Director of Preconstruction

Actus Lend Lease
Nashville, TN

POSITION STATEMENT: Responded to questions about the housing privatization project at Fort Wainwright.

CHUCK DOWNHAM, Project Director
North Haven Communities
Nashville, TN

POSITION STATEMENT: Responded to questions about the housing privatization project at Fort Wainwright.

BRUCE ANDERSON, Director
Portfolio Management for Alaska
North Haven Communities
Nashville, TN,

POSITION STATEMENT: Available for questions related to the housing privatization project at Fort Wainwright.

ACTION NARRATIVE

[1:08:01 PM](#)

CO-CHAIR NANCY DAHLSTROM called Joint Armed Services Committee meeting to order at 1:08 p.m. Present at the call to order were Senator Wielechowski, Representatives Ramras, Peterson, and Dahlstrom; and public members retired Major General Jacob "Jake" Lestenkof, Charles "Chick" Wallace, and Dean Owen. Also in attendance were Representatives Crawford, Kawasaki, and Guttenberg. Nathan Bergerbest from Senator Lisa Murkowski's office attended via teleconference and Senator Thomas arrived during the course of the meeting.

Military Base Housing Contracts at Fort Wainwright and Eielson Air Force Base

CO-CHAIR DAHLSTROM announced the purpose of the meeting is to hear testimony from the public, Actus Lend Lease, and the Department of the Army regarding base housing contracts at Fort Wainwright and Eielson Air Force Base. She related that earlier this summer she and Representative Ramras met with Senator Murkowski's office and the contractors on this issue, and following this meeting there will be a follow-up with Senator Murkowski on how to proceed. She reminded members that this is a federal issue so the Legislature is only able to gather information and work with the appropriate people to get some answers.

[1:10:37 PM](#)

JIM DODSON, President and CEO, Fairbanks Economic Development Corporation, said he is here on behalf of the community to talk about the relationship that begins 50-years of contract with Actus Lend Lease ("Actus"). He noted that when Actus contracted with the Department of Defense to become the privatization contractor for military housing on Fort Wainwright they committed to work with the community.

MR. DODSON reminded members that Alaska with its 670,000 population and Fairbanks with its 100,000 population is actually an isolated economy. Community members simply don't travel to another town to get jobs and contractors don't move from state to state seeking work. "We depend upon the military for 25 percent of our economy; they depend on us to support their military." We don't want this contract to be the impetus to change the mutually beneficial relationship that has been enjoyed for so long.

MR. DODSON acknowledged that neither he nor the community has specific knowledge of how Actus is contracting and doing hiring, but he appreciates that this committee is meeting to gain an understanding of the matter "because this 50-year relationship must be started and it must be started right."

1:13:55 PM

REPRESENTATIVE RAMRAS said that a year or so ago Pike's Hotel hosted a two-hour event for the Alaska Builders Association during which Actus delivered an extensive presentation that described opportunities for hundreds of millions of dollars in contracts for supplies and for a workforce. Since that time it's been implied that Actus actively shopped bids among local contractors and sub contractors and then created their own supply chain and used a blend of an Alaskan workforce along with a nomadic workforce and deluded the relationship to which Mr. Dodson spoke. The Fairbanks marketplace is a fixed entity and with the beginning of this new 50-year contract it's important that milestones of good corporate citizenship are in place so that Actus keeps their promises of a local supply chain for supplies and a workforce.

REPRESENTATIVE RAMRAS said he is pleased that there will be a record made here at the state level that will be used by Senator Begich and Senator Murkowski to help bring federal oversight. "I hope that that is the outcome of this hearing." He thanked Mr. Dodson for framing the issue, which is to achieve a balance between the workforce and the military to achieve necessary

efficiencies to ensure a healthy military presence in the community in 2060.

[1:18:03 PM](#)

MARK CONNER, Associate Deputy General Counsel, Installations, Environment and Civil Works, Department of the Army, said the Army has been privatizing housing since 1996 and he has worked on the program since 2000. At this time approximately 98 percent of all Army housing has been privatized under the Military Housing Privatization Initiative (MHPI). Under the unique MHPI authorities, the Department of Defense (DoD) is able to form private corporations that have responsibility for developing and operating housing on military installations.

He said a common perception is that the Army has been awarding 50-year contracts to private entities to operate housing, but it's probably not what everybody thinks of as being a contract. The long-standing model where the Army awards contracts to entities that construct government-owned housing on military installations is entirely different than housing privatization. The Army implements housing privatization by awarding a contract under the Federal Acquisition Regulations (FAR) for development of a Community Development Management Plan. In Alaska that contract was awarded to Actus Lend Lease. In pursuit of the contract Actus committed to producing the plan for privatization of housing at Fort Greely and Fort Wainwright. Actus produced the plan for which the U.S. government paid \$350,000 and the contract ended. At this time there are no other contracts under the FAR with Actus Lend Lease.

[1:22:56 PM](#)

Once the Army accepted the plan and submitted it to Congress for its review, they went back to Actus to implement the plan. That has been done by virtue of a real estate transaction and through exercise of other authorities under MHPI which allows the Army to make investments with a legal entity. Actus formed a corporation called North Haven Communities and the Army has an investment in North Haven Communities with Actus. Actus is the managing member of North Haven Communities and the Army is an investor. The Army is not in charge of North Haven Communities day-to-day activities. "That responsibility rests with Actus."

[1:24:17 PM](#)

MR. CONNER said this does not mean that the Army is unengaged or uninterested in the way that Actus provides housing for soldiers and their families. They are very interested in seeing that privatization is done properly and they're also concerned about

the effects on local communities. The Army is most interested in maintaining a good relationship with the people who have supported the military for many years.

He explained that North Haven Communities has contracted with Actus as the design/builder and the Army has insisted that as part of that contractual relationship a portion of the fees that Actus can earn are tied to their ability to contract with small businesses. There are two components to the fee that Actus is paid - a base fee and an incentive fee. They earn the base fee as long as they are in contractual compliance. 15 percent of the incentive fee is based on the ability to place not less than 75 percent, by dollar value, of all contracts with small businesses. The question here is if it's Alaska small businesses. The Army's assumption has been that small businesses tend to be local. That has proved to be true in other venues, but this privatization is relatively new and all the data isn't in. Then 25 percent, by dollar volume, of the contracts are left to non small businesses. Those can come from a variety of sources. In the continental U.S. some developers hire framing crews that travel the country and admittedly are not local.

MR. CONNER said everyone should hear that the government has made an investment in this project. He explained that the housing that existed on the day before it was privatized was conveyed to North Haven Communities fee simple. The government has put \$50 million in cash into this project, but that is a fairly small percentage of the total dollars "that are going to ultimately flow through this project and recycle through the local community or through the contractor base." Most of the money will come from two sources. First, the project will borrow probably hundreds of millions of dollars from some sort of private or non federal enterprise. Also, soldiers will pay rent if they decide they want to live in this housing. There is no obligation; they are absolutely free to go off post to rent housing somewhere else within the local community.

[1:29:15 PM](#)

It's up to Access and the Army to produce a product that soldiers and their families are willing to spend their money on to rent. That money ultimately is reinvested into the project and is used for upkeep and to generate additional housing. So far that model has been extraordinarily successful across the country. However, a few projects within the Army portfolio have had challenges and soldiers have voted with their feet and moved themselves and their families off the installation. The Army, Actus, and the lender operate with that knowledge. The

government does not guarantee these loans against business failure. If the project fails, the U.S. taxpayer will not be expected to bail out Actus, North Haven Communities or anybody else.

MR. CONNER said the Army is not directly involved in contracting other than to award the incentive fee to Actus if it meets criteria. However, some important federal safeguards, such as Davis-Bacon, are in place. Neither Actus nor any other developer can go out and try to drive prevailing wages down so competition between contractors is not based on who can come in with the lowest labor rates. They're all paying - at a minimum - a certain wage and on some projects people have earned more than Davis-Bacon wages.

[1:32:16 PM](#)

CO-CHAIR WIELECHOWSKI asked what percentage of the contractors that have been hired on this project are Alaskan.

MR. CONNER replied he can't give an exact number because they haven't gone through the initial award fee period. His understanding is that it's more than 70 percent, but he would defer to Actus for the exact number.

REPRESENTATIVE PETERSEN asked if the term "local hire" is specifically defined.

MR. CONNER replied to his knowledge it has not been defined for the government's purpose; he doesn't know if Actus has a definition. The Army's focus is on small businesses and their experience in other projects is that they tend to be local.

CO-CHAIR WIELECHOWSKI questioned whether service members will be able to afford a plan like this because of the very high heating costs here in Fairbanks.

MR. CONNER explained that soldiers' basic allowance for housing (BAH) has three monetary components to reflect local utilities. First, the amount that is paid to the service member is supposed to reflect local rental market conditions. Second, there is an additional amount to address utility costs. Third a small amount is for insurance. The BAH rates in Alaska are about the highest of any place in the country. In part that is due to the higher cost of construction and operation, but it's also because utility costs are much higher in Alaska. The Army watches this carefully and is constantly surveying local markets. "And we're insisting that the housing that's being constructed is

essentially energy star rated housing." It may not be officially certified as such, but it meets the same efficient standard. "When we're renovating housing, we get as close to that standard as we possibly can, but we can't do all new construction," he said.

1:36:05 PM

REPRESENTATIVE RAMRAS asked if there is any incentive for Actus to "shop bid" and try to bring lower prices into the community as opposed to a more open bidding process. He noted that local contractors have articulated this concern.

MR. CONNER replied the contract between North Haven Communities and Actus is a guaranteed maximum price contract. Actus represents North Haven Communities who will build a project of a certain description for a maximum price. There is a cost-sharing provision in the agreement so they'll receive more remuneration if the costs come down, but the bulk of any excess actually goes back as a project savings and is reinvested in the project.

1:39:00 PM

MR. CONNER continued to explain that Actus is an investor, the managing member of North Haven Communities, the design builder, and the property manager. In every instance the Army is saying it is exercising a degree of control over how North Haven Communities relates and how the fees and returns are paid to those various Actus entities. In every instance there is a check and a balance. At the end of the year when North Haven Communities adds up how their business did, there is a profit split between the Army and North Haven Communities. On average, 85 percent of the profit is reinvested in the project. "That's what we call the reinvestment account. ... This model that we have under MHPI allows us to build reserves to ultimately reinvest and keep the project looking as good on the day that it was constructed through its useful life." That is what makes this model so unique. It's a powerful tool.

MR. WALLACE noted that Doyon Utilities has privatized the utilities on Fort Wainwright, and asked if Actus pays Doyon for the utilities it uses.

MR. CONNER said Doyon charges the Army and the Army passes many but not all of the costs through to North Haven Communities. Actus, acting for North Haven Communities, reimburses the Army for the cost of consumables and any operation and maintenance directly attributable solely to the project.

MR. WALLACE asked if they reimburse the Army for heat and electricity.

MR. CONNER said yes. Once meters have been installed the individual soldiers will be responsible for paying those utility costs.

MR. WALLACE said the Department of the Army periodically reviews the cost of living within a local community to come up with the utility allowance soldiers receive.

MR. CONNER said that is done annually.

[1:43:58 PM](#)

CO-CHAIR DAHLSTROM asked if the utilities are considered part of the 70 percent to local business.

MR. CONNER answered no.

CO-CHAIR WIELECHOWSKI asked how he defines small business.

MR. CONNER suggested that he pose the question directly to Actus because it's not a matter of how the Army defines it.

CO-CHAIR WIELECHOWSKI asked if there is a definition for small business in federal law that applies to the contract between the Army and Actus.

MR. CONNER answered no; under MHPI authorities there is no requirement that any portion of the money go to small businesses. But from the inception of the program the Army intended that the communities that had benefited in the past through federal preferences associated with small businesses would benefit from these privatization projects going forward. He surmised that the definition that Actus has adopted for small business is similar to what the Army would use in a federal contract.

CO-CHAIR WIELECHOWSKI said, "So there are no guarantees at all for housing soldiers in these..."

MR. CONNER said none.

CO-CHAIR WIELECHOWSKI asked how much of this type of work Actus does.

MR. CONNER said they are a major developer for the Army and the other services. They have Army projects in Hawaii with an IDP (initial development phase) worth \$1.6 billion. They also have housing projects at Fort Hood, Fort Campbell, Fort Drum, and Fort Knox.

CO-CHAIR WIELECHOWSKI asked who inspects the housing as it's complete.

[1:48:17 PM](#)

MR. CONNER said there are overlapping processes. First there is an independent construction consultant that's required by the lender. Then the Army has some continuing surveillance done because it is an investor. This is to identify potential problems and looks at programmatic issues associated with the construction more than the actual housing. This is not a government inspection because it is no longer government property.

CO-CHAIR WIELECHOWSKI asked if the other base projects he mentioned have been done with project labor unions

MR. CONNER answered yes.

CO-CHAIR WIELECHOWSKI asked if this project is being done with project labor agreements.

MR. CONNER said not to his knowledge.

CO-CHAIR DAHLSTROM asked if he was involved in setting up the project at Fort Richardson.

MR. CONNER said no; that will be a joint base and the Air Force will take the lead on that project.

CO-CHAIR DAHLSTROM opened public testimony.

[1:51:10 PM](#)

JESYNA RAUSCH, Osborne Construction Company, asked what Actus Lend Lease will do at Eielson Air Force Base in the future. Mr. Conner spoke on behalf of the Army and she is interested in hearing from an Air Force spokesman.

CO-CHAIR DAHLSTROM said she assumes that Actus will make note of the question and she prefers to defer the response until public testimony is finished.

REPRESENTATIVE PETERSEN pointed out that part of the agenda shows that they are to address items from Eielson Air Force Base. He added for the record that Actus Lend Lease has no fiduciary relationship with any project going on at Eielson.

CO-CHAIR DAHLSTROM asked the participants to adhere to the process of going through the chair when speaking to facilitate accurate recordkeeping.

[1:53:01 PM](#)

DAVE MILLER, President, Interior Alaska Building Association (IABA), related that this summer IABA began hearing that things weren't running smoothly between Actus and contractors who were bidding. In response he sent a letter to the 180 IABA members asking them to recount their experiences working with Actus. About 12 members responded and the theme was largely the same. He cited an email from a respected long-time Fairbanks contractor who had submitted an unsuccessful bid and noted that it's a typical response. He read the following:

We have not had a good experience with Actus. We met with them before the bid. They indicated they would be here for at least 50 years. They indicated they wanted a proposal based on quality not low price. Back in June we gave them a very good proposal to do the [indecipherable] work. Since that time we have called them several times to meet and discuss our proposal. It's very difficult to get them to even return a phone call. They did promise to put out bid results by the first part of July, but that didn't happen. Today we finally got a letter saying we were not selected to do the work. We never did get a chance to discuss our proposal with them. Even more disturbing was their apparent willingness to bring in outside contractors for this work. We're not impressed with Actus. I guess I would caution people to be careful in dealing with them. Call if you need to discuss.

MR. MILLER said he is here to deliver the basic message that the building community has had a tough time getting response from Actus. "And we've all heard the stories that their contractors come from other places ... and the work is not being awarded so much to the experienced local contractors."

[1:56:43 PM](#)

CO-CHAIR WIELECHOWSKI noted that the Army representative thought that 70 percent or more of the contractors were from Alaska. He

asked if anyone who responded to his letter indicated that they had gotten a contract with Actus.

MR. MILLER said no, but he did receive phone calls from a countertop contractor and a flooring contractor indicating that they would be doing work with Actus. "It doesn't mean that that hasn't happened, it's just that I haven't had that response," he added.

REPRESENTATIVE RAMRAS asked if the contractors he heard from represent both union and nonunion shops.

MR. MILLER said the email he read is the only union shop that responded so it must cut both ways.

REPRESENTATIVE PETERSEN asked the number of responses he received.

MR. MILLER said he got eight emails and four phone records.

[1:58:37 PM](#)

DAMIAN THOMAS, Laborers Union Local 942, Fairbanks, said he wants to give the union perspective of what has happened. When Actus first came on the scene a couple of years ago they told the union that local hire would be one of their top priorities. We weren't naïve enough to believe we would get all the jobs but we may feel that Fairbanks and Alaska deserves to work on projects in their neck of the woods, he said.

MR. THOMAS explained that the union recruits and trains membership from Fairbanks and outlying areas for future work. After these people have been trained they need to go to work on local jobs. "We don't train them here in Fairbanks to send them outside to work. We need jobs here in Fairbanks for them to work." Of course we're excited when a project of this size and scope comes to town because it's going to be a Fairbanks project. It's about more than just the union; it's about putting Fairbanks people to work. Up until now it's just been rumored, but we too have heard that people are coming up from Florida, Montana, and Michigan "and we have no way of letting our members know, even if they did want to apply for jobs up there, where to go," Mr. Thomas said.

CO-CHAIR WIELECHOWSKI asked if it's his opinion that a project labor agreement would help with local hire issues.

MR. THOMAS replied a project labor agreement would do hiring through the local union halls and of course Fairbanks residents who have been trained in Fairbanks would be hired first.

CO-CHAIR DAHLSTROM asked if he holds a leadership position with the union.

MR. THOMAS replied he is the Laborers 942 business agent.

2:02:47 PM

JEFF BIZZARRO, Carpenters Local 2143, said he also represents the Fairbanks Building Trades, reiterated Dave Miller's statements. Union contractors in Fairbanks aren't getting good response from Actus. "They don't know how to track their bids" and contractors are facing roadblocks when they do put in a bid. It's not a union or non union issue, it's a community issue. He related that he visited Fort Wainwright last week and walked on a job that was done by a Georgia company. None of the 12 employees on site spoke English. "There is no local hire at this point." In response to an unidentified speaker asking if he said there was no local hire on that project, he said that's correct. He added that Big Horn Enterprises did the dirt work and the company from Georgia is doing the concrete work.

2:04:32 PM

MARK HOJEIN, Accessible Solutions, Fairbanks, said he does handicap accessibility remodels for Medicaid. In June the housing manager at Actus called and asked for a price to mow lawns at the residential housing at Fort Wainwright. He and his friend Larry proposed a number only to be told they had to bid \$30 per yard. For the previous five or six years Larry had worked at Fort Wainwright as general contractor for Chugach and he knew that Chugach had been paid 16 cents a square foot to mow lawns. If you were to extrapolate from that, Actus was asking for a bid of less than 4 cents a square foot and we couldn't do it, he said. "We asked for a written scope of work, we asked for a contract, we asked for something structured so that we had the ability to provide them with a number to do the work." We didn't get any information, he said.

CO-CHAIR DAHLSTROM asked him to clarify to whom the request was made and if it was in writing.

MR. HOJEIN replied it was a verbal request made directly to the housing manager at Actus. "But I have emails back and forth including questioning and requesting for scope of work," he added. Initially they were told there would be as many as 1,700

yards to mow for soldiers who were in Iraq. "At the time...they already knew that 600 of them were coming back, but they didn't bother to tell us about that." We walked away after working on it for about 6 weeks.

He relayed that another person from Fairbanks took the contract for \$30 per yard. He bought equipment and mowed lawns for 9 days before he was out of work.

SENATOR WIELECHOWSKI asked if payments are being made with prevailing wages.

MR. HOJEIN said no, not even close. The person who picked up the contract bid on the lawns outside the fence and for some reason the contract was pulled back. When it was re-let he wasn't offered the opportunity to bid. "The person that got that contract is called 'Mainstream' and they're an Ohio company." He told the committee that it's possible to get an Alaska business license in as little as 4 days if you go to Juneau and walk through the process.

MR. HOJEIN referenced the statement that soldiers are free to move off post if they don't like the housing they're offered and said those soldiers might be stuck by economics whether they like it or not.

[2:10:19 PM](#)

REPRESENTATIVE PETERSEN asked if he's saying that the company from Ohio brought people from Ohio to Fort Wainwright to mow lawns.

MR. HOJEIN said he doesn't know where the people came from but the contract went to a company from Ohio and that's where the profits will go.

CO-CHAIR DAHLSTROM asked him to submit documentation of his statements to Representative Ramras's office and it will be included in the packet.

[2:12:22 PM](#)

MIKE HOLZ, NLC General Contracting, Fairbanks, said he doesn't have the same problems that everyone else has articulated, and his company might be the only major Fairbanks contractor that has recent military housing experience. The contract they have with North Haven Communities has gone smoothly. About a year ago they started bidding Actus projects and thought they had an edge to get some of the work. "We actually knew to the penny what it

cost to build the units that they're required to produce for the government at this time." They bid several hundred projects; first they bid the "35 percent, which everyone knew was a test, and then we bid the 90 percents." They got the heating contract for the project and are currently working with plumbers from North Carolina and cement workers from Tennessee.

MR. HOLZ said that as a general contractor he can see that you have to move where contracts are lucrative enough to make it work. "I don't think Actus ever stood up and said, 'We're going to give these houses away.' There has to be some structure that produces some profit." That being said, Actus has done things that don't sit well in the community. "From day one we have never got a result from Actus of any kind saying where we fit in the scope." On one project they were told to get ready because they were the low bidder, but two weeks later someone else was doing the project. In part he blames the government that does almost everything behind closed doors. Actus works like the Corps of Engineers and it doesn't leave a good feel in a small community. It's the secret part that is causing the problem. Fairbanks isn't an easy place to build but Actus isn't using the expertise that's in the community. "I don't know of any of the contractors that we traditionally compete against that actually are working out there." The ones that have paid the price and learned to do it right the first time and meet the safety requirements are not being rewarded with a contract.

2:17:30 PM

A plumber in town has twice announced publicly that Actus gave him \$42,000 to relocate here. In the beginning Actus said they would pay up front and bring in competition to help start businesses. We weren't offered that, he said. Local contractors weren't questioned about high bids because they know what it costs to operate in Fairbanks. There was the promise of Davis-Bacon but it's baby-Bacon, which means posted wages for an electrician of \$23/hour. We can't send our people out there for \$23/hour so they'll have to come from somewhere else, as will the beginning apprentice who will get only \$12.50/hour. "You can't raise a family on that and live in Fairbanks," he said.

MR. HOLZ said there are problems with the agreement that make it impossible for Actus to work through a local union even though some contracts are better than the one for electricians. "I don't think Actus has a great contract. I don't think it leaves them in a position to do everything they'd like to do in the community, but...when you're not posting in a small community it always has problems." Actus could do things to make themselves

look better but they can't change their contract. "If they're in for 50 years they're in for 50 years and it's going to be tough...on Fairbanks." A lot of the people coming in don't know what it costs to do business in Fairbanks, but they will know in 6 months.

REPRESENTATIVE PETERSEN asked if the plumbing contractor he mentioned is working strictly for Actus or also in the community.

MR. HOLZ said his understanding is that it's just that work. They've indicated that they follow Actus to different locations.

REPRESENTATIVE GUTTENBERG asked how easy it is to interact with the Actus office that's located off the base.

[2:22:19 PM](#)

MR. HOLZ said they initially had difficulty getting return phone calls and emails. Since then Mr. Downham [with North Haven Communities] and Mr. Hale [with Actus] have provided direct access. Now that we have a contract and are working we're not having a particular problem with either North Haven Communities or Actus, he said.

CO-CHAIR DAHLSTROM stated for the record that representatives from both North Haven Communities and Actus will have ample opportunity to testify.

REPRESENTATIVE GUTTENBERG asked if there is a central location to find plans for upcoming bids.

MR. HOLZ replied there is a place to see the plans for bids but there isn't any way to find out about the bid you submitted.

[2:25:46 PM](#)

BRIAN BARNEY, Estimator, Nenana Lumber Company, said he's been involved with bidding to Actus for about a year. It's difficult for contractors to communicate with Actus and it seems that participation wanes as the bidding progresses. When they bid the 35 percent plans there were lots of questions for Actus but answers were slow in coming. "I just want to work, I want all of our employees to have work and...I don't care if it's a union or non union." This is a Fairbanks issue and the community will dwindle if there isn't work for community members. He noted that he previously supplied the committee with information and his personal opinion about Actus and potential bid shopping. He cited an example of being asked to submit a bid after bidding

was closed. On the other hand, he said, working with North Haven Communities has been a pleasure.

MR. WALLACE asked who sets the specifications for the housing.

MR. BARNEY said his understanding is that Actus provided the specifications from the RCI Office for standard military housing. He further suggested that the general consensus is that the 35 percent plan was designed to get local contractors to provide local knowledge. He cited examples to demonstrate that Actus hadn't done sufficient research to conduct business.

CO-CHAIR WIELECHOWSKI asked if he said he was contacted after the bid date closed and was asked to put in a bid.

MR. BARNEY answered yes.

CO-CHAIR WIELECHOWSKI asked if federal dollars are involved in these contracts.

MR. BARNEY replied he doesn't know about that.

CO-CHAIR WIELECHOWSKI said he'd follow up when Actus testifies because it would probably be a violation of federal law if federal money or a federal contract is involved.

MR. BARNEY said his understanding is that Actus works for North Haven Communities and funds don't flow directly to Actus.

[2:36:46 PM](#)

CO-CHAIR DAHLSTROM noted that all the emails that have been submitted are part of a package that will go to Alaska's congressional delegation.

RICHARD TILLY, Tilly & Company, said he has been a building contractor in Fairbanks for about 30 years. When he first heard about the Actus project he was excited about the potential work for Fairbanks. He attended the meetings and noticed that fewer people showed up at subsequent meetings and less information was forthcoming from Actus. "It became a little more difficult to try and get the facts of what was going on." On June 8 he submitted a bid to Actus and has yet to hear back about whether he or someone else got the bid. There have also been issues and challenges related to who can bid on what scope of work, having bid documents match the scope of work specifications, and getting bid specifications out in a timely manner.

MR. TILLY said the community was led to believe that there would be plenty of work for small businesses, and he doesn't recall hearing or reading that work over \$100,000 would require a performance bond. That requirement became a real barrier for small residential builders.

Several weeks ago North Haven Communities put an ad in the local paper naming the companies they've hired that are supposedly some percent Alaskan. He recognized very few of the names that were listed. Responding to a question from Senator Wielechowski he said he'd been to the base to look around and on numerous occasions he asked for information about who was doing the work, but the information was not forthcoming.

[2:44:32 PM](#)

LARRY KOLLMEYER, Architect, Bettisworth North Architects and Planners, Fairbanks, asked if there are local designers on this project. "If we put out plans, even at 35 percent, some of these details we've been hearing about would be a little bit of a concern."

CO-CHAIR DAHLSTROM said she has made note of the question and is sure the representatives from Actus and North Haven Communities have done the same.

[2:45:46 PM](#)

JOHN MACCHEYNE, MacCheyne's Carpet Plus, Inc., Fairbanks, said his company has been working with Actus since they came to town. He has had the opportunity to bid and rebid a number of projects. He agrees that getting information is tough when the scope of work changes. However, he wants to point out that there is a distinct difference between Actus and North Haven Communities. The North Haven group truly is mostly local. Working with them has been easy and it's been good for our business in Fairbanks, he said. With respect to the construction part, the jury is out and it's unclear how that will work out. There's great opportunity for Actus to pay attention to the local contractors and the trickle effect will spread from there. We want more than the laborers, carpenters and floor layers to make money. Local businesses should make money. North Haven Communities has taken care of that and Actus has the opportunity to do the same.

[2:49:00 PM](#)

JACK HEBERT, President, Cold Climate Housing Research Center (CCHRC), and contractor, Hebert Homes LLC., said he's been building homes for 35 years and he was probably the first

cheerleader for Actus when they came to town. They approached CCHRC and said they wanted to do things right. They followed through on that assertion and CCHRC was involved in recommendations on energy efficiency and building technology for soldiers' homes. That experience was positive and we were paid to consultant on that work, he said.

MR. HEBERT told the committee that for many years business in Fairbanks ran on a handshake. He's here today because the people in the community that have said they haven't been treated fairly are the people he's done hundreds of thousands of dollars worth of work with on a handshake. "For the record they've been fair with us; they've incorporated our technologies. As a concerned citizen, I'm here."

[2:51:00 PM](#)

LAKE WILLIAMS, Business Representative, International Union of Operating Engineers Local 302, and Vice President, Fairbanks Central Labor Council, said he didn't intend to testify but after listening he has several comments. First, it's not a union or non union issue; it's an issue of paying prevailing rates. "If you don't pay Davis-Bacon...a lot of people can't afford to live in this community." Many of the residential Davis-Bacon trade rates haven't been upgraded since 1996 and people are asking why. He doesn't know of any local Fairbanks contractors that have gotten work under the provision that 75 percent of the work will go to small businesses. If the remaining 25 percent of the work is being saved for people migrating up, it sounds as though the larger local contractors will also be excluded. They typically hire local residents. If the military sets the standard, they should be able to define how people are paid, he said.

[1:54:05 PM](#)

MIKE RAIDER, Director of Construction, Actus, Nashville, TN, said he provides corporate oversight for Actus projects.

MIKE HALE, Director of Preconstruction, Actus, Nashville, TN, said he is providing corporate oversight on the project. He has been stationed at Fort Wainwright for the past two years.

CHUCK DOWNHAM, Project Director, North Haven Communities, said he currently resides at Fort Wainwright.

BRUCE ANDERSON, Director of Portfolio Management for Alaska, [North Haven Communities], Nashville, TN, introduced himself.

[2:57:12 PM](#)

CO-CHAIR DAHLSTROM asked for responses to the following questions and comments:

- Where is the office?
- Where do people apply for positions?
- Accessibility is tough.
- It's difficult to track bids.
- There is no public record of bids after they have been awarded.
- There is no record of bidding results.
- Is there a website for contractors to contact Actus and North Haven Communities?
- It is alleged that there has been bid solicitation after the deadline has passed.
- Are federal funds involved?
- Turnaround time on bids is an issue for small businesses.
- Are the bonding standards appropriate?
- What is the definition of "small business?"

CO-CHAIR DAHLSTROM asked everyone to identify themselves whenever they speak.

MR. RAIDER requested that the questions be posed one at a time.

[2:58:06 PM](#)

CO-CHAIR DAHLSTROM asked the location of the Actus office in Fairbanks.

MR. HALE said Actus has two offices and North Haven Communities has one office on Fort Wainwright.

CO-CHAIR DAHLSTROM asked if the public or a contractor who is not a veteran or active duty military is able to go on the base.

MR. HALE replied they can get a pass at the visitor center to gain access to the installation. "As a matter of fact a lot of the contractors that [have] spoken have been to the office on Fort Wainwright."

CO-CHAIR DAHLSTROM said she assumes that phone numbers and addresses are printed and published somewhere.

MR. HALE replied that information is on all outgoing emails and the Actus document posting website. Contractors sign up once

they decide they want to be involved in the project and they're given a logon to that system.

CO-CHAIR DAHLSTROM asked if the meaning of "when a contractor wants to be involved" is that they've put in a bid or that it's been accepted.

MR. HALE explained that every contractor that was listed in the Home Builders Association membership, the AGC membership, or the contractor licensing information from Juneau was sent an invitation to be involved.

CO-CHAIR DAHLSTROM asked if along with the invitation they were given information on how to ...

MR. HALE interjected, "they responded they were given the information that we got their information that they wanted to be involved and they were given a login to the system."

[3:00:22 PM](#)

MR. WALLACE asked which buildings the offices are located in.

MR. HALE replied one location is 47 Nicene (ph).

MR. DOWNHAM said North Haven Communities was assigned a temporary building number on their new office on Neely Road.

CO-CHAIR DAHLSTROM asked for a response to the complaints about the difficulty in tracking bids and that the results aren't recorded.

MR. RAIDER said posting bids after the fact isn't a requirement, but it's a good idea. "So we do need to do better work with communicating - especially the gentleman that's had a bid in since June and he doesn't know where he stands." It probably won't happen that they'll be posted in an hour, he added.

CO-CHAIR WIELECHOWSKI asked if he is committing to posting the bids after they're submitted.

MR. RAIDER said, "We'll make sure everybody is notified in writing or a phone call ... [about] whether they were awarded the contract or not."

CO-CHAIR WIELECHOWSKI asked how quickly they'd be notified.

MR. RAIDER said within a week would seem reasonable.

CO-CHAIR DAHLSTROM suggested that it's important to notify an applicant about who did receive the bid and the dollar amount even though that isn't a legal requirement. This could help a bidder to be more competitive.

MR. RAIDER said they try to select the best value, but it's a mix of a number of things for someone to be awarded a project. He mentioned the safety program, the QT program, and whether the bidder has military installation experience. Also, the bid process is to bid on drawings that are 35 percent, 65 percent, 98 percent, and 100 percent as well as approved for construction drawings. The process is long and protracted because of the number of reviews they go through including those by the Army and the independent construction consultant. He can understand some of the frustration voiced by the subcontractors bidding and not hearing and then being asked to bid again without knowing what happened on the first round.

CO-CHAIR DAHLSTROM said she heard him say they would work out a way internally to post bids within a week.

MR. HALE clarified that bids won't be posted, but "notification will be made to whether or not they won or lost the bid."

CO-CHAIR DAHLSTROM asked how that information will go out.

MR. RAIDER replied it will go out by email and there will be a follow-up letter as well.

[3:04:44 PM](#)

MR. WALLACE asked if there is a reason they can't post the bids.

MR. RAIDER said it's not ...

MR. WALLACE interjected to ask if they can do that.

MR. RAIDER mentioned the statement that Doyon posts their bids and pointed out that they are a regulated utility that has to follow particular guidelines. Actus doesn't fall under the guidelines for a regulated utility or the guidelines for government contractors. He said they've tried to make the playing field better for some contractors by not telling everyone what the bid price was. "I don't want to create an environment of people chopping prices just to think they're going to get the bid." That's not the only criteria.

MR. WALLACE said he believes that these local contractors have a right to know where they stand.

CO-CHAIR WIELECHOWSKI said he wants to reiterate that it's a military base, it's taxpayer land and the federal government put \$50 million into the project with more to come. This is being done for members of the military and it's only fair that the bidding is transparent and in the open. "That's the position that I intend to put forward to Senators Begich and Murkowski," he said.

CO-CHAIR DAHLSTROM said we respect that you have ways of doing business but we're asking you to discuss and consider the suggestions that were just made.

[3:10:02 PM](#)

MR. HAIL said he'd like Mr. Conner to again address those points because "I don't think it was quite understood how it works."

CO-CHAIR DAHLSTROM reiterated that the point of this meeting is to become better educated.

CO-CHAIR DAHLSTROM asked if Actus and North Haven Communities have websites and if the Actus site has a link to North Haven.

[3:12:20 PM](#)

MR. HALE replied both entities have general information websites and inquiry forms are sent on to the appropriate party. For this project they would be directed to either himself or Mr. Raider.

CO-CHAIR DAHLSTROM suggested they pay attention to the comments about timing and the need for better communication. This is a tight community and if someone needs help they get it with nothing expected in return.

MR. RAIDER said he agrees and pointed out that their work for the military is usually in smaller communities.

[3:14:11 PM](#)

CO-CHAIR DAHLSTROM asked for a response to the comment about soliciting bids after the deadline.

MR. RAIDER explained that Actus made a commitment to North Haven Communities to be fair and prudent in their bid solicitation and selection processes. To that end they set a goal of three bids on a particular trade. If there's not an appropriate number of bids by the closing, the bid date gets extended and they try to

get more bids from people they thought were going to bid that particular trade. Messages about extensions are immediately sent through their posting website.

CO-CHAIR DAHLSTROM asked if he's saying that the information is posted electronically and that personal phone calls aren't made.

MR. RAIDER said they sent out 2,800 requests for bids and it would take weeks to call that many people by phone. Notices are posted electronically.

[3:16:23 PM](#)

CO-CHAIR DAHLSTROM asked what company policy is regarding turnaround time for bids.

MR HALE replied a contract is typically awarded 45-60 days after the closing date.

CO-CHAIR DAHLSTROM asked if it takes that much time because of the size of the company.

MR. HALE said that's a small part of it but it's also related to leveling the bids, making sure everything was covered, and doing interviews with contractors. They want to make sure the contractors understand everything that's expected of them to work on a project including the plan specifications, the safety plan, the quality plan, and the environmental management plan.

CO-CHAIR DAHLSTROM said she represents Elmendorf Air Force Base at Fort Richardson and has seen how little time it takes to post bids for housing work, so she has trouble understanding why it takes 45-60 days.

MR. HALE clarified that it takes 45-60 days for the contract to be awarded, not for the selection. "We'll down select to two to three contractors and start the interview process and qualifying every aspect of their bid." Even under the MILCON programs the bidder may be announced but will be evaluated thereafter.

CO-CHAIR DAHLSTROM asked if contractors are prohibited from further bidding if they've been disqualified in an earlier bid.

MR. HALE said no, but it would depend on what disqualified them. If they couldn't manage the resources to qualify and could at a later time then they would be reevaluated. According to the construction manager for this project one of the two contractors selected for an interview pulled their bid because the men

didn't want to wear hardhats. That's a requirement the contractor has to meet to work on the project so if they were disqualified for that reason, they would get another opportunity if they later changed their mind.

CO-CHAIR DAHLSTROM asked if there are penalties for pulling. [She received a non verbal response.] She then asked if that is standard in the industry.

MR. HALE asked, "To penalize someone or to give them a second chance?"

MR. WALLACE asked if it's standard practice to wait 45-60 days.

MR. HALE replied, "It is for us."

[3:20:38 PM](#)

MR. WALLACE asked if it's accurate to say that waiting 45-60 days before notification is an Actus policy and not a general policy for the contracting industry nationwide.

MR. RAIDER agreed.

REPRESENTATIVE GUTTENBERG asked if Actus understands that the construction season in the Fairbanks area is short.

MR. HALE answered yes. Thus far half the people they have hired to run this project are from "the Alaska area and been contractors here for a long time." Responding to a question, he agreed that Alaska is a unique place to build.

CO-CHAIR DAHLSTROM mentioned an earlier question about the Privatization Act and asked for comment.

MR. HALE and MR. RAIDER, speaking in unison, said the issue related to Eielson Air Force and they don't have a contract there.

CO-CHAIR WIELECHOWSKI asked for a response to the testimony that a long-time local contractor recognized very few of the names on the list of contractors for the project.

MR. HALE said Big Horn is one of their contractors and they do business in Fairbanks, but he doesn't know how long they've been in business. Most of the others have dealt with North Haven Communities. He continued to say, "But I want to go on record as stating - and I think it's in the validation you've been

provided - that 77 percent by dollar volume contracts that ... are pending current awards are to Alaskan firms. And 81 percent by the number of contracts are all Alaska firms with 61 percent of those are Fairbanks with another 10 percent or so in outlying boroughs around Fairbanks."

CO-CHAIR WIELECHOWSKI responded he has nothing to dispute that other than the testimony he's heard. He asked if it could be that contractors are coming from Outside and getting an Alaska business license before applying for a contract. "Or are these long-time contractors that they've just never heard of?"

MR. HALE said he can't answer that. He only knows that they have an Alaska contractor's license and a place of business here.

CO-CHAIR WIELECHOWSKI said, so it's possible that a contractor came to Alaska a week or a month before they got their business license and then applied for a contract.

MR. HALE said he finds that hard to believe because Actus got the licensing information from Juneau a year ago and sent bidding information to contractors on that list. They also sent bidding information to members of the [Interior Alaska Building Association] and the local AGC [Association of General Contractors] office.

CO-CHAIR WIELECHOWSKI asked if Actus has ever recruited contractors or employees from Outside to come to Alaska.

MR. HALE replied they solicited 2,800 contractors nationwide. "We selected every available contractor in this state."

CO-CHAIR WIELECHOWSKI asked their definition of "small business."

MR. HALE replied they follow the Small Business Administration guidelines for a definition. He doesn't have that definition committed to memory, but he will get the information and pass it along.

CO-CHAIR WIELECHOWSKI asked what they are doing to make sure local hire is enforced.

MR. HALE said they don't deny that three contracts were awarded to contractors outside of Alaska. Of the \$11 million in awarded or pending contracts, over \$10 million has gone to local and Alaskan firms. As Mr. Connor stated, the goal was 75 percent [to

small business] and they are more than just meeting that. They anticipate the percentage to grow. "Once we get into the realm of this project we anticipate a lot more dollar volume and more contracts to be available to be awarded. It's just that right now it's a very small project just getting started and everybody can't get it."

[3:27:41 PM](#)

MR. RAIDER added that those three contracts were awarded to subcontractors with offices outside of Alaska, but that doesn't mean that they're not using the Alaska labor pool. "That would be up to them as it is with any of the contracts that we've awarded."

MR. HALE said Actus doesn't hire directly from the union halls. The contractors they hire are expected to manage their own labor resources.

CO-CHAIR DAHLSTROM commented that Actus wouldn't have to deal with workers' compensation issues in that case.

MR. HALE said that's correct.

[3:28:33 PM](#)

REPRESENTATIVE PETERSEN mentioned the testimony that the workers at a particular job site only spoke Spanish. He asked if Actus checks to see that all its subcontractors hire legal documented workers. "If you haven't, is that something you might consider doing in the future?"

MR. HALE replied they've done that on all their projects. To get a pass for Fort Wainwright a worker has to provide legal documentation. He added that it does not mean that someone is undocumented simply because they speak Spanish.

REPRESENTATIVE PETERSEN agreed.

MR. HALE explained that subcontractors provide certified payrolls of their employees every day and that's how Actus documents that the workers are compliant. He added that he's a put off that people went on the jobsite without checking in and going through training. "It's a requirement; anyone going to our jobsite checks in with us and gets proper training from us before they go out there."

[3:30:34 PM](#)

CO-CHAIR DAHLSTROM asked how many people are employed on this project and how many of those are Alaskans.

MR. RAIDER agreed to supply the information.

MR. DOWNHAM said about 90 percent of the North Haven Communities employees are Alaska hires.

CO-CHAIR DAHLSTROM asked Mr. Raider how long it would take to get the Alaska hire information to the committee. [He provided an answer that she found acceptable.]

[3:32:16 PM](#)

CO-CHAIR DAHLSTROM asked for comment on the testimony that a plumber boasted about receiving \$42,000 to relocate here. It sounds like a signing bonus.

MR. RAIDER said, "It makes the hair on my neck stand up." Actus doesn't pay signing bonuses and didn't pay someone \$42,000 "to enhance the competition in Alaska." Furthermore, he can see no reason why they would do that.

CO-CHAIR DAHLSTROM asked if there's something they could do to put these rumors to rest if that's not something they've done.

MR. RAIDER responded, "I don't think putting muzzles on those guys is legal, but I'd like to."

CO-CHAIR DAHLSTROM pointed out that Actus does have a team of lawyers.

MR. HALE said they spoke to the man who allegedly made the statement and he emphatically denied it.

MR. RAIDER said he doesn't doubt that the person heard what he said he heard and all he can say is that it's not true. They neither did nor would pay a signing bonus.

GENERAL LESTENKOF asked when the project at Fort Wainwright began.

MR. RAIDER said the date for the Actus Design Build contract was May 15, 2009 and the notice to proceed was June 1. Work to put this together started in July 2007.

GENERAL LESTENKOF asked what percentage of the project has been completed.

MR. RAIDER and MR. HALE, together, answered 1 percent. Mr. Hale added that to his knowledge the shovel first was put in the ground last week when some eightplexes were demolished.

[3:36:54 PM](#)

CO-CHAIR DAHLSTROM asked if the designers of record for the professional services are registered in Alaska.

MR. HALE replied four of the five firms are registered in Alaska. He named (indecipherable), Design Alaska, Dowl Engineers, Land Design North, and Shannon & Wilson.

CO-CHAIR DAHLSTROM thanked the participants and restated that the purpose of the meeting is find answers to promote a productive working relationship. She continued to say, "We want your company to make money. We want your company to run well because ... it also provides jobs in the community. We would obviously like as many Alaskans to be hired as possible and contracts to be here. We want to make sure that ... there's not anything that we can do that we're not doing to help this move forward. And again ... please communicate better with the contractors."

[3:38:59 PM](#)

REPRESENTATIVE CRAWFORD commented that he came to Alaska from Louisiana in 1975 to work on the oil pipeline and early-on decided he would play by Alaska rules. Over the years he has noticed that construction companies that adopt that same philosophy have done a lot better. The reason that people up here can work with just a handshake is because there is such trust within the community. I'd like you to convey that in the ways you do business, he said.

CO-CHAIR DAHLSTROM asked Mr. Connor to talk briefly about privatization and clarify some of the statements that have been made.

[3:40:49 PM](#)

MR CONNOR explained that the Army invested \$50 million into a holding company that is a conglomeration of all the Army's interests in Actus projects. That entity then made the \$50 million investment. This illustrates that they are trying to operate within the constraints of a statute that is very unusual in that it puts U.S. governmental agencies in the position of making investments in privatized entities. As soon as that

investment is made, the money is inseparable from the money that is borrowed. He continued:

As I mentioned before, in some projects we don't make any investment of federal dollars. There is always an investment of the federal interest in the preexisting property. That occurs. In every instance - at least in the Army's case - we've given the project company a 50-year ground lease. But again, the dollars are fungible and so ultimately we assume that there will be hundreds of millions of dollars that we will borrow that will allow this project to go forward as we have jointly envisioned it. As has been explained to the community, this larger project ultimately will not occur unless and until we get funding from the private sectors.

MR CONNOR clarified that he represents the Army, not North Haven Communities or Actus. "They are the privatized entity that was selected to run this project." He acknowledged that the Army is hearing from small businesses that feel they are being shut out because of bonding requirements, but Congress passed a series of amendments to MHPI that, among other things, requires that 50 percent of all the dollar value associated with construction in a project has to be bonded. That has caused concern given the fact that there is an effort to shift 75 percent of all dollar volume to small businesses. Obviously there is great potential for substantial impact.

CO-CHAIR WIELECHOWSKI said regardless of the fact that the Army is putting the money in a holding company, it's still taxpayer money that is ultimately going to this company. He doesn't think that Alaskans want taxpayer money going to companies that are not hiring Alaskans; that are bringing in outsiders; that aren't paying prevailing wages; and that are doing bidding behind closed doors. I don't know if these allegations are true or not, but I hope you'll investigate them because some of them were significant and they were made by people who are respected in this community, he said.

MR. CONNOR said, "To the extent that those allegations go to criteria that we've established - and many of them do go to criteria that we've established - that impact fees, those will be [looked] at because we have something called the portfolio asset management process." It's an internal and thorough audit looking at whether or not developers produce what they say they will and only earn what they are entitled to earn.

MR. WALLACE thanked everyone for coming. He lives in the community and knows most of the people in the room. He appreciates the concerns on both sides and wants good affordable housing for the soldiers. "I think every contractor locally has a right to bid and I think they have a right to make a reasonable profit just like I think Actus has a right to make a reasonable profit, which I think has been set by the terms of the contract."

[3:47:56 PM](#)

CO-CHAIR DAHLSTROM adjourned the Joint Armed Services Committee meeting at 3:47 p.m.