

Stenographic Transcript
Before the

Subcommittees on Personnel and
Readiness and Management Support

COMMITTEE ON
ARMED SERVICES

UNITED STATES SENATE

HEARING TO RECEIVE TESTIMONY ON THE CURRENT
CONDITION OF THE MILITARY HOUSING PRIVITIZATION
INITIATIVE

Wednesday, February 13, 2018

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ALDERSON COURT REPORTING
1111 14TH STREET NW
SUITE 1050
WASHINGTON, D.C. 20005
(202) 289-2260
www.aldersonreporting.com

1 HEARING TO RECEIVE TESTIMONY ON
2 THE CURRENT CONDITION OF
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7 U.S. Senate
8 Subcommittee on Personnel and
9 Subcommittee on Readiness
10 and Management Support
11 Committee on Armed Services
12 Washington, D.C.
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14 The subcommittees met, pursuant to notice, at 2:04 p.m.
15 in Room SD-G50, Dirksen Senate Office Building, Hon. James
16 M. Inhofe, chairman of the committee, presiding.

17 Subcommittee Members Present: Senators Inhofe
18 [presiding], Wicker, Fischer, Rounds, Ernst, Tillis,
19 Sullivan, McSally, Scott, Blackburn, Reed, Shaheen,
20 Gillibrand, Blumenthal, Hirono, Kaine, Warren, Duckworth,
21 and Jones.
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1 OPENING STATEMENT OF HON. JAMES M. INHOFE, U.S.

2 SENATOR FROM OKLAHOMA

3 Senator Inhofe: Good afternoon.

4 The Subcommittees on Personnel and Readiness meet
5 jointly today. This is kind of an unusual thing. This does
6 not happen very often, but there is a very good reason that
7 should be evident to everyone right now that that is the
8 right way to handle this.

9 Today we are going to have three panels of witnesses.
10 We will hear from the families, those who are seated at the
11 table right now, of active duty service members,
12 representatives of privatized housing, and the military
13 leaders responsible for overseeing military housing. I
14 welcome all of our witnesses and thank them for being here
15 today.

16 In the future, this will be conducted at the full
17 committee level, but due to the scheduling conflicts that we
18 have, we were unable to do that today. So I believe that we
19 needed to have this hearing as soon as possible.

20 It is important for everyone to understand why on-base
21 housing is privatized. In the late 1990s, on-base housing,
22 which was managed by the Department, was in disrepair. We
23 privatized the system, putting our faith and trust in the
24 private sector to give our families a better quality of life
25 while the contractors received fair compensation. That was

1 the goal.

2 Here is the fact. Our service members and their
3 families deserve high-quality, affordable housing. Period.
4 One mistake is too many. We hear the argument that this is
5 a rare thing, but even if it were, one is too many.

6 After hearing from the service members and their
7 families in Oklahoma and across the country, it is clear
8 that is not happening everywhere. The Military Family
9 Advisory Network received nearly 17,000 responses in just 7
10 days to a survey about privatized housing experiences. Of
11 the close to 15,000 families who currently or recently lived
12 in privatized family housing, almost 45 percent responded
13 that they have a neutral or a favorable privatized housing
14 experience. That leaves 55, however, or at least 8,000
15 residences, who are currently dissatisfied with where they
16 are living.

17 There are some out there, however, who try to minimize
18 this problem by saying this only happens in 1 percent of
19 privatized housing. Well, even if that is true, that would
20 still be 2,000 military families having problems. And this
21 survey shows otherwise.

22 Now, we are not going to be able to resolve this issue
23 in one sitting. Today's hearing is just the beginning. We
24 need necessary reforms to ensure accountability and
25 excellence in privatized on-base housing so that we are

1 going to keep on this issue. This is not going to be over
2 with today.

3 We need to look at three things: care for the service
4 members and their families, accountability in the
5 contracting process, and examine what, if anything, the
6 chain of command is doing to address the families' concerns.

7 You know, we were talking this morning, several of us
8 who had been in the United States Army in this case. The
9 chain of command was the final decision, and things actually
10 were working pretty well at that time.

11 Ranking Member Reed and I will work with our Government
12 Accounting Office, as well as the DOD Inspector General, to
13 thoroughly investigate and report back to the committee on
14 steps, whether administrative or legislative, that can be
15 taken to ensure our military families have housing they
16 deserve. I remind both the industry and the Department to
17 fully cooperate in these investigations.

18 I would also like to put on record today that our
19 witness testimonies and other conversations that they have
20 had with members of this committee are protected
21 communications. That is very important. As such, any form
22 of reprisal or threat thereof should be immediately reported
23 to this committee and will be immediately referred to the
24 DOD Inspector General for swift action. Make no mistake
25 about it. I will take any report of reprisals on our

1 military families directly to the Secretary and Chief of
2 that specific service.

3 We are going to get to the bottom of this, and today's
4 hearing is the right first step to take.

5 Before I turn to Senator Reed, I would like to remind
6 our members that we have three panels today. So we will
7 have 3-minute rounds for the first panel and 4-minute rounds
8 for the others to ensure that we try to get everyone
9 satisfied who wants to participate.

10 Senator Reed?

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1 STATEMENT OF HON. JACK REED, U.S. SENATOR FROM RHODE
2 ISLAND

3 Senator Reed: Well, thank you very much, Mr. Chairman.

4 First and foremost, I want to sincerely thank the panel
5 of military families who are here today to speak up and
6 speak out for their families and for the families of all
7 military personnel. I extend that thanks to a dozen more
8 families who are not here, but they have submitted written
9 testimony that brings to life the painfully inadequate
10 living conditions that some of our service members and
11 families are enduring as we speak.

12 I also want to thank the panels of housing companies
13 and DOD witnesses for agreeing to appear today. We have a
14 real problem here. Everyone needs to acknowledge that
15 reality, and everyone here needs to work constructively and
16 quickly to ensure our military families have the housing
17 they deserve in the minds of the American people.

18 The committee has received scores of heartbreaking
19 testimonials with equally disturbing photos of rampant mold,
20 poor water quality, contamination from lead-based paint,
21 carbon monoxide, radon, faulty construction, infestations of
22 kitchens and other living areas. The impact of these
23 conditions leave residents fearful for their families'
24 health and well-being.

25 Equally alarming is a recent survey from the Military

1 Family Advisory Network, which found that more than half,
2 55.5 percent, of families had a negative or very negative
3 experience with privatized military housing across 35
4 different companies. I think it is fair to say that
5 generally military housing has improved upon where it was in
6 the 1990s when this program began. However, here we are 20
7 years later. There is a clear disconnect between what has
8 been promised by the companies as permitted by the DOD and
9 the reality of what has been provided to military families.

10 I understand several families have traveled here today
11 at their own expense. Would all the military families in
12 the audience please stand up so we can recognize you and
13 thank you?

14 [Applause.]

15 Senator Reed: Thank you very much.

16 A service member's commitment extends beyond the
17 missions they complete. They dedicated their entire
18 families' lives to serving this country, serving this
19 nation. This committee is similarly obligated to ensure it
20 meets the needs of service members and their families once
21 they return home. It is our commitment today that this
22 hearing will be the first step towards doing just that.

23 And with that, Mr. Chairman, I thank you.

24 Chairman Inhofe: All right. We will now hear from the
25 chairs and their ranking members of the Personnel and

1 Readiness Subcommittees. We will start with Senator Tillis.

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1 STATEMENT OF HON. THOM TILLIS, U.S. SENATOR FROM NORTH
2 CAROLINA

3 Senator Tillis: Thank you, Mr. Chair. I will be
4 brief.

5 By the way, I noticed you all were talking when he said
6 3-minute rounds, and what he meant by that is multiply the
7 number of Q&A by the number of members up here. We will
8 each have 3 minutes to ask you questions. It does not seem
9 like a lot of time, but you need to understand that these
10 committee hearings are kind of like the tip of the iceberg.
11 This is where you get information to the members. I am from
12 North Carolina. I have a vested interest in making sure
13 that we get this right. But the real work happens after the
14 hearing when the staff and members get together.

15 What I am interested in -- I am going to be brief so
16 that we can get to your testimony -- is just back to what
17 Senator Reed said. When we did this in the mid-1990s, it
18 was because the Department was doing a very poor job. Then
19 we tended to improve, but now we seemed to have back-
20 slipped.

21 So as we go through your own personal testimonies --
22 and I have spent a fair amount of time this week and I have
23 seen the pictures that have come to me in different forms --
24 I will be asking other members of the panel how did we get
25 here. How did we not have the governance in place to

1 identify this? How did we not have a safety valve for the
2 military families to actually solve a problem?

3 And I will leave you with this. There is a variety of
4 reasons why we should all be concerned with this. Some of
5 it is just at the human level. You see the pictures of
6 children with respiratory problems. You see mushrooms
7 growing out of upstairs bathrooms, all of these kinds of
8 things. But think about it also as something that affects
9 readiness because if you got a man or woman deployed and all
10 of a sudden they are calling home and they have got the
11 spouse at home talking about these problems and worried
12 about the health and well-being of their children, they are
13 not as ready, they are not as focused and not as capable as
14 we want them to be to protect their lives and the lives of
15 their colleagues.

16 So I look forward to your testimony. Thank you.

17 Senator Inhofe: Thank you, Senator Tillis.

18 Senator Gillibrand?

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1 STATEMENT OF HON. KIRSTEN GILLIBRAND, U.S. SENATOR
2 FROM NEW YORK

3 Senator Gillibrand: Thank you, Senator Inofe and
4 Senator Reed, for calling this very important hearing as
5 quickly as possible so that we can start to address these
6 issues and find solutions for our service members and their
7 families.

8 This hearing will rightly begin with the testimony from
9 military families. We will hear the stories of toxic mold,
10 lead paint, pest infestation, and other health risks present
11 in their homes. We will hear how these terrible conditions
12 are harming the health of our military families, and we will
13 hear about the long-term consequences they are actually
14 having on their children.

15 We will also hear about contractors and their military
16 partners completely failing our military families and not
17 responding to the crisis in an adequate or timely way. It
18 is yet another example of corporate profits coming before
19 the health of our military families.

20 The committee has received dozens of testimonies from
21 families beyond what we will hear today on our first panel.
22 The nonprofit Military Family Advisory Network has compiled
23 the stories of many of these families and concluded that,
24 quote, the concerns of families are ignored and families are
25 expected to tolerate these conditions. This is completely

1 unacceptable.

2 In most cases, it is not just a single exposure to mold
3 spores or lead-based paint that causes health issues or
4 birth defects, but rather the sustained exposure over many
5 weeks and months. There should have been a prompt and
6 professional response to the initial call for help. We
7 should have been able to avoid the situation.

8 For example, the committee received testimony from a
9 family in Oklahoma with five children that not only suffered
10 long-term health problems because of black mold, but put
11 themselves in tens of thousands of dollars of personal debt
12 trying to remediate their situation. Yet, the company
13 apparently tried to hide the problems from the family.

14 A family in Texas called their management company when
15 they found mold following the mother's hospitalization. The
16 company sent an unqualified technician who failed to
17 diagnose the problem. The company refused to send an expert
18 to test for mold. When the family paid out of pocket for
19 their own inspection, which confirmed the presence of mold
20 at dangerous levels, the company denied their request for
21 reimbursement. That family continues to experience health
22 issues today.

23 When a family in my home State of New York noticed the
24 uninhabited house connected to theirs flooding from a water
25 leak, their management company shut off the water and told

1 them not to worry. When their walls started to buckle from
2 water damage, the company told them, quote, the house was
3 settling. When bubbles formed on their ceilings, they were
4 told it was just humidity. In order to move from the
5 residence, the management company required a letter from a
6 doctor attesting to the family's health issues. Adding
7 insult to injury, the company ultimately denied their claim
8 for all the personal items and furniture that had to be
9 destroyed due to mold.

10 When a family from New Orleans detected mold in their
11 house after experiencing health issues, the management
12 company did not believe them and did not test or remediate.
13 When the pregnant mother's Ob-Gyn requested mold testing and
14 duct cleaning after becoming concerned that the mother could
15 lose her child, the management company scheduled the work
16 and then canceled it. They said they were not responsible
17 for resident health. The family paid for their own test,
18 which revealed six types of mold in the house. That family
19 and that baby continue to experience health issues today.

20 Thank you, Mr. Chairman, for the time.

21 Senator Inhofe: Thank you.

22 Senator Sullivan?

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1 STATEMENT OF HON. DAN SULLIVAN, U.S. SENATOR FROM
2 ALASKA

3 Senator Sullivan: Thank you, Mr. Chairman, for calling
4 this important hearing today.

5 I want to make sure that as we listen to the families
6 and recognize their service and courage, that we have our
7 other witnesses, the DOD witnesses, the contractors, who are
8 intently taking notes and thinking about how they will fix
9 this problem.

10 As I have dug into this issue, I am hopeful that we can
11 all agree, everybody here, all the Senators, all the
12 witnesses, on three things. We should have the best
13 possible housing for our military families. Period. There
14 is a lot of talk about the 1 percent in America. Well,
15 guess what. We are looking at a lot of the 1 percent in
16 America. It is the less than 1 percent that actually raise
17 their right hand to support and defend the Constitution of
18 the United States and die for this country and their
19 families. And they should have the best housing. Period.
20 That should not be in dispute.

21 Second, we need to fix the lack of accountability and
22 oversight that has come from this, whether it is a DOD or a
23 chain of command or contractors. What to me is so appalling
24 as I have dug through a lot of these issues is how people,
25 families, military families, were not being listened to

1 either within the chain of command, the Department of
2 Defense, or the contractors. We have to understand why and
3 fix it.

4 And finally, we need to fix the program for today and
5 for the future. There are things in this hearing that I
6 think are going to likely shock many Americans, that we are
7 going to hear about military families who are living with
8 things like black mold and rodent infestations and raw
9 sewage. We need to look at this program, not scrap this
10 program. There are a lot of good homes, including in my
11 State in Alaska, that provide quality and affordable housing
12 for our service members. But something has gone terribly
13 wrong with the system and how to fix it.

14 So I think if we can agree on these three things, Mr.
15 Chairman, it will be an important start.

16 I do want to thank the service members and their
17 families. It takes a lot of courage for you to be here,
18 those who have traveled to be here. And we are looking
19 forward to hearing your testimony.

20 Thank you.

21 Senator Inhofe: Thank you, Senator Sullivan.

22 Senator Kaine?

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1 STATEMENT OF HON. TIM KAINE, U.S. SENATOR FROM
2 VIRGINIA

3 Senator Kaine: Thank you, Mr. Chair.

4 And thanks to all the witnesses who will appear and
5 everybody who is with us today.

6 I am proud to be on this committee. I am proud to
7 represent a State that has such a proud military history and
8 has so many current active, guard, reserve, DOD civilian,
9 military families, military contractors. I am proud to have
10 a child in the United States Marine Corps.

11 I am not proud to be here today. This is the kind of
12 hearing we should never have to have. One of the
13 occupational hazards of being in the line of work that many
14 of us are in is it gets harder and harder to shock me. We
15 all see a lot of stuff, and our standards of what will shock
16 or outrage us kind of change over time. This is shocking.
17 I look forward to the questions.

18 But I just want to offer two sets of thanks to people
19 who are not going to be at the witness table today. First,
20 to the Military Family Advisory Network for doing this
21 survey. Everyone in this room should read the survey. You
22 should read the summary of what has happened, but you should
23 especially read the narratives of the families and the
24 photos that they submit that are at the end of the survey.
25 It is very, very important work that you have done, and you

1 have been very, very helpful in encouraging action by the
2 committee.

3 Second, I want to thank Reuters. This first came to
4 our attention in our office by Reuters reports. There is a
5 school of thought sadly expressed from people even in high
6 offices these days that the press is the enemy of the
7 people. The press does what they need to do in this
8 country. We put it in the First amendment for a reason.
9 And the reason that freedom of the press is in the First
10 Amendment is because of hearings like this one. It has been
11 accelerated and brought to more attention more quickly than
12 it would have because of the diligent efforts of journalists
13 to interact with families and tell their stories. And I
14 want to thank the press for doing a good job on this.

15 Thank you, Mr. Chair.

16 Senator Inhofe: Thank you, Senator Kaine.

17 What we are going to do now is hear from the three
18 young ladies who are representing many, many families. And
19 we are going to ask you to try to keep your opening comments
20 down to 5 minutes. However, your entire statement that you
21 have submitted will be made part of the record. Then our
22 questions from the panel here.

23 So we will start with you, Ms. Cornwall. You are
24 recognized.

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1 STATEMENT OF CRYSTAL CORNWALL

2 Ms. Cornwall: Mr. Chairman and members of the
3 committee, thank you for the invitation to participate in
4 today's hearing.

5 I am Crystal Cornwall, the proud spouse of a marine of
6 11 years, a passionate military family advocate, and founder
7 of the nonprofit Safe Military Housing Initiative. I am
8 currently a finance professional, a former police officer,
9 and have a bachelor's in public administration and am
10 working towards a master's degree.

11 In many ways, I am like every other military spouse.
12 We are at our fourth duty station and are anticipating a
13 geo-batch tour in the fall. For the next 3 years, my
14 husband will serve away from our family. Our three children
15 have only known their father preparing for or deploying to
16 war, a war that has endured 18 long years.

17 I am here today on behalf of military families of every
18 branch and rank. We ask that you act on our testimony and
19 ensure military families receive safe, habitable, and
20 functional housing and a better, more accountable way to
21 resolve problems that arise.

22 I first became aware of the crisis-level military
23 housing issues at Keesler Air Force Base where termites fell
24 out of light fixtures into our beds. Later, at Camp
25 Pendleton, we lived with pervasive mold issues and

1 unjustifiable move-out charges. At Keesler, the housing
2 office staff told me, "Termites in your home are to be
3 expected because of the region." At Camp Pendleton, we were
4 inexplicably charged almost \$700 for carpet replacement.
5 The housing rep used a black light and moisture stick to
6 find stains unseen by the naked eye. When I disputed the
7 validity of these charges, I found no path to resolution
8 with the housing company, Camp Pendleton, or my husband's
9 former command. In the end, various agencies and local
10 attorneys advised us that military families living on the
11 bases are essentially powerless in these disputes.

12 During my 2 years of research and advocacy, I received
13 hundreds of reports from military families of mold growth,
14 rodent and pest infestations, moisture intrusion, lead and
15 asbestos exposures, radon concerns, base contamination, and
16 cancer clusters in their housing. All of this was too often
17 compounded by defensive, sometimes abusive housing staff.

18 With other military families, I have witnessed the
19 peeling paint inside and outside of the homes at Fort
20 Belvoir. I have felt the helplessness of a fellow Marine
21 Corps spouse as she held her new baby and sobbed while we
22 stood under a collapsing, moldy ceiling in her home at Camp
23 Lejeune. I listened in horror as families at Camp Pendleton
24 told of mice eating through pacifiers in their babies' cribs
25 and electrical outlets catching fire due to wiring issues.

1 I have crawled into an attic at Keesler Air Force Base and
2 measured the moisture intrusion from a roof leak. And I
3 have been to the town halls where families were dismissed
4 and they also feared retaliation for reporting their
5 concerns.

6 Today you will hear from the corporate housing company
7 executives testifying that they were unaware of these
8 problems and that their own surveys show they are fulfilling
9 the terms of their government contracts. They, and some of
10 those in command, will also say military families are not
11 reporting housing issues through official channels. That is
12 just not accurate in my experience and in those of other
13 military families. In fact, that is what military families
14 do: we follow the rules.

15 Until recent media reports and today's hearing, our
16 efforts to fight for safe housing were too often met with
17 intimidation, personal attacks, and strategic attempts to
18 discredit us and silence our voices. We are appalled by
19 this response.

20 But looking ahead, we offer three recommendations to
21 address the military housing crisis: amend or cancel the
22 50-year privatized contracts to allow for competition,
23 proper oversight, and accountability; provide a clear and
24 accessible path to administrative or legal recourse when
25 necessary; as with civilian counterparts, military families

1 should be able to withhold their basic housing allowances
2 until their homes are safe and habitable.

3 Military families understand that quality housing does
4 not mean entitlement to elegant mansions. We simply ask for
5 homes free of mold, pests, lead, and other hazards. We
6 expect homes free from the stressors of deployments, work-
7 ups, training, and the day-to-day military service. As
8 parents, we want safe places for our children to sleep at
9 night.

10 Thank you for your time today and commitment to
11 resolving the military housing crisis. We look forward to
12 working with you to create solutions. As military families,
13 we do our part. We ask that those who are paid to support
14 us do theirs.

15 [The prepared statement of Ms. Cornwall follows:]

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1 Senator Inhofe: Well, thank you very much for the
2 excellent statement, Ms. Cornwall.

3 Ms. Cornwall: Yes, sir.

4 Senator Inhofe: Mrs. Wanner?

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1 STATEMENT OF JANA WANNER

2 Ms. Wanner: My name is Jana Wanner. I am an Army
3 spouse of 9 years, and we are currently stationed at Fort
4 Meade in Maryland. My husband is a sergeant first class,
5 and we have two children.

6 We are enrolled in the Department of Defense's
7 Exceptional Family Member Program, which means the
8 Department helps us with adaptive housing, proper medical
9 care, and educational needs for our daughter who has a rare
10 genetic condition that causes both physical and educational
11 issues. While it is not a perfect system, we are extremely
12 grateful for the EFM program, as it allows my spouse to
13 train and deploy without worrying about our safety and
14 welfare at home.

15 5 months before we moved to Fort Meade, we contacted
16 the Corvias housing staff to select a home. Due to our
17 daughter's medical condition, we needed and requested a
18 single-story home without stairs. We verbally made the
19 housing staff aware over the phone that our daughter has
20 knee problems associated with her medical condition.
21 Corvias assured us that since we were placed on the waitlist
22 5 months prior to our report date, that they would have
23 plenty of time to accommodate our request. After selecting
24 from the choices that were provided by the housing staff,
25 Corvias committed to providing us the single-story home that

1 we selected. We packed for our move, had our household
2 goods delivery set up, confident that the house we selected
3 would accommodate us and our special needs and be ready upon
4 our arrival.

5 5 days before our move from Fort Gordon, 600 miles
6 away, we received a phone call from Corvias that the home we
7 had secured with a lease was no longer available. The
8 explanation that we were given from Corvias was that the
9 current family in the home was no longer moving out, and now
10 we only had one option to choose for housing.

11 It was the height of moving season, known as PCS. With
12 no time left, we decided to take the only house that Corvias
13 offered that would be available upon arrival. We accepted a
14 multi-story townhome on the base rather than risk not having
15 any home at all. This meant that when our daughter
16 dislocated her knee or when she required surgery on her knee
17 again, she has to go up and down the stairs to get to her
18 room.

19 Before we moved into housing, we were quoted a fixed-
20 rate rent for the house. Upon arrival, we were given a
21 slightly higher rate, but we did feel powerless in arguing
22 the difference in rent prices. A few months later, Corvias
23 claimed that they had miscalculated their own move-in costs
24 and were demanding that we pay them an additional \$14, even
25 though this was their own mistake.

1 In January, when the housing allowance pay was
2 adjusted, Corvias also took it upon themselves to disregard
3 our fixed market rate lease and increased our pay deduction
4 by \$177 without our consent or informing us. Once we
5 provided them proof of our market rate addendum, which was
6 attached to our lease, we were given the burden of proof.
7 Shortly after correcting the housing allotment, Corvias
8 staff informed us that they will increase our rent again in
9 July, despite their initial promise to continue to renew our
10 lease at a market rate.

11 Shortly after moving in, we began to notice issues with
12 our home. The linoleum floor around our first-level toilet
13 started to get large black matter visible underneath and it
14 continued to grow. After our first work order, Corvias did
15 not send any workers or inspectors, so we submitted a second
16 work order. Housing finally came to our home after an
17 unexplained 2-week delay. They took out our toilet and
18 placed it in our laundry room, and it sat there for 2 days.
19 They also pulled up the bathroom floor and exposed the house
20 to extensive black mold for the next 2 days. Maintenance
21 did not properly clean the concrete below and placed new
22 linoleum over the mold-covered concrete. The contractors
23 Corvias sent to our home to repair the bathroom even stated
24 that the work that they had completed was a band-aid.

25 Shortly after the first-floor bathroom issue was

1 addressed, we began noticing issues with our second-floor
2 bathroom. Mold was growing out of the wall of our shower.
3 When Corvias maintenance came to address our work order for
4 this, they told us -- and this is a direct quote -- "let the
5 mold just fall out. If we seal the area, the moisture will
6 just be trapped inside." Meanwhile, the area that we can
7 see behind the shower wall is black and actively growing
8 mold because it continues to get wet.

9 We also requested an air quality check from housing due
10 to our daughter's frequent nosebleeds and the bathroom mold
11 issues that we have encountered. Corvias, however, has not
12 committed to checking our air quality, and it has been more
13 than 2 weeks since we have heard from the housing office.
14 Meanwhile, we still live in these conditions.

15 Our story is not unique, nor is it the worst. Almost
16 17,000 military families responded to a survey by the
17 Military Family Advisory Network with testimonials of
18 unhealthy living conditions in privatized housing on
19 military bases. And many more were given to other military
20 family nonprofits.

21 Thank you, Senators, for the opportunity to testify and
22 for addressing the serious issues of the health, safety, and
23 welfare of our military families.

24 [The prepared statement of Ms. Wanner follows:]

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1 Senator Inhofe: Thank you, Ms. Wanner.

2 Ms. Driver?

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1 STATEMENT OF JANNA DRIVER

2 Ms. Driver: My name is Janna Driver, and my husband is
3 currently active duty Air Force stationed at Tinker Air
4 Force Base in Oklahoma.

5 We lived on base in privatized housing managed by
6 Balfour Beatty. We had numerous ongoing issues in our home,
7 including maintenance issues that were neglected over the
8 less than 2 years we lived there, which ultimately resulted
9 in making my family very sick. Our housing company has
10 known about these issues for years and are taking advantage
11 of young military families who are not educated on how to
12 properly treat mold and the health effects it causes. They
13 are covering up, painting over mold, threatening military
14 members with their command, using scare tactics and
15 intimidation, lying to us, and making the problems worse.
16 And now it is out of control. They have been banking on the
17 fact that we would likely PCS to another base before what
18 they covered up would reappear. On the surface, these homes
19 appear to be flawless. But inside, the walls tell a
20 different story.

21 On August 19th, 2018, after lengthy and constant
22 illnesses, my husband and I began to discover the real cause
23 of all of our symptoms. I spent the weekend deep cleaning
24 because we had all been so sick for so long. The utility
25 room in our house was also my children's playroom where they

1 played daily. In the utility room, I moved their small card
2 table that was leaning up against the wall. The wall was
3 solid black. I never thought mold. I thought it was
4 residue from the padded side of their table. I wiped it off
5 and continued cleaning.

6 The symptoms we had included constant sore throats,
7 nosebleeds, brain fog, blurred vision, numbness, fatigue,
8 debilitating headaches. Even the 4-year-olds complained
9 daily of these headaches, along with dizziness. Knowing
10 headaches are not normal for a child of that age, I was
11 concerned they may have cancer. One of my twins suffered
12 numerous times from respiratory distress that required
13 emergency room visits.

14 On Monday, August the 20th, we called maintenance to
15 repair a leak in the utility room. This was the ninth leak
16 we had had in less than a year and a half. Maintenance
17 came, cut a large hole in the sheetrock and repaired the
18 leak. Upon completion, he asked if we wanted the hole
19 repaired or if we were okay to leave this large hole in our
20 wall. There were numerous large discolored spots on the
21 same wall. We asked if those were from that same leak. He
22 said no. He then told us he wanted to go out and look at
23 our mechanical room, which is directly behind this utility
24 room. This is a locked room attached to our homes that
25 house hot water heaters and our HVACs. We are not allowed

1 access to these rooms by housing. I told my husband to
2 follow him. He walked up behind him and overheard a frantic
3 phone conversation between he and the housing office about
4 how our mechanical room needed to be repaired immediately.

5 When he noticed my husband standing behind him, he
6 frantically began saying, "You cannot be in here. I am not
7 allowed to let you see in this room." My husband said, we
8 pay for this house. I am coming in. Upon entering, he saw
9 black mold covering the walls, floor to ceiling. He
10 immediately called housing maintenance. The housing office
11 told him they had known about the mold since March and had
12 been treating it by scrubbing it with bleach and water.
13 When he asked why we were not notified, she stated she
14 assumed the technicians had already told us.

15 We have verified with numerous experts that this
16 process is only acceptable when the area of focus is very
17 small and never use bleach on a porous surface. Doing this
18 only feeds the mold, causing it to grow faster, spread and
19 multiply. We have shared this information with the housing
20 company numerous times. To this day, they continue to use
21 this process.

22 The next morning, my husband and his command met with
23 our military housing liaison and our local housing community
24 manager at our home. We were told by this manager that they
25 had actually been documenting the mold since February, not

1 March, and had she known how bad the room was, we would not
2 have been allowed to continue living there. We told her we
3 wanted mold testing done by a company of our choosing before
4 any remediation began. That was refused. 1 week later,
5 this manager no longer worked for that company.

6 Balfour Beatty then moved our family into a Patriot
7 Home. These are homes used to temporarily house families
8 while work is being done to their own homes. We were told
9 it had no mold, that it was clean and safe. The first day
10 we were there, we found mold. The home was filthy, dirt on
11 the floors, stains on the couch and carpets, bugs in the
12 drawers in the kitchen. There were leaks in the Patriot
13 Home, water pouring into a light fixture in the ceiling from
14 an upstairs bathroom. We called housing. They came and cut
15 a 2 by 2 inch square in the ceiling and left it, causing
16 water then to pour into the floor of the utility room
17 instead of into the light fixture.

18 We began to feel worse in this home and requested to be
19 moved to a hotel. Initially housing would only commit to
20 one night at a time, leaving us each night to wonder where
21 we would go the next day and the next night after that with
22 five children. We had to borrow a credit card from my
23 parents so that we at least had the security of a roof over
24 our heads for more than one night at a time. Eventually,
25 the company agreed to go back and pay for those, and

1 finally, upon hiring an attorney, we were extended in the
2 hotel for over 2 months. All total, we were out of our home
3 for approximately 3 months with five small children,
4 spending approximately 80 days in a hotel, which cost
5 \$17,000.

6 We had to hire our own mold company to come test the
7 mold at our home. The test results showed all five of the
8 toxic molds present inside our home. We believe the mold
9 was contained to our utility room and maintenance closet
10 initially. Air samples of our living room were clean. We
11 had to pay out of pocket to see a doctor in Midwest City who
12 specializes in toxic mold exposure. We have tested positive
13 for the presence of mycotoxins in our bodies.

14 Housing subcontracted a company to remediate the mold.
15 We know for a fact that the remediation was done improperly.
16 Vents were not covered and contaminated items that were in
17 the utility room were put inside my garage, as well as my
18 kitchen --

19 Senator Inhofe: Ms. Driver, try to bring your comments
20 to a close, if you would.

21 Ms. Driver: We will likely suffer from the effects of
22 this for the rest of our lives, physically, financially,
23 emotionally, and mentally. My family has gone from zero to
24 \$40,000 in debt in a 3-month period. I suffer daily from
25 chronic breathing issues and blurred vision due to the mold

1 in my brain. We take an enormous amount of binders and
2 prescriptions daily with no end in sight. It did not have
3 to be this way. Our military families do not deserve this
4 after all the sacrifices they make. It is criminal. It is
5 unbelievable the extent of this coverup.

6 Thank you again.

7 [The prepared statement of Ms. Driver follows:]

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1 Senator Inhofe: Thank you, Ms. Driver.

2 And for the benefit of my fellow Senators, she has put
3 together some pictures to fortify her statement, one of her
4 4-year-old twin daughter.

5 Before we start our 3-minute rounds, the committee has
6 received dozens of testimonies from families, as well as
7 statements for the record from a number of military family
8 organizations. And I move that these be submitted into the
9 public record and that the record stay open for 48 hours for
10 any other families who wish to submit a statement. And
11 without objection, that is so order.

12 [The statements follow:]

13 [SUBCOMMITTEE INSERT]

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1 Senator Inhofe: Nothing is more important than taking
2 care of our families so that Americans who volunteer to
3 fight on behalf of us know that the ones that they love are
4 cared for. That is very basic.

5 Ms. Driver, do you believe that you have an advocate
6 fighting for safe housing for our military families?

7 Ms. Driver: I know our military housing liaison has
8 fought tirelessly to help families at Tinker, but that is
9 about as far as it goes.

10 Senator Inhofe: Yes.

11 And I would say this to all of the military families
12 that are represented here, do you believe the military
13 families' experiences in the base housing will impact their
14 decision to remain in the service? Each one of you?

15 Yes. See that is one of the problems we are having
16 right now. We are trying to rebuild a force that needs to
17 be rebuilt for all of our safeties. This does have a
18 negative effect on that, I am fearful.

19 Thank you very much for your testimony.

20 Senator Reed: Well, thank you very much, Mr. Chairman
21 and, ladies, thank you for very compelling testimony and
22 being here today.

23 Just very quickly starting with Mrs. Cornwall, what is
24 the one immediate change you would like to see, something on
25 the order of giving the housing facilitator more power or

1 something that we can do or the military actually, the
2 Department of Defense, can do right away?

3 Ms. Cornwall: Thank you for your question, sir.

4 One of the things that I think is important to do right
5 away is give the military families an ability to stop their
6 BAH until the problems are fixed. That might mean putting
7 their BAH in escrow and/or giving the government housing
8 offices a little bit more power to address those issues and
9 being able to look at the PPV and say you will do this or X,
10 Y, and Z is going to happen.

11 Senator Reed: Very good.

12 Ms. Wanner?

13 Ms. Wanner: There is more to do than what I have time
14 to say, but I will echo what she says. They need to
15 withhold the BAH payments to housing. Clearly, the money
16 that they are receiving is not going to provide us with
17 stellar housing and the conditions that we deserve. And all
18 they are doing is profiting off of families moving in and
19 out constantly. And I feel like if their payments are
20 withheld, then maybe it will entice them to do more to
21 protect our families and keep us safe.

22 Senator Reed: Thank you.

23 Ms. Driver, please, your comments.

24 Ms. Driver: I believe this has been going on and that
25 people have been aware of these problems for a very long

1 time. I believe as well that they should not be being
2 funded their management fees if they are not in compliance.

3 Senator Reed: Thank you all again. Thank you, ladies,
4 for your very compelling testimony.

5 Senator Inhofe: Thank you, Senator Reed.

6 Senator Tillis?

7 Senator Tillis: Thank you, Mr. Chairman.

8 Ms. Driver, you were talking about having a housing
9 advocate for you that is working, but not getting a result.
10 Let me just say for the benefit of anybody in this room and
11 anybody watching that every single member on this committee
12 is behind you, and every single one of us love doing
13 casework. And so as we are trying to solve this problem, as
14 you know of families that are going through what you are
15 going through right now, find out who your Senator is, and
16 if you are at Fort Bragg or Camp Lejeune or Cherry Point or
17 New River, you call my office, and I will guarantee you we
18 will help your housing liaison and we will at least deal
19 with that while we are trying to solve the systemic problem.

20 I am not going to ask you all a lot of questions
21 because we have a lot of testimony, and I have got a whole
22 lot of questions for the next two panels.

23 Thank you all for being here, but please communicate
24 through your organizations and others. We do casework. We
25 will help you. Just let us know you need the help. Thank

1 you for being here.

2 Senator Inhofe: Thank you, Senator Tillis.

3 Senator Gillibrand?

4 Senator Gillibrand: Based on your experience with the
5 privatized housing program, are you more or less likely to
6 recommend military service to a friend or a relative and
7 their family?

8 Ms. Cornwall: Based on what I have gone through as a
9 military spouse, I have become very disenfranchised by what
10 has happened and my research over the last 2 years. I would
11 not recommend my own children to join the service, and my
12 husband has been a marine for almost 12 years.

13 Senator Gillibrand: Jana?

14 Ms. Wanner: I would not recommend it after everything
15 that we have been through, especially health-wise. And when
16 our accommodations were not met for our EFMP child, I think
17 that pretty much solidified the decision that we will never
18 live in base housing again, and we will never recommend it
19 to anyone ever again. And I think it would be difficult to
20 recommend joining the service to anyone if they wanted to
21 live in base housing.

22 Ms. Driver: I agree. I would never recommend anyone
23 to live in base housing. I enjoyed my time living on base
24 until I discovered that our home was making us very sick.
25 The amenities of living on base are wonderful, but the homes

1 are definitely making people sick.

2 Senator Gillibrand: What was your experience in trying
3 to raise this with the chain of command? Do you believe
4 that they responded appropriately? Do you believe they have
5 enough authority to intervene on your behalf to hold the
6 contractors accountable? And are you aware of any actions
7 that the military or the Department of Defense took to hold
8 the companies financially accountable when these problems
9 were exposed?

10 Ms. Cornwall: Thank you for your question.

11 In my personal experience going through the chain of
12 command, we had no help even though I had volunteered over
13 1,300 hours with that chain of command.

14 Further, my family readiness officer had actually been
15 retaliated against for standing up for our family against
16 Lincoln Military Housing.

17 Ms. Wanner: We did not have the opportunity to reach
18 out to my husband's chain of command because everything just
19 happened so quickly. Honestly we did not know that it was
20 an option. We thought that maybe since it was a private
21 company, that maybe the military's hands were tied and the
22 chain of command would not be able to be as effective as our
23 own voices. So we just dealt with it on our own.

24 Ms. Driver: My husband's command, his direct command,
25 was very helpful to us, provided things we were not able to

1 afford after this happened to us. But that is about as high
2 up as it went. We did not get help from the base commander.
3 It seemed like lip service. We received letters and we had
4 a town hall meeting that he was actively a part of. And I
5 have put links to that town hall in my binder. I hope you
6 would have a chance to look at that.

7 And the military housing liaison that we have at Tinker
8 is exceptional in my opinion. That is not the case at most
9 bases. They do not have help from their military housing
10 liaisons there. I wanted to clarify that.

11 Senator Gillibrand: Thank you.

12 Thank you, Mr. Chairman.

13 Senator Inhofe: Thank you, Senator Gillibrand.

14 Senator Sullivan?

15 Senator Sullivan: Thank you, Mr. Chairman.

16 And I want to thank again the witnesses for having the
17 courage to testify and for your service to our country.
18 Whether you are serving in the military or not, you are
19 serving -- right -- because your family is so you are.

20 I am a colonel in the Marines. I have three daughters.
21 I have told my girls and my wife they all serve their
22 country. Right? You are all serving our country. So thank
23 you.

24 First, I want to reiterate Senator Tillis' point. I
25 think that is really important. These are the kind of

1 things that you can come to your Senator or Congressman
2 about and we will get involved and we will ask questions.
3 So continue to pass the word on that, whether it is in
4 Alaska for me or North Carolina or Oklahoma.

5 But I want to unpack a little bit more of this chain of
6 command issue that Senator Gillibrand had just asked about
7 in terms of the details. So, for example, Ms. Cornwall, you
8 said they were not helpful. Were they just saying, hey, you
9 know, suck it up? You are a marine. Get over it. Or were
10 they maybe trying to and then there is a disconnect between
11 kind of what the military chain of command can do and then
12 over to the housing authority or the private company? I
13 mean, what was the experience really for all of you. Some
14 said you had a better experience with the chain of command.
15 But to me, this is a huge issue, and can you give me a
16 little more detail on your experience?

17 Ms. Cornwall: Yes, sir.

18 The issue with the chain of command with the Marine
19 Corps at Camp Pendleton was I think they just simply took
20 the word of the PPV over their family. And then when we had
21 a family readiness officer step in and advocate on our
22 behalf, we had already left the unit as it was. He still
23 took the time to advocate on our behalf, and even he was
24 retaliated against by the base command and had no support
25 from the colonel at our MEU. Unfortunately, he has actually

1 left the family readiness program because of this issue.

2 Senator Sullivan: Ms. Driver, you had mentioned
3 something that to me was very disturbing if it is true and
4 systematic. And I have no reason to doubt that it is true
5 because you stated it. But did you or did others see
6 examples of -- you mentioned young military families. You
7 got a young guy, a young spouse coming in. He is a lance
8 corporal or a PFC. Do you think they were taking advantage
9 of young military families because they are young and
10 inexperienced and maybe do not want to question authority?

11 Ms. Driver: Absolutely, 100 percent I believe that is
12 what is happening. My neighbors who we share a wall with
13 were moved into a home that we visually saw they were
14 pressure washing mold off of the wall in their house before
15 they moved in. This young family moved in. They just got
16 married, first home they have ever lived in. They do not
17 know the toxic effects of this type of mold. We are not
18 talking about just a little bathroom mold in your shower.
19 We are talking mold growing through the walls. And I just
20 think young people are not aware of how toxic it is and the
21 health effects that come from it.

22 Senator Sullivan: Thank you. Thank you again for your
23 testimony.

24 Thank you, Mr. Chairman. On that, I think that
25 certainly merits follow-up questions for our next panel. If

1 that is happening, that is outrageous. Outrageous.

2 Senator Inhofe: Thank you, Senator Sullivan.

3 Senator Kaine?

4 Senator Kaine: Thank you, Mr. Chair.

5 You know, over the course of our history, it has been
6 sad that often military members and their families have kind
7 of been viewed as profit centers to soak. President Truman
8 came to attention first as a Senator when the Curtiss
9 Aeronautical Company got caught sending defective engines
10 into theater war during World War II, and it was an unholy
11 alliance between people at the plant and military officials
12 exposing people's lives to make money. We have had payday
13 lenders and other kinds of aggressive and predatory lenders
14 kind of cluster around military members and their families.
15 We have had low quality, for-profit educational institutions
16 view GI Bill benefits as a place where they can go to try to
17 make a lot of money without offering a quality product.

18 And I think one of the things that we are going to try
19 to do in this work and in the NDAA is to make sure that this
20 is not what is happening here, that the quest for a profit
21 is not blinding people to the reality of the service that
22 you provide.

23 Ms. Cornwall, I want to this retaliation incident
24 because if you have got a problem -- to me, the most
25 shocking part of the survey that Military Family Advisory

1 Network did is actually not the physical conditions. It is
2 the way you get a run-around when you try to get help. So
3 you have got a housing liaison officer in the Marines. You
4 have a family readiness advocate. You have a chain of
5 command through your spouse's unit. You have the private
6 housing provider. There should be multiple places where you
7 can go for help. But as I read the stories, it sounds like
8 there is a lot of finger pointing. We cannot do it. It is
9 somebody else's. But I am particularly interested in this
10 retaliation incident because since I am a little bit
11 familiar with the Marine program having these family
12 readiness specialists.

13 So what did your family readiness specialist do? And
14 describe the retaliation.

15 Ms. Cornwall: Upon leaving the unit, I let him know
16 that this was happening to us, and I was concerned about
17 what was happening to other military families within the
18 unit. Again, I volunteered very heavily there. So we had a
19 very good relationship.

20 Essentially I went to him, told him what happened. He
21 knew that there was another spouse on the general officer
22 side of the house who was also investigating issues in that
23 housing area, including mold. So he put me in touch with
24 her. And then her and I kind of teamed up to sort of
25 address it on a whole scale in Camp Pendleton.

1 When the base command found out about that -- and base
2 command, like the base general officer. When he found out
3 about that, the family readiness officer was told to stand
4 down, that we had left the unit, that there was nothing else
5 that they could do.

6 Senator Kaine: Why would the base command be more
7 loyal to the housing provider than to you?

8 Ms. Cornwall: Well, that is a really great question.
9 We have not been able to figure that out.

10 I believe that the marriage between the PPVs and the
11 base commands is the biggest detrimental part to this issue.
12 For example, the government housing offices are inside the
13 PPV. Like for Lincoln Military Housing, our government
14 housing office is inside that building. There is a marriage
15 there, and there is a certain loyalty there that supersedes
16 loyalty to military families.

17 Senator Kaine: My time is up, but thank you for that
18 answer.

19 Senator Inhofe: Thank you, Senator.

20 Senator Ernst?

21 Senator Ernst: Thank you. I am just sitting down in
22 the hot seat.

23 But I want to thank all of the families for being here
24 today. I am a former military spouse as well, having lived
25 on Fort Benning and Eglin Air Force Base and Fort Jackson.

1 So I can commiserate with some of the instances, but
2 certainly not all of the things that you and your families
3 have had to endure. So thank you very much for being here
4 and for shedding light on something that so many families
5 have had to suffer through. So thank you very much.

6 Again, I am really sorry about all of the issues that
7 you have experienced in military housing. We know that you
8 deserve and have earned much, much better than what you have
9 received.

10 Based on your personal experience, can you discuss some
11 of the challenges like with getting the termite and mold
12 issues fixed, what steps you have taken? I know you have
13 probably answered some of those already, but if you would,
14 just go ahead and please express those again and then where
15 you think we need to be going in the future. What would be
16 your perfect solution to making sure that our military
17 families have safe housing that is conducive of raising
18 healthy families and kids that are able to learn and grow?
19 What is your perfect environment?

20 Ms. Cornwall: Well, to answer your first question, I
21 think that -- so there is a marriage between the PPVs that
22 is hard to get past and the military. In my personal
23 experience, I went to like Philip Rizzo, who is the VP of
24 operations nationally for Lincoln Military Housing. We had
25 many conversations. Each one of those conversations was met

1 with a very dismissive tone. We would go to him and tell
2 him about these families on Camp Pendleton. He would
3 dismiss it and blame the families.

4 I sent a package to the Secretary of Defense Mattis
5 when he was there, and their office had to send it down to
6 Robert McMahon. And they told me they had to stay in their
7 lane. They have one lane. That is military readiness.

8 Senator Ernst: Right. Thank you.

9 Any other thoughts, ladies? What would your perfect
10 environment be? What is the solution?

11 Ms. Driver: One problem I see is that they have been
12 allowed 50-year contracts. I do not know any contract that
13 you could make with somebody for that long of a period of
14 time. And I believe they have been given chance after
15 chance after chance, and they have known about these issues.
16 So I struggle to understand why they are allowed to be able
17 to hold onto these contracts.

18 Senator Ernst: An exceptional point.

19 And, Jana, do you have any other thoughts?

20 Ms. Wanner: I feel like one of the most important
21 things they need to do, instead of putting band-aids on
22 issues, they need to actually correct the issues. And I
23 think they need to pay more attention to what the families
24 are saying instead of just dismissing us every time we come
25 up with a concern and telling us that they cannot fix it or

1 they have already fixed it. So I think that they need to
2 listen to the families more and not their pockets.

3 Senator Ernst: Very good. I wish we had a lot more
4 time, ladies. We might have to get together offline and
5 commiserate together. So thank you all very much. I
6 appreciate you.

7 Senator Inhofe: Thank you, Senator Ernst.

8 Senator Jones?

9 Senator Jones: Thank you, Mr. Chairman.

10 I again want to echo what I heard Senator Tillis and
11 Senator Sullivan say about contacting Senators. Every base
12 has two United States Senators and one Member of Congress.
13 And if you cannot get through to the local person, call the
14 office. If you cannot get through calling, come. Get
15 families to come. Trust me. We pay attention when people
16 show up at our doorstep.

17 And I would go one step further. If anybody has a
18 family member and you feel like is being retaliated by the
19 military, call somebody on this committee and call the House
20 committee as well. Go straight to the source.

21 So with that, I am almost at a loss for questions. You
22 know, Ms. Driver, in the interest of time, we had to kind of
23 cut you off a little bit. Are there any things that you
24 would like to add that you did not get to in your statement?
25 We are happy to hear that now in the remaining 2 minutes.

1 Ms. Driver: We caught them numerous times inside of
2 our home after we had signed a statement that they were not
3 allowed to enter our home without letting us know.

4 We requested in writing results of two tests that we
5 caught them doing, and we still have not received those
6 tests. We paid to have our own testing done after they
7 completed the work, and our tests show that the situation
8 was far worse after they did their own remediation. We had
9 stachybotrys in our air samples in our living room that were
10 only present in tape samples in the utility room before.
11 The last air sample was done by a company hired by the
12 company housing had subcontracted to do the remediation.
13 This is a huge conflict of interest. Housing sent us their
14 final report showing stachybotrys present in a bedroom.
15 Despite this, they scheduled a final walk-through of the
16 house, stating it was safe for us to move back into. We
17 went through the house with the project manager for Balfour
18 Beatty and pointed out all of the mold they left during
19 remediation and informed him that we would not be taking
20 possession back of the home.

21 Senator Jones: I think that may be about out of my
22 time. Is that correct, Mr. Chairman?

23 Senator Inhofe: That is correct.

24 Senator Jones: Okay. I am sorry. But rest assured,
25 all of your statements are going to be entered in full into

1 the record, and we are all looking at them and reading them.

2 Thank you very much.

3 Senator Inhofe: Thank you, Senator Jones.

4 Senator Rounds?

5 Senator Rounds: Thank you, Mr. Chairman.

6 I have only one question and will try to be very brief

7 with it.

8 There has been a discussion about the possibility of a

9 tenants bill of rights. Have you considered that, and would

10 you give me about the possibility and whether or not that

11 would have helped any of you in your situations?

12 Ms. Cornwall: Thank you.

13 Just like a tenants bill of rights or any kind of

14 legislation that you put forth, if there is not an

15 enforcement mechanism to that, it is not going to work.

16 There has to be an enforcement mechanism to any kind of

17 legislation or bill of rights. And I support a bill of

18 rights. There needs to be something like that in place.

19 But there has to be an enforcement and accountability

20 mechanism, which is what we are lacking.

21 Senator Rounds: Thank you.

22 Any other thoughts on it?

23 Ms. Driver: I agree. I just feel there is no

24 accountability and they are running all the way to the bank

25 however often they are getting paid, knowing nobody is

1 watching and nobody is speaking up and nobody cares enough
2 to stop paying them. And that is the only way this is going
3 to stop in my opinion.

4 Senator Rounds: Thank you.

5 Mr. Chairman, I will stop right there. I think other
6 members have questions as well. Thank you, sir.

7 Senator Inhofe: Thank you, Senator Rounds.

8 Senator Duckworth?

9 Senator Duckworth: Thank you, Mr. Chairman.

10 Ms. Cornwall, can you speak a little bit to whether --
11 or any of the ladies -- if any of your spouses were
12 retaliated against from the military side or were spoken to
13 by their chain of command? Or you said the GOs said that
14 they were going to stay in their lane. Can you talk a
15 little bit to that?

16 Ms. Cornwall: Upon leaving my husband's MEU, he did
17 receive a phone call from his major that he was very upset
18 that my husband had not kept him in the loop, which was
19 actually not true either because we also had a conversation
20 with him about what was happening on the base. So while my
21 husband did not have anything in writing, my husband did
22 receive a phone call.

23 Senator Duckworth: Either one?

24 Ms. Wanner: My husband was never retaliated against,
25 but I do want to say that his chain of command has been

1 extremely helpful for the families coming forward now that
2 everything has come out in the media and they are aware of
3 the issues. They have encouraged families to come forward
4 and have said that they would help if there were families
5 that needed the help.

6 Ms. Driver: My husband was never personally retaliated
7 against. However, during the midst of our situation -- and
8 this happens numerous times. I have heard several people
9 attest to the same situation. The housing communities will
10 call our husband's command and tell lies, things that are
11 completely untrue trying to get our spouses in trouble.
12 That happened to us personally. My husband's command did
13 take our side in that situation, but that happens a lot
14 where these housing companies reach out to command in order
15 to try to get command in trouble -- or to get the military
16 person in trouble.

17 Senator Duckworth: So they are outright either lying
18 -- not just intimidating but outright lying to the chains of
19 command?

20 Ms. Driver: Yes.

21 Senator Duckworth: That is absolutely unacceptable.

22 Can any of you speak a little bit -- in the amount of
23 time I have left, a little over a minute -- to any type of
24 disability accommodations or issues that you might have with
25 disability issues? One of you has a daughter with a hurt

1 knee I believe.

2 Ms. Wanner: My daughter has a rare genetic condition,
3 and it affects her ability to walk sometimes. She has
4 issues with her knees. And before we moved to Fort Meade,
5 the Corvias staff assured us that since we were placed on
6 the waitlist in time, that we would be able to be
7 accommodated with a one-level home. And just a few days
8 before we arrived to Fort Meade, they told us that the house
9 was no longer available. And when we explained to them the
10 issue, we told this when we signed for the house, when we
11 signed the lease the first time and also when they called us
12 5 days before arrival that we did need a one-story home, but
13 they said they did not have anything left, and if we wanted
14 a home, we had to take what was being offered, which was the
15 townhome.

16 Senator Duckworth: Did the chain of command or the
17 Military Families With Special Needs Office do anything to
18 help you in this case?

19 Ms. Wanner: We did not reach out to anyone because
20 everything was just happening so quickly and we were already
21 just in the height of PCS season. It was the middle of the
22 summer, and we did not think that we would be able to have
23 our needs accommodated. We did not even sign into my
24 husband's unit yet. So we did not know who really to reach
25 out at the time.

1 Senator Duckworth: Thank you for your very brave
2 testimony, ladies.

3 Thank you, Mr. Chairman.

4 Senator Inhofe: Thank you, Senator Duckworth.

5 Senator McSally?

6 Senator McSally: Thank you, Mr. Chairman.

7 Ladies, I also like many on this panel served. I
8 served 26 years. I never did live on base. But as a former
9 commander, as a former fellow patriot as you are, I am
10 infuriated by what I am hearing today. This is disgusting.
11 When your spouse has raised their right hand to make the
12 sacrifices and serve for our freedoms and our way of life,
13 you also stood up to sacrifice. And you knew there were
14 going to be some sacrifices to your careers and to moving
15 around and all that comes with it. But not this. They were
16 maybe going to go live in austere circumstances when they
17 deployed, but this is in America and American families that
18 are putting up with health risks and sickness and
19 harassment.

20 We went to the private sector because the private
21 sector, unlike the bureaucracy of the government, is
22 supposed to be better. It is supposed to be more
23 innovative, more responsive, more able to do customer
24 service for our troops and their families. But instead
25 there are people that I hope look at themselves in the

1 mirror tonight and say -- instead of being partners with our
2 troops to make sure that our way of life is kept safe and
3 free, they left you hanging. They put you in harm's way.
4 This is so wrong and so angering to so many of us, and we
5 have a lot of questions for the next panels in follow-up.

6 If anyone in Arizona who is listening is having issues
7 like this, I want you to please immediately call my office,
8 602-952-2410. But for those of you, even though your
9 Senator may not be up here, we have your backs. This is
10 just the beginning. We are infuriated. I am speaking on
11 behalf of everybody here. This is wrong.

12 On top of everything else you have been through, the
13 emotional sacrifice, the inability -- I cannot even imagine
14 your husband coming to work in my squadron every day
15 wondering if his family was going to be homeless the next
16 day and the impact that has on readiness and safety and
17 everything.

18 How much money are you all each out for the costs that
19 you had to pay financially for tests and medical and
20 everything else, on top of everything else?

21 Ms. Driver: I have not totaled medical because it is
22 not covered. And we have had numerous families that have
23 tried to go to the MFTs to get referrals out to mold
24 specialists. They are being refused referrals to get to a
25 mold specialist.

1 With little, tiny children -- you asked if we have sick
2 family members. We have a 5-year-old on base with lung
3 cancer right now who will probably never be able to have
4 children of his own some day. His house tested positive for
5 aspergillus. The counts inside their home were six times
6 higher inside their home than they were outside.

7 Just our bedding and mattresses and replace essential
8 -- my home is basically empty. We have beds and we have
9 pots and pans, but that alone has cost my family \$40,000.

10 Senator McSally: Oh, my gosh.

11 I just want to know how much are you out.

12 Ms. Wanner: Personally we are not out costs yet.

13 Senator McSally: Ms. Cornwall?

14 Ms. Cornwall: I ended up settling with Lincoln
15 Military Housing for a mere \$300. But I can say as an
16 advocate for other military families, the cost to them has
17 not been just in money but to their health, which is long-
18 term effects.

19 Senator McSally: Right, exactly. I realize that is
20 not the only cost.

21 And I am out of time, but I just want to say the chain
22 of command has got to be involved in this. Somehow we need
23 the chain of command who is responsible for our troops,
24 responsible for the readiness, responsible for our families
25 to be able to poke their finger in the chest of these

1 companies and say fix it now or you are done.

2 I yield back.

3 Senator Inhofe: All right. Thank you, Senator
4 McSally.

5 We will now dismiss our first panel, and thank you very
6 much for the testimony that you have shared with us. And we
7 apologize on behalf of those who are the responsible
8 parties, and we will correct it. Thank you very much.

9 [Applause.]

10 Senator Inhofe: All right. We will now ask the next
11 panel to come forward. I will probably pronounce some of
12 these wrong here, but it would be Mr. Christopher Williams,
13 President of the Balfour Beatty Communities; Mr. John
14 Picerne, founder and Chief Executive Officer of the Corvias
15 Group; Mr. John Ehle, President of the Hunt Military
16 Communities; Mr. Denis Hickey, Chief Executive Officer of
17 Americas Lendlease Corporation; and Mr. Jarl Bliss,
18 President, Lincoln Military Housing.

19 Actually we are going to start over here on your right
20 and our left, and we are going to ask you to confine your
21 comments to 3 minutes so that we will have a chance to get
22 to all those who want to ask questions. Let us see. Mr.
23 Williams?

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1 STATEMENT OF CHRISTOPHER WILLIAMS, PRESIDENT, BALFOUR
2 BEATTY COMMUNITIES

3 Mr. Williams: Good afternoon, Chairman Inhofe, Ranking
4 Member Reed, Chairman Sullivan --

5 Senator Inhofe: You need to put your mike on there.
6 There we go.

7 Mr. Williams: Sorry.

8 Good afternoon, Chairman Inhofe, Ranking Member Reed,
9 Chairman Sullivan, Ranking Member Kaine, Chairman Tillis,
10 and Ranking Member Gillibrand, and distinguished members of
11 this subcommittee. Thank you for your invitation to testify
12 today.

13 Today's first panel touched me deeply. I know at
14 Balfour Beatty we want every service member and their family
15 to have only positive experiences in housing. We are
16 constantly working to meet that duty. And when we fall
17 short, we try to make things right.

18 Balfour Beatty Communities consider it is an honor to
19 serve those who serve our country. We strive to deliver
20 quality, safe housing to provide responsible maintenance and
21 create communities that support the unique housing needs of
22 our families. Our employees pride themselves in promoting a
23 true sense of community throughout programming thousands of
24 resident events, as well as modern amenities that do not
25 exist before privatized housing.

1 Balfour Beatty is responsible at 55 installations with
2 the Army, Navy, and Air Force across the United States.
3 Through these projects, we have delivered over 20,000 new
4 homes and renovated over 20,000 existing homes. To ensure
5 the replacement needs are met, approximately 93 percent of
6 all net cash flows from our projects are deposited into a
7 government-controlled project reinvestment account. To
8 date, that amounts to more than \$700 million.

9 I will not forget my first experience in privatized
10 housing. It was 16 years ago when my team met with General
11 Blunt, at the time the commanding general of the Army's 3rd
12 Infantry Division. He had just returned from Kuwait earlier
13 in the day and was meeting to provide us input on what he
14 wanted his soldiers and their families to be treated at Fort
15 Stewart. It hit home to me and our team to know that in a
16 few weeks' time, he would be sending our troops into harm's
17 way with the Thunder Run up into Baghdad.

18 From that day forward, I have maintained a deep respect
19 and appreciation for the challenges faced by the military
20 families. We are constantly learning from our experiences,
21 both good and bad, and we are always looking for ways to
22 improve our service. To that end, we recently had our mold
23 and moisture inspection policies reviewed by a nationally
24 renowned environmental firm, and we are implementing those
25 recommendations with our routine maintenance practices.

1 We are also adding resources. We have created a new
2 position of resident engagement specialists. This is
3 dedicated to on-site staff who engage directly with the
4 customer to ensure those residents are being heard and
5 getting prompt and complete answers to their questions and
6 concerns.

7 We have also engaged a third party firm to provide
8 preventative maintenance of our HVAC systems and central air
9 systems. This will allow our maintenance technicians to
10 focus on delivering greater levels of responsiveness in
11 other maintenance areas.

12 On behalf of the Balfour Beatty Communities, including
13 the hundreds of proud veterans and military family members
14 who we employ, we are committed to listening to our
15 residents and working with our DOD partners and committee to
16 make privatized housing better. Thank you.

17 [The prepared statement of Mr. Williams follows:]

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1 Senator Inhofe: Thank you.

2 Mr. Picerne?

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1 STATEMENT OF JOHN G. PICERNE, FOUNDER AND CHIEF
2 EXECUTIVE OFFICER, CORVIAS GROUP

3 Mr. Picerne: Thank you, Mr. Chairman. Thank you,
4 Senators. I will be brief.

5 My name is John Picerne, and I am the founder and CEO
6 of Corvias. We are a mid-sized company made up of
7 approximately 850 dedicated, hardworking people who,
8 alongside of our hundreds of small, minority-owned,
9 disadvantaged subcontractors, take very personally our
10 commitment to service members who defend our nation.

11 It is in that spirit that I am here to say on behalf of
12 everyone at Corvias that we let down some of our residents.
13 I am sorry and we are going to fix it. We will get to the
14 bottom of this problem, and once again, we will return to
15 the gold standard of customer service that we once had.

16 First, we are making life better for our residents
17 today with a focus on customer service.

18 Secondly, we are making organizational changes to
19 ensure that our gold standard resident service is built in
20 our operation by adding staff to be in the neighborhoods, by
21 reopening several neighborhood centers and amenities, by
22 retooling our entire mold and mildew standards and policies,
23 and by starting a major construction push. While working
24 with the Army and the Air Force leadership, we are tapping
25 into more than \$140 million worth of formerly trapped by

1 reserve accounts by our investment groups. We are also
2 investing \$323 million in new dollars. This will provide
3 for improving more than 2,600 homes in our communities.

4 I know that we will get back to that gold standard
5 place. We are proud to serve our military members as we
6 believe there is no higher calling in our business.

7 I thank you for this time and look forward to your
8 questions and thoughtful dialogue.

9 [The prepared statement of Mr. Picerne follows:]

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1 Senator Inhofe: Thank you.

2 Mr. Ehle?

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1 STATEMENT OF JOHN EHLE, PRESIDENT, HUNT MILITARY
2 COMMUNITIES

3 Mr. Ehle: Chairman Inhofe and distinguished members of
4 the subcommittees, good afternoon. My name is John Ehle,
5 President of Hunt Military Communities. Thank you for the
6 opportunity to be here.

7 At Hunt we provide more than just housing. We are
8 entrusted to build and sustain quality communities that meet
9 the needs of those in uniform and their loved ones. We take
10 that responsibility seriously.

11 We are also committed to being a responsible partner to
12 the Department of Defense.

13 At Hunt, we have built approximately 15,000 new homes,
14 renovated another 8,300 homes, and built 83 community
15 centers. We have invested more than \$5 billion in our
16 communities and an additional \$181 million in capital
17 improvements in recent years.

18 Today we own interests in approximately 52,000 homes on
19 or near 49 military installations in 21 States and the
20 District of Columbia. Of that number, we manage about
21 32,000 units and serve more than 165,000 residents.

22 We recognize that there is no such thing as
23 maintenance-free housing and that issues will arise that
24 must be remedied with both our historic and newer homes.
25 When that happens, we strive to address the situation in a

1 timely and transparent manner, and we hold ourselves
2 accountable. We are not perfect, and we aim to learn from
3 our mistakes.

4 I want to be clear. There is no acceptable percentage
5 of unhealthy homes. Every resident deserves our best.
6 Keesler family housing in Biloxi, Mississippi has been one
7 area of special focus for us. So I would like to speak
8 directly to that.

9 The military homes at Keesler were largely destroyed by
10 Hurricane Katrina in 2005. After the homes were rebuilt, we
11 found that residents were consistently identifying moisture-
12 related issues. Addressing these issues proved difficult.
13 We took ownership of the situation and have executed a
14 multi-phase moisture remediation project. We have visited
15 every one of the approximately 1,100 homes, assessed each
16 home for moisture-related issues, developed a plan for each
17 home as needed, and performed remediation work for each of
18 those homes. I am proud of the work we have done at
19 Keesler, and we will continue to monitor and address any new
20 issues with the utmost diligence.

21 To the families that live at Keesler, we appreciate
22 your service and we are here to serve you.

23 At Hunt, we do not succeed unless we provide our
24 residents with safe and healthy homes. We agree with you
25 that more can be done to accelerate the improvement of

1 housing stock. We would start with promoting common
2 standards and sharing best practices. We also support the
3 continued availability of housing allowances that facilitate
4 options for our service members.

5 Finally, let me say a word about the future. Over the
6 next 5 years, we plan to invest over half a billion dollars
7 in additional capital improvements across our portfolio.
8 This includes constructing 230 new homes to replace houses
9 for residents in Hawaii. This project is expected to create
10 hundreds of good paying jobs.

11 Again, thank you for the opportunity to testify today.
12 I look forward to hearing your views and answering your
13 questions.

14 [The prepared statement of Mr. Ehle follows:]

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1 Senator Inhofe: Thank you.

2 Mr. Hickey?

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1 STATEMENT OF DENIS HICKEY, CHIEF EXECUTIVE OFFICER,
2 AMERICAS LENDLEASE CORPORATION

3 Mr. Hickey: Thank you, Chairman Inhofe, Ranking Member
4 Reed, distinguished members of the joint subcommittee. My
5 name is Denis Hickey and I am Chief Executive of Lendlease
6 Americas. Thank you for inviting me here today to testify
7 on our contribution to the military housing program.

8 Lendlease is a global property company founded in
9 Sydney in 1959, but we have been operating in America since
10 1970. As an Australian, I can attest that Australia, as the
11 only country to have stood side by side with America in
12 fighting every major conflict since World War I, is very
13 proud to be a part of this program since its inception.

14 Mr. Chairman, I would like to touch on the issues that
15 are brought here today. This afternoon, we have heard from
16 several families who have outlined the examples in a very
17 material way of the serious problems that have arisen across
18 some of the portfolios. The situation is clearly not
19 acceptable, should have been avoidable, and I personally
20 have great empathy for their cause. No family, much less a
21 military family, should be subject to these conditions.

22 We have 130,000 people living in our communities, and I
23 can assure the members that we try extremely hard not to let
24 these type of issues arise. However, unfortunately, we are
25 human and mistakes do happen. I can assure the members that

1 we are very focused on trying to learn from the stories that
2 we hear today and learn from the committee's input to fix
3 these situations moving forward.

4 Despite many successes and the strength of the military
5 housing program, the program itself does bring some
6 challenges. For example, the continued funding to continue
7 with the remediation and continued betterment of the housing
8 stock across the portfolios. Currently Lendlease's
9 communities have invested \$7 billion into new construction
10 and development across the portfolios, and we think that
11 there is another \$16 billion to invest over the life of the
12 program. However, those funds are not evenly distributed
13 across the projects. So the challenge for us is to actually
14 find a way to get those funds to the areas it needs to be
15 invested.

16 Secondly, the safe and timely management,
17 rectification, and repair work of some of the environmental
18 issues that existed on the base from pre-existing conditions
19 is a real challenge, and we try very hard to address this
20 every day.

21 There is also the challenge of meeting occupancy
22 levels. When military decisions are made around troop
23 deployments that affect demand on the base, it is a
24 challenge for the project companies to manage through those.

25 And finally, there are challenges of managing various

1 natural disasters that occur. Mr. Chairman, a case in point
2 is our Hurricane Florence at Camp Lejeune project in
3 September of 2018. This was an unprecedented natural
4 disaster and of the 6,200 homes on Camp Lejeune, 3,800 were
5 affected. The repair bill alone for that project is over
6 \$150 million. Whilst we were slow to start, we have made
7 good progress, and we have repaired over 40 percent of the
8 homes. Earlier this week, I met with Secretary Spencer of
9 the Navy and other leaders of the Navy and Marines, and we
10 talked about this specific issue. We are working together
11 collectively, and our goal is to have all of the homes
12 repaired by the end of November.

13 Mr. Chairman, finally, we are proud of the many
14 accomplishments that we have achieved across our portfolio
15 to date, but we are also very aware of the issues that have
16 been brought here today. The issues have my personal full
17 attention, and I can assure you we are very focused on
18 improving every aspect. We want our people who live in our
19 communities to be proud, as our people are proud to serve
20 them. Thank you.

21 [The prepared statement of Mr. Hickey follows:]

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1 Senator Inhofe: Thank you, Mr. Hickey.

2 Mr. Bliss?

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1 STATEMENT OF JARL BLISS, PRESIDENT, LINCOLN MILITARY
2 HOUSING

3 Mr. Bliss: Chairmen Inhofe, Tillis, and Sullivan,
4 Ranking Members Reed, Gillibrand, and Kaine, and members of
5 the subcommittees, on behalf of Lincoln Military Housing,
6 thank you for the opportunity to testify before your
7 subcommittees today on the Military Housing Privatization
8 Initiative.

9 My name is Jarl Bliss and I am the President of LMH.

10 I realize time is short, but I would like to recognize
11 the service member families who just testified for sharing
12 their experiences with you.

13 The men and women of LMH work every day to serve all of
14 our families with honor and integrity. I regret when even
15 one service member family feels like we have come up short.

16 I am sincerely and personally committed to working with
17 our military families, our DOD partners, and your
18 subcommittees to address any concerns with our operations
19 and to foster better communication and understanding with
20 those we serve.

21 Obviously, one of the reasons we are here today is
22 because there are families who feel like we did not perform
23 up to expectations. Whatever the source of that
24 frustration, whether it was a service problem or whether we
25 did not communicate well with the family, I deeply regret

1 that any of our residents feel this way.

2 While I believe the MHPI program is a true success for
3 many thousands of military families, it is clear in the
4 testimony of the families here today that not every family
5 feels the same way. I want to change that. I want to
6 regain the trust of these military families.

7 As your subcommittees look at how LMH and other PPVs
8 are performing, I look forward to working with you and our
9 DOD partners to explore new and creative ways to improve our
10 military families' experience in our housing. I look
11 forward to your questions and, more importantly, to working
12 with you to address the concerns of the military families.

13 [The prepared statement of Mr. Bliss follows:]

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1 Senator Inhofe: Thank you, Mr. Bliss.

2 We will now have rounds of questions not to exceed 4
3 minutes.

4 The witnesses in the first panel singled out three
5 organizations. They happened to be your organization, Mr.
6 Williams; yours, Mr. Picerne; and yours, Mr. Ehle. So I
7 would like to have you make any comments or responses to
8 those statements that were made concerning your
9 organizations, if you would take those 4 minutes to do it,
10 the three of you, starting with you, Mr. Williams.

11 Mr. Williams: Thank you, Chairman.

12 I heard loud and clear the Drivers, Mrs. Driver in her
13 comments, and I take them extremely serious.

14 At Tinker Air Force Base, we experienced a product
15 failure with a plumbing system in 398 homes that were built
16 several years ago. It was a manufacturer's product defect,
17 and at one point, we had over 500 water leak calls in to our
18 offices. I will never make an excuse. We need to do
19 better. We were managing in a crisis situation. We worked
20 with the local command, as well as AFCEC, to develop a plan
21 to go in and replace all of the plumbing systems. And I
22 realize it was a major inconvenience, as well as a true
23 hardship to the residents that had to experience that,
24 especially the Drivers and the other families that were
25 named in the article.

1 Senator Inhofe: We are running out of time here. So I
2 will leave it with that. Mr. Picerne?

3 Mr. Picerne: Thank you very much for the question.

4 And again, to all three of the families that presented
5 earlier, we are at what I would call a critical inflection
6 point in where our program is, and we know we need to get to
7 the bottom of the challenges that we are facing. We have
8 some new homes. We have some older homes that need major
9 renovations. We have had some challenges in dealing with
10 that.

11 But specifically to the family that moved to Fort Meade
12 expecting to have their child brought into a single-family
13 or single-story home, it is unacceptable. And my company
14 will stand up and will help and support that family and
15 every family going forward in trying to make these things
16 better. There was a time and place when that would never
17 have happened, and again, we have made some shifts and
18 changes with our governance partners, the United States
19 Army, and those changes were not good. So we owe a debt of
20 gratitude to their families and we need to help them.

21 Senator Inhofe: Thank you.

22 Mr. Ehle?

23 Mr. Ehle: Senator, we heard the families loud and
24 clear. It is a heartbreaking story, and no one should ever
25 have to go through that. Like I said, no percentage of

1 unhealthy homes is acceptable to Hunt.

2 We have got processes and procedures and protocols that
3 we follow to work closely with our residents. And so our
4 goal every moment and every day to work in partnership with
5 our residents to resolve their issues to completion and
6 satisfaction -- we do sometimes fall short. Whenever we do,
7 we look back at those situations, try to learn from them.
8 We are an accountable organization. If we find weaknesses
9 in our organization, we tend to those. We will continue to
10 do so, but we have got room to improve. We do not shy away
11 from that. We own that. And we want to work with the
12 stakeholders here to achieve a better MHPI program for all.

13 Senator Inhofe: Thank you.

14 Senator Reed?

15 Senator Reed: Well, thank you very much, Mr. Chairman.

16 I have three questions which I will direct individually
17 beginning with Mr. Williams, and I believe they require yes
18 or no answers.

19 First, do you affirm today that you will do everything
20 in your power to immediately address the issues raised today
21 by our military families, not just those who testified but
22 also by each of those who submitted testimony and
23 information to the committee, Mr. Williams?

24 Mr. Williams: Absolutely, 100 percent.

25 Senator Reed: Mr. Picerne?

1 Mr. Picerne: Yes.

2 Senator Reed: Mr. Ehle?

3 Mr. Ehle: Yes, sir.

4 Senator Reed: Mr. Hickey?

5 Mr. Hickey: Yes, sir.

6 Senator Reed: Mr. Bliss?

7 Mr. Bliss: Yes, Senator.

8 Senator Reed: Second question is following up the
9 chairman's remarks. Communication with Congress in any form
10 is a protected communication under whistleblower statutes.
11 Do you affirm today that you will do everything in your
12 power to protect the military families who appeared here
13 today, as well as those who have submitted testimony and
14 information to the committee, Inspectors General, or their
15 chain of command from reprisal, including threats or
16 reprisal from your employees? Mr. Williams?

17 Mr. Williams: Yes, Senator.

18 Senator Reed: Mr. Picerne?

19 Mr. Picerne: Absolutely, Senator.

20 Mr. Ehle: Yes, Senator.

21 Mr. Hickey: Absolutely, Senator.

22 Mr. Bliss: Yes, Senator.

23 Senator Reed: Finally, as you know, the GAO is
24 conducting an ongoing review of the MHPI program. Do each
25 of you guarantee complete cooperation with the GAO in their

1 effort to obtain information and issue findings? Mr.
2 Williams?

3 Mr. Williams: Senator, we have and will continue to.

4 Mr. Picerne: Absolutely, Senator, we will.

5 Mr. Ehle: Senator, we are happy to work with GAO.

6 Mr. Hickey: Absolutely, Senator.

7 Mr. Bliss: Yes, Senator, we will continue working with
8 the GAO as we have in the past.

9 Senator Reed: Thank you.

10 I think the testimony today, including the first panel
11 and your comments, suggests the system is broken. These
12 problems were obvious to the military families, but they
13 were not obvious enough to you to take effective corrective
14 action. So we have to think collectively, working with the
15 Department of Defense and the service departments, to come
16 up with appropriate incentives and disincentives so, once
17 again, you do not take your eye off the target. And the
18 target is very clear. As we have all stated -- and we have
19 to not just talk about it, but do it with deeds -- we owe an
20 obligation to these families because of their service so
21 that they live in the best possible housing, not the type of
22 housing that was described today. And we here -- I know
23 working with the chairman, we will do all we can and do
24 whatever we must to ensure that every military family in
25 military housing does not have to worry about the health of

1 their child, the safety, or their warmth in the winter or
2 their comfort in the summer.

3 Thank you.

4 Senator Inhofe: Thank you, Senator Reed.

5 Senator Tillis?

6 Senator Tillis: Thank you all for being here.

7 I have got a couple of questions. Number one,
8 sometimes when you see bad behavior -- you guys I know are
9 in the C suite, the executive levels of your very large
10 organizations that constitute about 80 percent of all the
11 housing that is provided. I guess probably another couple
12 of dozen other firms. But one time in my past experience,
13 when I have seen bad behavior on the part of people further
14 down the chain of command, it had to do with incentives and
15 how they were compensated. Is any of your review of how
16 this broke down going to go back to how the people in the
17 chain of command that actually touched these homeowners
18 actually behaved because maybe they had some of their own
19 personal livelihood at stake? Is that possibly a factor?
20 Is that something you are going to look at? Just go down
21 the line.

22 Mr. Williams: Yes, Senator, we are looking at that
23 right now. First, we do not compensate on how we earn our
24 incentives to our employees. But, yes, we are looking at
25 better ways to make sure that that --

1 Senator Tillis: Yes. Because I am just trying to
2 figure out why on earth anybody who is working in this
3 organization would have heard these stories and not move
4 heaven and earth to try and get the right resource on site.

5 Mr. Williams: I agree, Senator.

6 Senator Tillis: Mr. Picerne?

7 Mr. Picerne: Yes, Senator, I totally agree, and we are
8 going to dig into it. We want to work closely with you and
9 with the service branches to dig in deep and get to the
10 bottom of this.

11 Senator Tillis: Thank you.

12 Mr. Ehle?

13 Mr. Ehle: Senator, we do have an incentive structure
14 in our organization from top to bottom that already ties
15 into things like resident satisfaction and maintenance
16 service. We are already there, but we are willing to take a
17 continued look.

18 Senator Tillis: Yes, because I am looking at unit
19 managers or other managers that may be compensated by bottom
20 line impacts and how that could force a bad behavior. So I
21 am not only talking about the customer-facing role. I am
22 talking about the people who are trying to balance the books
23 and dealing with various issues.

24 I am going to assume you are going to give me a similar
25 answer. So I want you to look at it.

1 Mr. Hickey, you said something that I am curious -- you
2 seemed to refer to funds being locked which would be used to
3 reinvest and hopefully up-fit or address some of these
4 problems. Can you explain that to me briefly?

5 Mr. Hickey: Thanks, Senator.

6 In short, each project company is set up that the
7 revenue that comes in from the BAH pays all the operating --

8 Senator Tillis: And there are some 82 of these
9 agreements over various stages, and I think you all
10 constitute about 80 percent of them.

11 Mr. Hickey: Something like that.

12 The revenue comes in from the BAH collection. It pays
13 all of the operating costs for running the base and fixing
14 any capital improvements, et cetera. It then pays the debt
15 service that is actually being used to do the first IMP
16 round, and then the surplus account sits at the bottom,
17 stays --

18 Senator Tillis: And it is the surplus that you could
19 not get back into --

20 Mr. Hickey: The surplus NOI stays at the base level.
21 And therefore, if the base gets into a situation, it really
22 only has the capacity to access its own surplus NOI. There
23 are some agreements where they can share, but it is not
24 uniform across the services.

25 Senator Tillis: Okay.

1 Have things changed? When you first started this
2 process -- many of you have a couple of decades under your
3 belt. Others are newer to the process. Have the rules or
4 the agreements changed between you and the DOD? I mean,
5 what else could have possibly changed that is creating
6 stress on what would seem to me to be no-brainer business
7 behaviors that for some reason fell down on some of these
8 installations.

9 Mr. Picerne: So, Senator, I would describe it as this
10 is the largest and longest standing PPP, or public-private
11 partnership, in America to this point. And the challenge
12 that we faced 20 years ago was daunting and systemic, truly
13 systemic. The solution that we came up with with the
14 Department of Defense and with you folks was something that
15 would be able to solve -- not just fix for building new
16 houses, but solve -- for the 50-year period.

17 The challenge has been over the last several years, we
18 have been moving in a direction of making sure that budgets
19 are run at a very tight level, not as much focused on
20 customer service and more about the NOI, net operating
21 income, or the revenue account so that we have the dollars
22 for the future. And I think we just tipped the balance too
23 far. I know we tipped the balance too far. So we need to
24 move it back to the middle, and we are all pretty much --

25 Senator Tillis: Right.

1 We will look deeply into these contracts in my role of
2 the Personnel Subcommittee. But I am just trying to figure
3 out some of the basic safety valves that did not appear to
4 be in place in terms of service-level agreements, general
5 satisfaction, escalation paths. The sorts of things that I
6 did in a very different context in business seem to be
7 missing here. So I am looking forward to really drilling
8 down on this.

9 But I am also serious when I tell you we are going to
10 reach out.

11 Let me just say one other thing in advance of the next
12 panel. First off, do not be surprised if you do not get a
13 call from my office if I get a lot of constituent requests.
14 And I think I speak for most of my members. Expect to be on
15 auto-dial.

16 But I will tell you there is a problem in DOD that we
17 have got to address as well because at Camp Lejeune you
18 could actually have a family having a mold problem in their
19 home. Then you can turn right back around and that marine
20 goes on base and they are working in offices that have mold,
21 that have plastic on top of the roofs. And we have got our
22 own facilities to deal with. I mean, we have got marines
23 coming in on weekends fixing the roofs and trying to fix
24 their offices. So we have got serious problems here. And
25 that is why I do not want anybody to leave this meeting

1 thinking it is any one entity that is at fault.

2 Every single one of you have work that you have got to
3 do, and we have got to do a top to bottom review to get it
4 done. And I hope I have your commitment and the commitment
5 of the other few dozen firms that are not here before the
6 committee but do the same thing for the whole DOD.

7 Thank you.

8 Senator Inhofe: Thank you. Senator Tillis, presiding.
9 And Senator Gillibrand.

10 Senator Gillibrand: Let me begin by reiterating how
11 frustrated I am by the experience of the families we have
12 heard from today who live in houses under the management of
13 your companies.

14 In choosing to participate in the Military Housing
15 Privatization Initiative, your companies did not just land
16 another real estate deal. You assumed responsibility for
17 the safety, health, and wellbeing of military families who
18 make incredible sacrifices each and every day in support of
19 our national defense.

20 In response to the recent reporting on problems in your
21 housing units, many of you have pointed to satisfaction
22 numbers showing resident approvals as high as 70 or low 80
23 percentage ranges. However, those satisfaction surveys are
24 clearly at odds with the heartbreaking testimony that we
25 have heard today and even then would still put somewhere

1 between 20 and 30 percent families in average or below
2 average conditions.

3 In written testimony submitted for this hearing, the
4 Military Family Advisory Network states that they have
5 conducted a survey with nearly 17,000 respondents and found,
6 quote, more than half, 55.53 percent, of respondents had a
7 negative or very negative experience with privatized
8 military housing.

9 I would like each of you to answer the following
10 questions. What percentage of military families do you
11 believe deserve to live in excellent on-base housing?

12 Mr. Williams: Senator, 100 percent.

13 Mr. Picerne: We agree, Senator. 100 percent.

14 Mr. Ehle: 100 percent, Senator.

15 Mr. Hickey: Everybody, 100 percent, Senator.

16 Mr. Bliss: 100 percent, Senator.

17 Senator Gillibrand: How many military children deserve
18 to be exposed to mold, lead, or other health hazards as a
19 consequence of living in privatized housing units?

20 Mr. Williams: Senator, none of them.

21 Mr. Picerne: I agree, Senator. Zero.

22 Mr. Ehle: Zero, Senator.

23 Mr. Hickey: I agree, Senator. Zero.

24 Mr. Bliss: I also agree, Senator. Zero.

25 Senator Gillibrand: Do you think it is easier or

1 harder for a service member to focus on their military
2 duties while also worrying about the health and safety of
3 their families?

4 Mr. Williams: Harder, Senator.

5 Mr. Picerne: It is always harder, Senator.

6 Mr. Ehle: It is much harder, Senator.

7 Mr. Hickey: No doubt, much harder, Senator.

8 Mr. Bliss: It is harder, Senator.

9 Senator Gillibrand: In so many of the stories that we
10 have heard today from these families, the maintenance
11 procedures that you have put in place have failed to ensure
12 quality in housing units. In your written testimony, many
13 of you pointed to quick response statistics for work orders
14 in military homes. But if those issues are not addressed
15 properly, if mold is painted over or water damage
16 misdiagnosed, families remain in danger.

17 Further, many of the families have experienced cold and
18 insensitive treatment from the local representatives of your
19 companies, subsidiaries, and partners responsible for
20 addressing the problem.

21 Do you expect your staff working on installations as
22 technicians to be capable of both remediating work orders
23 and showing genuine concern for the families impacted?

24 Mr. Williams: Absolutely, Senator.

25 Mr. Picerne: We would expect nothing less, Senator.

1 Mr. Ehle: We absolutely agree, Senator.

2 Mr. Hickey: Absolutely agree, Senator.

3 Mr. Bliss: Yes. They should be able to do both,
4 Senator.

5 Senator Gillibrand: How many contractors or service
6 technicians have each of your companies fired for
7 unsatisfactory performance in completing work orders in
8 military housing?

9 Mr. Williams: I do not have that exact number, but it
10 is multiple.

11 Mr. Picerne: I also do not have the exact number, but
12 it is significant.

13 Mr. Ehle: Senator, we are a company of accountability,
14 and if someone is falling short of expectations, we take
15 action.

16 Mr. Hickey: Senator, I do not have the exact number on
17 hand, but similar to the other organizations, we take it
18 very seriously and we will move people on if they are not
19 doing their work.

20 Mr. Bliss: Senator, I do not have the exact number
21 either, but we have made that decision to separate from
22 personnel when they do not do the right thing and follow our
23 policies and procedures.

24 Senator Gillibrand: Thank you for your testimony.
25 From your answers, I can conclude that you agree this is

1 something we must fix. It is an urgent issue. It does not
2 represent our values to the country, and it does not sound
3 like it represents your values as companies. So I expect
4 your 100 percent commitment to solving this problem. Thank
5 you.

6 Senator Tillis [presiding]: Senator Sullivan?

7 Senator Sullivan: Thank you, Mr. Chairman.

8 I just want to get from the panel a couple things. I
9 am assuming, as you all indicated in your testimony, you
10 believe this is not just an opportunity to make money. And
11 there is nothing wrong with making money in this capitalist
12 society of ours, but it is also an opportunity to serve the
13 men and women in the military -- correct -- and their
14 families. Is that correct?

15 Mr. Williams: Yes, sir.

16 Mr. Picerne: Yes, Senator.

17 Mr. Ehle: Correct.

18 Mr. Hickey: Correct.

19 Mr. Bliss: Yes, sir.

20 Senator Sullivan: There is one kind of overriding in
21 some of the DOD responses, in their testimony -- it is a bit
22 of a subtlety. Actually when I was reading it, it really
23 kind of ticked me off. But this notion that, well, the
24 service members have a choice where they are living. They
25 can always go off base. I think one of our witnesses

1 essentially says that in his written testimony, which I find
2 ridiculous. So I just want to make sure that each of you
3 are not saying in your testimony or your belief is that,
4 well, they have another option. So if they do not want to
5 live in a rat-infested home, they can just go off base.
6 That is not the attitude here. Is it?

7 Mr. Williams: No, Senator.

8 Mr. Picerne: Absolutely not, Senator.

9 Mr. Ehle: No, Senator.

10 Mr. Hickey: No, absolutely not, Senator. I mean, the
11 livelihood of all of our businesses rely on great customer
12 service. We want people living in our bases. So customer
13 service is at the heart.

14 Mr. Bliss: That is not our attitude.

15 Senator Sullivan: Okay, good. Because again, one of
16 the things I mentioned in my opening statement is I think we
17 can all agree that our military members, whether they have a
18 choice to live off base or not, should have the highest
19 quality of military housing when they are on base. So I
20 think let us just all agree to that.

21 But let me ask -- and this is more kind of a how this
22 works. You build the housing, and then your contracts --
23 you are also in charge of all the maintenance and the upkeep
24 and keeping the housing in a good living condition. Is that
25 not your responsibility as well?

1 Mr. Williams: Yes, Senator.

2 Senator Sullivan: So that is part of the contracts.
3 You do not have to all say yes, but that is part of the
4 contracts. Correct? It is not a base housing official at
5 Camp Pendleton or something. It is you. Right? You are
6 responsible for that. So when you read about the mice and
7 the mold, it is your responsibility to keep that up.
8 Correct? To get rid of it.

9 Mr. Williams: That is correct.

10 Let me ask this. I mean, we live in this uber society.
11 What would be wrong with having the military members be able
12 to grade you on how well you do? Do you think that would be
13 a good idea to maybe kind of somehow relate your contract
14 performance to -- it would empower the members a bit, right,
15 to be able to say, hey, here is what I think is going on
16 with my home. I got a bunch of mice in it. Nobody is
17 coming. I think your service stinks. Do you think that
18 would be a good reform maybe that we could actually empower
19 these courageous families who testified earlier to let them
20 know that we can see that? Would that be a good idea, more
21 direct kind of responses?

22 Mr. Picerne: So, Senator, we do survey. Our surveys
23 --

24 Senator Sullivan: But I am not talking about the
25 surveys.

1 Mr. Picerne: I think we need to find a better way to
2 get real touchpoints from the residents on a more real-time
3 basis. That is one of the things we need to --

4 Senator Sullivan: But maybe tie it to your
5 compensation.

6 Mr. Picerne: Absolutely. Yes, correct.

7 Senator Sullivan: Would everybody agree that has
8 potential?

9 Mr. Hickey: Yes, Senator. I think there is an
10 opportunity to kind of get the residents on the base having
11 a collective voice that can sit at the table with us and the
12 services --

13 Senator Sullivan: They do not have to go through their
14 chain of command to be heard by --

15 Mr. Hickey: They can sit collectively and we can do
16 that as --

17 Senator Sullivan: Let me ask one final question. One
18 thing that came up in the testimony before was this idea
19 that somehow you or people who work for you might be taking
20 advantage of a young lance corporal and his wife who just
21 came on base and do not really know what is going on. I
22 want each of you to definitively say that that is not the
23 policy, you do not have people doing that, and if you do,
24 you fire them.

25 But maybe here is another suggestion. Maybe you look

1 and do it the opposite way. Maybe have a program to help
2 the young lance corporal and his wife who are coming on base
3 and maybe do a proactive program to help these young guys.
4 I mean, heck, they are barely teenagers, some of them, and
5 their spouses. So can I get from each of you that you are
6 definitively not doing that, and if you found people in your
7 company who were doing that, you would fire them?

8 Mr. Williams: If we found somebody doing that, we
9 would fire him. And we are committed to making sure that
10 that is not happening.

11 Mr. Picerne: Senator, I agree wholeheartedly. We
12 would never do that, and we would fire people if they did do
13 that.

14 And to answer your second question, we absolutely
15 believe that in a proactive plan, helping our young soldiers
16 as they first come on base is the right thing to do. We
17 used to do it, and we are committing to going back to it.

18 Senator Sullivan: Great.

19 Mr. Ehle: Senator, at Hunt, if anyone were to do that,
20 it would be against, first of all, our employee code of
21 conduct, and yes, they would have to be dealt with up to
22 termination.

23 Mr. Hickey: Yes, likewise, Senator. It goes against
24 every value that our company stands for. So it is totally
25 unacceptable.

1 And I think your suggestion of finding a way to help
2 the younger people more proactively is a good one.

3 Mr. Bliss: I agree, Senator. That is totally against
4 our character. And if anybody at Lincoln is acting that
5 way, they will be terminated.

6 Senator Sullivan: Thank you.

7 Thank you, Mr. Chairman.

8 Senator Tillis: Senator Kaine?

9 Senator Kaine: Which of you served in the military?
10 Did any of you serve? I did not either. So there is no
11 shame in that.

12 But how about this. Have any of you ever lived on a
13 military base as a military dependent like, you know, when
14 your mom or dad were in the military?

15 Mr. Williams: I have never had an experience living in
16 family housing.

17 Senator Kaine: And is that the same for all of you? I
18 think that is pretty important. I mean, I think that is an
19 obvious really important sensitivity issue. This is a
20 really important hearing. So each of these companies -- you
21 are sending a really important person here who is a person
22 with some authority and responsibility to answer our
23 questions. And if at the top of these institutions, we do
24 not have people who understand the lives that folks are
25 leading in the military, I think that is maybe the beginning

1 of an issue.

2 In your government contracts, are you required to do
3 surveys of your military tenants?

4 Mr. Williams: It is part of our incentive program.

5 Mr. Picerne: Yes, we do, along with our government
6 partners, multiple surveys.

7 Mr. Ehle: Yes. Our compensation program is tied to
8 resident satisfaction surveys.

9 Senator Kaine: And do you do those on your own? Do
10 you write the survey yourself?

11 Mr. Ehle: There is a third party, independent company
12 that provides those surveys, and we have no access to it
13 other than we get the final report.

14 Mr. Hickey: Likewise, Senator. We do in-depth
15 customer surveys with a third party. We review the output
16 of that with our respective service partners.

17 Senator Kaine: And is that third party -- it is not
18 the military. It is some third party.

19 Mr. Hickey: No, no, no. It is a third party
20 organization. And we produce that and review that with our
21 military partners.

22 Senator Kaine: Mr. Bliss?

23 Mr. Bliss: Yes. We also have an independent third
24 party survey company. Additionally, we have another
25 independent survey company that surveys after each work

1 order service request.

2 Senator Kaine: I think there should be kind of an SOP,
3 of a template that would be a survey that military families
4 and dependents who live on bases would be given the
5 opportunity annually to do a survey and that that would go
6 to the requisite office with the military so that groups
7 like MFAN would not have to do their own survey to figure
8 out what is going on. I think a customer satisfaction
9 survey that would be an annual for everybody living in
10 military housing, that would be a template, apples-to-apples
11 questions would be really important. You could see who were
12 the better landlords and who were the worst ones. You could
13 see are their particular bases that are unusually bad, and
14 that might suggest there are some infrastructure needs on
15 the base that we could address that are not purely yours.
16 So I think an apples-to-apples template, regular survey with
17 the information going directly to the military so we would
18 not have to rely on outside groups to tell us what is going
19 on with families would be a good idea.

20 Let me ask you this. You would agree with me, would
21 you not, that somebody living on a military base should not
22 have worse housing or having housing that is substandard
23 compared to housing in the community where they live with
24 respect to building codes, environmental standards, et
25 cetera. Right? The military families' should not be worse

1 than the surrounding communities'. Is that a fair
2 statement?

3 Mr. Williams: I think it should be better.

4 Senator Kaine: Should military housing not have to
5 comply with building and environmental codes? Say, Fort
6 Belvoir is in Fairfax County. Why should military housing
7 on that base not have to comply with local building and
8 environmental codes, including inspections by Fairfax County
9 building and environmental inspectors? If these folks want
10 to call and complain, should there not be -- I am thinking
11 like a mayor. I used to be a mayor. We had a code
12 compliance section. I think they ought to be able to go
13 into housing in Fairfax County whether it is on a military
14 base or not and determine whether something complies with
15 codes or is in violation of codes. Would that cause any
16 challenges for you all?

17 Mr. Picerne: So I think there is a wide variety of
18 challenges, and I think that is an issue that we need to
19 look at. We do it here to all of the national standards,
20 and we do have, again, the best we could find, third party
21 inspectors who do all of that inspection work. However, the
22 challenge I think that may be presented is at a place like
23 Fort Bragg where Fayetteville is not a large place, if we
24 were to do a large -- we are about to do a couple hundred
25 million dollars worth of work, we may overwhelm the

1 Fayetteville office for inspection and code compliance.

2 So I think there is something there. As we start to
3 dig into the bottom and get to kind of where the real
4 challenges are, I think there is a way to do that in a very
5 meaningful and significant way that adheres to or gets to
6 the heart of what you are trying to get to, which is --

7 Senator Kaine: I am over my time, but I am just
8 thinking if these folks cannot get an answer out of a
9 private housing provider, if they feel like their family
10 readiness specialist is being intimidated against, if they
11 cannot get the chain of command to help them, where could
12 they go? Most people in a city would call a local building
13 officer and they would come out and somebody would do an
14 inspection that would validate or verify whether in fact the
15 property was sub-code. And it would seem to me -- since you
16 have agreed with me that somebody should not be subjected to
17 housing worse than the sets of rules in the community where
18 the housing is, it would seem to me to be an obvious
19 potential solution.

20 Thanks, Mr. Chair.

21 Senator Tillis: Senator Rounds?

22 Senator Rounds: Thank you, Mr. Chairman.

23 Gentlemen, first of all, I am just curious. It seems
24 to me that should never have gotten to the point where it
25 required a congressional hearing to get to the bottom of it.

1 I think you all have been notified in advance of the need to
2 come and speak to us. How much time did you have to prepare
3 for this meeting today? If you could just go down the line,
4 how much time did each of you have?

5 Mr. Williams: Less than a week.

6 Mr. Picerne: Several days, Senator.

7 Mr. Ehle: Just about that.

8 Mr. Hickey: The same.

9 Mr. Bliss: About the same time, Senator.

10 Senator Rounds: A few days anyway.

11 Was there a sense of panic when you were asked to come
12 and testify?

13 Mr. Williams: Senator, no. I welcome the challenge.
14 We need to do better as a provider, and we want to work with
15 the committee.

16 Senator Rounds: Mr. Williams, here is the reason why I
17 ask. It would appear to me that either you knew that you
18 had a problem to begin with and it had not been resolved or
19 this came as a complete surprise to you. And it would
20 appear to me -- that is part of the question here is were
21 you had a problem and you just could not figure out a way to
22 fix it. Or did this come as a surprise to any of you?

23 Mr. Picerne: Senator, it came up as partly a surprise
24 about 8 months ago, 9 months ago, and as we peeled it back
25 and peeled it back and peeled it back, it became a bigger

1 and bigger challenge. I am not panicked to be here today,
2 although I will not say this is the happiest experience of
3 my life. This is not where I ever wanted to be getting into
4 this business. I felt like we were here committed to taking
5 care of the service members who defended our nation. And
6 again, the idea that we have let them down is deeply
7 disturbing to me. And I am here to try to make sure --

8 Senator Rounds: Okay. Look, let me just ask this of
9 all of you then. After you found out a couple of days ago
10 that you were going to be in front of us, if there was one
11 critical issue that you said I know we got to fix it, I know
12 they are going to hit us on it. What is the issue that has
13 got to be fixed that is in front of us today? Just very
14 quickly, what was top of mind on got to be fixed now?

15 Mr. Williams: The interface with the resident.

16 Mr. Picerne: I would agree. Interface with the
17 command and the resident.

18 Mr. Ehle: Yes. Communications with our residents and
19 our partners.

20 Mr. Hickey: Yes. The sharing of communications so
21 that everybody is informed and everyone is operating on the
22 same information set.

23 Mr. Bliss: I think for me it was allowing a voice for
24 the residents, a place to go. I think Senator Kaine hit on
25 it. They do not feel like they have a place to go. We need

1 to figure out a process that allows them where they feel
2 they are aptly represented when issues come up.

3 Senator Rounds: The damage that has been done out
4 there -- how much of it has been because of construction
5 that was of poor quality to begin with and you are managing
6 products that have a poor quality in the construction itself
7 from day one? Mr. Williams?

8 Mr. Williams: I think it is twofold. We have had an
9 issue with some product that we bought to build some of the
10 houses that have failed. It is a manufacturer's defect.
11 But we also have an inventory. Our inventory ranges from
12 the early 1800s to 2016. So when we took on a lot of that
13 legacy, those historical homes were quite the challenge. As
14 we look at those historical homes, they become harder and
15 harder and harder to pay for that type of work while
16 continuing to balance to provide the services for the other
17 residents.

18 Senator Rounds: Thank you. And that should be noted.

19 Mr. Picerne?

20 Mr. Picerne: I think the same holds true for our
21 portfolio as well. Once we realized that you could not
22 replace and build brand new all of the homes, then trying to
23 find a way to balance maintenance and care on the existing
24 program, as well as saving up the dollars to rebuild -- we
25 do not have a systemic construction problem. We have a

1 systemic maintenance problem.

2 Senator Rounds: Mr. Ehle? I am running out of time,
3 but if you could quickly.

4 Mr. Ehle: Senator, except for Keesler where I cannot
5 speak to the MILCON construction of those houses, we did
6 find that we had to do some repair to the HVAC ductwork in
7 those for the condensation. But elsewhere, if we are having
8 problems, it is generally not in the newer homes. It is in
9 the legacy homes that have yet to be replaced.

10 Senator Rounds: Thank you.

11 Mr. Hickey?

12 Mr. Hickey: Yes, Senator, likewise. We have
13 demolished 15,000 homes and we have built new 16,000 homes.
14 We still have 25,000 that are legacy homes. They are the
15 majority of the issues, almost all of the issues are
16 contained within those set of homes.

17 Senator Rounds: Mr. Bliss?

18 Mr. Bliss: Similar, Senator. It is legacy homes, the
19 age. Our homes also range from the 1800s to the 2010s.

20 Senator Rounds: Thank you.

21 Thank you, Mr. Chairman.

22 Senator Tillis: Thank you, Senator Rounds.

23 For the record, the committee reached out to the
24 government relations counterparts and each of your
25 organizations on January the 28th. The official notice of

1 this hearing was on January 31st.

2 Senator Warren?

3 Senator Warren: Thank you, Mr. Chairman.

4 Since we do not have much time, I will just go straight
5 to it. I sent letters to each of you last week to learn
6 more about how you make your money and what recourse tenants
7 and taxpayers have if you failed to uphold your side of the
8 bargain. Your agreements were not transparent. They are
9 not publicly available. But basically you make your money
10 in two ways: management fees and distributions based on
11 performance.

12 So you all stressed in your written testimony that your
13 management fee is partially based on resident satisfaction
14 and quality of service. So I just want to unpack this.

15 Mr. Williams, I will use you for the example. Say
16 there is mice and mold in all of your units and the tenants
17 are unhappy. Do you still get paid a base fee?

18 Mr. Williams: Yes, Senator.

19 Senator Warren: So you are going to get paid that, and
20 then how much more you get paid is going to be your
21 performance fee. Right? And the idea is the performance
22 fee will be withheld if the place is filthy, if it is
23 overrun with rats, and so on.

24 So, Mr. Williams, Balfour Beatty manages 43,000 homes
25 across 55 military installations. Across that portfolio,

1 how many times has this performance-based fee been
2 completely withheld in the last 5 years?

3 Mr. Williams: Senator, I do not have that specific
4 data, but I can tell you that we have had our incentive fees
5 or a portion of our incentive fees withheld.

6 Senator Warren: I know, but what I want to know is how
7 often. This is why I sent the letters to ask about this.
8 Have you ever had them withhold and just say you do not get
9 your performance fee because the place is full of rats?

10 Mr. Williams: We have had our incentive fees withheld.

11 Senator Warren: Completely withheld?

12 Mr. Williams: I do not have that --

13 Senator Warren: You are not sure if they have ever
14 been completely withheld.

15 Mr. Williams: At this point, no, but when we answer
16 your letter, I will give you that.

17 Senator Warren: Mr. Picerne?

18 Mr. Picerne: Senator, our incentive fees have never
19 been 100 percent withheld.

20 Senator Warren: Okay, so never.

21 Mr. Ehle?

22 Mr. Ehle: Senator, there are multiple components to
23 our incentive fees.

24 Senator Warren: I am asking if they have ever been
25 completely withheld.

1 Mr. Ehle: Not 100 percent.

2 Senator Warren: Never. So you guys have still been
3 getting incentive fees and all these stories going on.

4 Mr. Hickey, have yours ever been completely withheld?

5 Mr. Hickey: Senator, they are calculated on a base-by-
6 base basis, and we have been withheld on some of the bases,
7 but never across --

8 Senator Warren: Never. So that is just no. You have
9 never had them completely withheld.

10 Mr. Bliss?

11 Mr. Bliss: Yes, Senator. They have been reduced, but
12 they have never been completely --

13 Senator Warren: That is not a yes. That is a no.
14 Okay, you have never actually had any of them completely
15 withheld.

16 So the way these deals are structured, you are also
17 guaranteed a return on your investment in the project every
18 year. So if operating expenses are high one year because a
19 house needs a new roof or the place is full of mold, DOD
20 authorizes you to raid the reserve fund for the project
21 instead of cutting into your profits. Is that correct, Mr.
22 Williams?

23 Mr. Williams: Senator, I do not believe that is how it
24 works. We do not raid the operating expenses to pay for
25 other things. After all the bills are paid, it goes into --

1 Senator Warren: No. I said the reserve fund. That is
2 the whole point. So if one year you have to put up a bunch
3 of roofs, you have a reserve fund and you use that, which is
4 how it is that year after year after year after year you
5 manage to make a profit in this.

6 I look at your annual reports and what I see is that
7 all in about 3 percent of the taxpayer-funded rent that you
8 collect from service members goes straight into your pocket
9 even if the homes are disgusting and that usually that
10 number is closer to 5 percent.

11 So I just want to understand -- I will try to do this
12 as quickly as I can -- what that adds up to in dollars. And
13 I sent you a letter to ask you this. I am sure everyone has
14 the number ready, and that is, what is your company's annual
15 profits, including the base fee and the performance fees and
16 any other fees you collect for your agreements with DOD on
17 privatized housing? Mr. Williams?

18 Mr. Williams: Our net profits for our military housing
19 business are around \$33 million.

20 Senator Warren: A year.

21 Mr. Williams: A year pretax.

22 Senator Warren: Mr. Picerne?

23 Mr. Picerne: Our net profits are closer to \$12 million
24 to \$14 million.

25 Senator Warren: \$12 million to \$14 million.

1 Mr. Ehle?

2 Mr. Ehle: Senator, as a privately held company, Hunt
3 does not disclose those, but I can take that back to my team
4 and we can get you something afterwards.

5 Senator Warren: Mr. Hickey?

6 Mr. Hickey: Senator, the same. We will give you that
7 information in response to your letter.

8 Senator Warren: All right.

9 Mr. Bliss?

10 Mr. Bliss: Yes, Senator. As a privately held company
11 --

12 Senator Warren: All right. So thank you.

13 I apologize for running over, Mr. Chairman, but I think
14 this is important. This is not right.

15 Senator Tillis: Senator Rounds, briefly before we go
16 to Senator McSally.

17 Senator Rounds: Mr. Chairman, I just make the point.
18 Think about this if we actually issued notices out between
19 the 28th and the 1st of February and you only had a couple
20 of days, that means someplace within your organization
21 somebody had that information. And if it takes that long
22 for that information to get to you from a congressional
23 request, think about what that says about how tough it is
24 for a young enlisted man or their family to get to you with
25 a problem. And I think that is part of the problem.

1 [Applause.]

2 Senator Rounds: Thank you, Mr. Chairman.

3 Senator Tillis: Senator McSally?

4 Senator McSally: Thank you, Mr. Chairman.

5 The stories we heard today and those that represent
6 many other families that were not heard today and their
7 similar horror stories of living on base in privatized
8 housing by several of your companies are disgusting, as I
9 have said earlier.

10 From my view, having been in the military, they do not
11 just represent a one-off situation or a rare situation that
12 just was not handled well by one employee, by one situation,
13 whatever, one family, one house, one contractor, but
14 systemic issues. I think back to again when I was a
15 commander. You have a culture in your team of how you are
16 going to deliver and partner with our military. You are all
17 talking about being partners. But you are in charge of the
18 culture of that team, how they respond to our military
19 families, how they respond to customer service, how they
20 make sure the contractors that go out there are identifying
21 whether something is a health hazard, how they notify the
22 individuals, how they get them out of the house fast to make
23 sure their kids are not sick. Like that is all like a whole
24 chain of events that needs to happen in how you are
25 executing these contracts and partnering with the DOD to

1 serve our military men and women and their families. And
2 this is multiple layers of failure for these incidents that
3 we heard today, multiple layers that to me comes down to
4 like cultural issues. And there have been many failures
5 here.

6 And I hope all of you can look these service members
7 and their families in the eye and tell them that you are
8 sorry, but then do the right thing, starting now. I hope
9 you feel embarrassed. Starting now, do the right thing, the
10 next right thing in order to take care of this.

11 Mr. Williams, when did you find out about the Drivers'
12 situation?

13 Mr. Williams: Right after the Drivers moved out, I
14 found out about the Drivers' situation, and then once the
15 Reuters article came out, I really dug into what was going
16 on there.

17 Senator McSally: Now I understand. I do not expect
18 you to know about every single situation of every single
19 house. I get that. But the fact that the story was told
20 like we heard today somehow did not rise up to the level of
21 like we got a problem, and this is a situation of a family,
22 but man, what else is going on in this organization?

23 So since this has been brought to your attention, what
24 else have you done immediately in order to address the
25 culture to hold people accountable? Who has been fired?

1 Who has been held accountable? What else are you changing
2 in your team in order to fix this?

3 Mr. Williams: Senator, we have gone back and looked at
4 everything where it broke down, and as I stated earlier
5 today, one of the challenges that we had was the failure of
6 the plumbing system. As we do that audit, when I find out
7 where the breakdown happened, there will be ramifications to
8 everybody who failed to inform us about this situation.

9 Senator McSally: Mr. Williams, I get that there was a
10 failure of the plumbing system, but do you hear the story?
11 They find mold. It is time to alert them there is mold.
12 This is dangerous to your family. Let us get the family
13 out. Let us get them into a safe circumstance. That is
14 more than just a faulty pipe. It is what happens next.

15 So can I ask are you committed now that if any of you
16 hear of anything that comes in any of your units or anyone
17 on your team that is a hazard or is dangerous to any of
18 these families, that they are going to immediately be
19 notified and they are going to be put into safe housing,
20 sustained, safe housing, until it is resolved? Can I get
21 that commitment?

22 Mr. Williams: 100 percent.

23 Mr. Picerne: Absolutely, Senator.

24 Mr. Ehle: Life safety issues are our number one
25 priority.

1 Mr. Hickey: Absolutely.

2 Mr. Bliss: Absolutely, Senator.

3 Senator McSally: All right. Thank you.

4 I yield back.

5 Senator Tillis: Senator Hirono?

6 Senator Hirono: Thank you, Mr. Chairman.

7 I think that a lot of the questions that I asked have
8 probably already been asked. So I apologize that I had to
9 go to another hearing.

10 But I would like to ask from you folks, because
11 basically you are on the hot seat and you manage, among you,
12 hundreds of thousands of units of military housing.
13 Correct?

14 So do you all acknowledge that you can do more to make
15 sure that the military housing you provide is safe, clean,
16 and habitable?

17 Mr. Williams: Yes, Senator.

18 Mr. Picerne: Yes, Senator.

19 Senator Hirono: Let us go down the line.

20 Mr. Ehle: Yes.

21 Mr. Hickey: Yes.

22 Mr. Bliss: Yes.

23 Senator Hirono: That you want to be part of the
24 solution. So that is good.

25 You have to have a reserve fund, right, to take care of

1 things like fixing roofs and getting rid of persistent mold
2 and all of that. Who determines how much is in that fund?

3 Mr. Williams: That fund is determined by the cash flow
4 that flows through the project and down into the waterfall
5 that then is deposited into a government-controlled fund.
6 And then we and the services determine what the long-term
7 plan is to spending that.

8 Senator Hirono: Is it basically that you all decide
9 how much should be in the reserve fund?

10 Mr. Hickey: No, Senator. The reserve fund is the
11 result of the net cash flow that comes out over a period.
12 The revenue comes in, operating expense, then the debt
13 service. Everything goes into the reserve fund and that
14 accumulates. And then we put recommendations to the
15 military service, and together we will work out where those
16 funds get spent.

17 Senator Hirono: Well, how much of those reserve funds
18 go for things like repair and maintenance?

19 Mr. Ehle: 100 percent.

20 Senator Hirono: So debt service is for repair and
21 maintenance?

22 Mr. Hickey: Debt service comes out before the reserve
23 fund, Senator.

24 Senator Hirono: Okay.

25 Mr. Hickey: So debt service comes out, balance into

1 the reserve fund. The reserve fund is used for repairs and
2 maintenance and new construction and --

3 Senator Hirono: So what percentage of your reserve
4 fund, once you do the debt service and all the other things
5 that you have to do -- how much is left for the reserve fund
6 for the repair and maintenance of your units?

7 Mr. Picerne: On most of our projects, it is somewhere
8 between 16 and 18 percent.

9 Senator Hirono: Do you think that is adequate?

10 Mr. Picerne: I do not actually think it is adequate,
11 and I think that is what has driven us partly to the place
12 that we are in today. So as we try to create smaller
13 expense accounts to try to be more efficient in how we serve
14 the families and maintain the families, which is directly
15 related to how much money would go into the reserve accounts
16 --

17 Senator Hirono: I think I am running out of time.

18 Mr. Picerne: So let me just quickly.

19 Senator Hirono: Yes.

20 Mr. Picerne: So on a daily basis, the families that we
21 are dealing with who have issues in their homes -- that
22 would come out our operating expenses. The reserve accounts
23 are to deal with the rebuilding, modernization or
24 revitalization of the homes.

25 Senator Hirono: But including things like eliminating

1 persistent rodent infestation, all of those things, that
2 comes out of the reserve fund. There is no law that
3 requires all of you to have a certain percentage in the
4 reserve fund. Is that correct?

5 Mr. Picerne: Correct.

6 Senator Hirono: What do you think if we impose such a
7 requirement? You would not like it.

8 Mr. Ehle: Senator, there is a minimum amount of
9 deposit that needs to go into the reserve accounts before
10 anything else can happen. So it is in our documents. It
11 was agreed upon with our military partners at the outset.

12 Senator Hirono: We may need to revisit the adequacy of
13 the reserve fund in light of all of this testimony.

14 And I do thank all of the people who have shone the
15 light on this.

16 I was looking at -- you know, part of the concern is,
17 of course, the disclosure that goes to the homeowners. And
18 I am looking at one. This is two pages, single-spaced, and
19 it talks about pesticide impacted soil, and the residents
20 have to sign this form. And there is such a thing as forms
21 that are easy to read, and I do not think this is an easy-
22 to-read form. So I would ask that if all of you have -- I
23 assume you all have to have these disclosure forms that
24 cover the various kinds of dangers and hazards that may be
25 in the home. I would ask you to review these forms because

1 if I were wanting to get into housing, I would probably just
2 sign this form and not necessarily read it as carefully as
3 one should. So simplifying your form is something that I
4 think would make a big difference in terms of meeting any
5 notice requirements.

6 I see I am out of time, so I do have a few other
7 questions that I can submit for the record. Thank you.

8 Senator Tillis: Thank you.

9 Senator Jones?

10 Senator Jones: Thank you, Mr. Chairman.

11 First of all, Mr. Ehle, you have got a couple of
12 properties in Alabama at Redstone and Montgomery. Following
13 up what Senator Rounds said, I am assuming for a moment that
14 you cannot express surprise about any of this coming out
15 today since 2 years ago, Lieutenant Governor of Alabama, now
16 Governor of Alabama, Kay Ivey, sent a letter to the
17 Secretary of the Air Force complaining about the complaints
18 in the standard housing at Maxwell.

19 This past year, 2 years later, the same newspaper ran
20 an article that was titled "Substandard Maxwell Gunner Base
21 Housing has Military Families up in Arms." Now, I recognize
22 from that article that there have been some improvements
23 there, but obviously, there is still a long way to go. I am
24 not going to ask you to take the time today to go into
25 those.

1 What I would like for you to do is to commit to, within
2 a couple weeks, get me a full report on what you have done
3 and where you are planning to go because 2 years is a long
4 time. And some of those houses are older. I get that. But
5 those families are suffering. So will you commit to do that
6 for me?

7 Mr. Ehle: Yes, Senator.

8 Senator Jones: All right. Thank you.

9 I want to follow up just -- you know, you may want to
10 explain this, you may not -- for each of you, Ms. Cornwall
11 -- and I think it was backed up by our other two witnesses
12 -- said one of the things that could be done quickly to try
13 to help alleviate this problem -- and you have all
14 identified and talked about communication, and I agree with
15 that. But one of the things that she said that was backed
16 up by everybody is withholding the housing allowance until
17 things are corrected. Now, I recognize -- I am a lawyer and
18 so I understand that you cannot just do that on a complaint.
19 But would you oppose the withholding of that allowance if a
20 system is in place that would give you, one, adequate time
21 to correct the problem, but also correct a problem that has
22 been documented? Would you oppose that for each of these
23 families that are having so much problems? And if so, I
24 would like to know why.

25 Mr. Williams: No, Senator.

1 Mr. Picerne: No, Senator. I think there is a
2 reasonable mechanism that will withhold dollars until things
3 are fixed. I think that makes sense.

4 Mr. Ehle: No, Senator.

5 Mr. Hickey: No, Senator, we would not. But I think it
6 is also a part of trying to actually install an arbitration
7 or a type of a regime that gives people a voice that can
8 actually sit and adjudicate over these issues that most of
9 the families have raised that they have not been able to do
10 today.

11 Senator Jones: Good. We will come right back to that.

12 Mr. Bliss: No, Senator.

13 Senator Jones: All right. That is great.

14 Again, I am going to make another request. I would
15 like each of the five of you to give us something of what
16 you think that that would look like so that this committee
17 can consider it and talk to your military partners about
18 implementing that.

19 Going back, Mr. Hickey, to what you just said, what
20 would you see would be a good mechanism? Because I agree
21 with you completely because if there is no ability to
22 redress and you complain and complain and complain, there is
23 just not much going to happen when money is involved. So
24 let us find a way. What would you suggest would be a good
25 way for these families to be able to seek some redress,

1 whether it is arbitration, mediation, or whatever?

2 Mr. Hickey: Thanks, Senator.

3 I think on a base-by-base, you need to establish a
4 forum for the local people to be able to come and express
5 their concerns and to work with ourselves, plus the service
6 partner, plus the community and the residents. So I think
7 what that structure looks like -- we can work on that. I
8 think we can use best case examples from other industries in
9 other areas. But I think if we can create that environment,
10 I think that goes a long way to actually giving people a --

11 Senator Jones: I do not disagree with you. Your
12 concept would be to establish an overall framework, but let
13 the individual base and their commanders work with the
14 communities and others that are interested to come to some
15 resolution agreement that can come forward. Something along
16 those lines?

17 Mr. Hickey: Yes. I think it is important to bring it
18 back to a base level because I think if you introduce
19 something too high up, it becomes cumbersome, et cetera. So
20 I think there may be scales of --

21 Senator Jones: I do not disagree with that because,
22 obviously, it has not gone too far up with each of your
23 companies right now. So we got to figure that out.

24 So thank you all for the commitments, and I look
25 forward to getting your responses in the very near future,

1 in the next 2 or 3 weeks. Thank you very much.

2 Senator Tillis: Gentlemen, thank you for coming and
3 testifying today. For certain people that come before us,
4 they have an obligation to respond to questions for the
5 record. You do not have an obligation, but we would ask
6 that if you receive questions from the Senate members, that
7 you try to respond to them promptly over the next 2 weeks.
8 We thank you for being here.

9 I particularly look forward to solving these problems
10 and seeking your feedback on the interface to government and
11 other things that need to be made better so you can do your
12 job better. But we have got to do a better job.

13 In the meantime, as I said before, I speak for every
14 Senate Member when I say if you are living in military
15 housing anywhere in this country and you are not getting
16 satisfaction from any of these vendors, call your Senate
17 offices and we will be in touch.

18 You may now step down. Thank you very much again.

19 We are going to seat the next panel.

20 [Pause.]

21 Senator Tillis: Thank you all for being here.

22 In the interest of making sure we can get to questions,
23 I would ask you to try and keep your opening comments to
24 about 4 minutes, submit written statements to the record.
25 We will start with Secretary McMahan.

1 STATEMENT OF HON. ROBERT H. McMAHON, ASSISTANT
2 SECRETARY OF DEFENSE FOR SUSTAINMENT

3 Mr. McMahon: Good afternoon, Mr. Chairman, Ranking
4 Members, thank you for the opportunity to testify on this
5 very important topic.

6 I would like to begin by thanking the family members
7 that were here for bringing and having the courage to come
8 forward and talk about what they did in a very difficult
9 environment. We appreciate not only what do they do, but
10 more importantly, what they do in support of their spouses.

11 What we heard from them reinforces what we already knew
12 and that we collectively have to do significantly better.

13 For those of us that have lived in military housing
14 before privatization -- and I lived in nine different base
15 homes during my 34-year military career -- we know that
16 privatization was the right decision and that the quality of
17 privatized housing is significantly better than when DOD
18 managed it.

19 However, for more than 80 percent of our current
20 military population who did not experience the poor housing
21 conditions of the past, this is all they know, and they
22 expect us to get it right 100 percent of the time.

23 As you all know, 70 percent of our military members
24 live off base. For the 30 percent that live on base, our
25 goal is to offer them a safe, high quality, and affordable

1 home where they want and choose to live. And although our
2 current independently generated satisfaction rate with
3 privatized housing runs approximately 85 percent -- and
4 those are 2017 numbers -- we, as I said before, must and
5 will do better.

6 I had the opportunity to meet with our partners, as
7 well as my service counterparts, on the 1st of February and
8 talk about the issues that we face. And it became clear to
9 me from that meeting that we need to focus in three areas,
10 and it is much of what our family members said. We need to
11 improve upon communication. We need to improve upon
12 engagement, and we need to improve upon responsiveness.
13 Both groups are fully in sync, and that is where we intend
14 to go.

15 And at the same time, we have to work to ensure the
16 long-term viability of our privatized housing projects.
17 Integral to that responsibility is ensuring the fiscal
18 structure of our current projects assures us that these
19 projects will be just as healthy in 15 to 25 years.

20 In closing the Department of Defense and our industry
21 partners are fully committed to the complementary goals of,
22 first, ensuring that today's residents of privatized housing
23 have a safe, high quality, and affordable home where they
24 want to live and choose to live, and second, ensuring the
25 long-term viability of our privatized housing projects so

1 that our future residents 20 years from now have exactly the
2 same thing.

3 I look forward to your questions

4 [The prepared statement of Mr. McMahon follows:]

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1 Senator Tillis: Thank you.

2 Secretary Beehler?

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1 STATEMENT OF HON. ALEX A. BEEHLER, ASSISTANT SECRETARY
2 OF THE ARMY FOR INSTALLATIONS, ENERGY, AND ENVIRONMENT

3 Mr. Beehler: Mr. Chairman, Ranking Members, and
4 distinguished members of the joint Subcommittee on Personnel
5 and Readiness and Management Support, thank you for this
6 opportunity both to testify on the current state of the
7 Army's Military Housing Privatization Initiative and to
8 answer any questions you may have. I look forward to
9 working with each of you to achieve our mutual goal of
10 providing safe and secure housing on all of our Army
11 installations, which directly impacts the readiness,
12 welfare, and quality of life for our soldiers and families.

13 First, I want to address the concerns of our Army
14 family members heard during the first panel. The Army and
15 its leaders at every level down to each Army installation
16 are taking your concerns seriously. All levels of command
17 are actively working to address the problems you have
18 highlighted. Their focus and mine is to ensure the safety
19 and wellbeing of the soldiers and their families who choose
20 to reside in privatized housing. We are all committed to
21 providing a safe, secure living environment. The Army's
22 number one priority continues to be readiness, and that very
23 much begins with our families, including exceptional family
24 members.

25 I would like to introduce for the record at this point

1 a statement on behalf of the Secretary of the Army and the
2 Chief of Staff of the Army. We are deeply troubled by the
3 recent reports highlighting the difficult conditions in some
4 of our family housing. It is unacceptable for our families
5 who sacrifice so much to endure these hardships in their own
6 homes. Our most sacred obligation as Army leaders is to
7 take care of our people, our soldiers and family members.
8 We are fully committed to provide a safe and secure
9 environment on all of our installations. We have directed
10 an Inspector General investigation and have taken other
11 actions. We will hold our chain of command and private
12 contractors accountable to ensure they are meeting their
13 obligations to provide safe, high-quality family housing.
14 And we are going to Fort Meade tomorrow with Army senior
15 leaders to get to the bottom of the situation at Fort Meade.

16 With that, I welcome any and all of you to visit an
17 installation with me to engage directly with the garrison
18 team and visit family homes and service members.

19 Thank you for the opportunity to come before you today
20 and for your continued support of our soldiers, civilians,
21 and families. Your oversight is always welcome in order to
22 provide the best service to our soldiers and families. I
23 look forward to your questions.

24 [The prepared statement of Mr. Beehler follows:]

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1 Senator Tillis: Secretary Bayer?

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1 STATEMENT OF HON. PHYLLIS L. BAYER, ASSISTANT
2 SECRETARY OF THE NAVY FOR ENERGY, INSTALLATIONS, AND
3 ENVIRONMENT

4 Ms. Bayer: Good afternoon. Senator Reed, Senators,
5 thank you for the opportunity to have this dialogue. It is
6 a very important topic.

7 And I want to start out first by -- I want to -- on
8 behalf of Secretary Spencer for the Navy and Marine Corps
9 families and particularly for the ladies here today, I want
10 to apologize for the horrible experiences that you have
11 experienced in your families and in your homes. And we are
12 responsible and we are going to fix it.

13 And with that, Secretary Spencer and I are fully
14 dedicated and committed to ensuring that all marines and
15 sailors and their families live in safe, secure housing that
16 meet or exceed health and safety standards. We are
17 committed to Families First.

18 75 percent of our service members live in off-base
19 housing, and that is 25 percent of our members are in on-
20 base privatized housing. Across the department, we have
21 62,700 privatized homes.

22 Since Congress passed the Military Housing
23 Privatization Initiative, the Navy and Marine Corps have
24 leveraged this private sector investment to obtain the
25 equivalent of \$9.8 billion of improved housing, with only

1 \$1.5 billion of Navy or taxpayer investment.

2 Prior to privatization, government-owned family housing
3 resident satisfaction scores ranged from average to good.
4 And I know you have heard a lot about this, and I am not
5 throwing this up for an excuse. By no means. But today our
6 resident satisfaction scores range from very good to
7 outstanding overall, and it is better than what it was when
8 the government had our housing where we just did not have
9 the discipline to compete with other funding priorities to
10 have quality housing.

11 As we all know from our own housing, maintenance issues
12 are a constant effort, and we must strive to do better.

13 In 2001 and 2011, the Department of Navy learned many
14 lessons from a mold incident with our privatized homes in
15 Norfolk, Virginia. Based on that experience, the Navy
16 incorporated better management practices to address the
17 environmental hazards in our privatized housing. From that
18 experience with our Navy CNIC, we developed a standard
19 operating manual. A copy was sent to each of you. And I
20 will only point this out because this SOP was developed for
21 environmental hazards in privatized housing. It is
22 particularly focused on environmental hazards such as
23 asbestos, carbon monoxide, lead-based paint, radon,
24 security, mold, water infiltration, and pest infestation.
25 The SOP provides enhanced oversight of privatized houses

1 through prescribed actions and notifications through the
2 chain of command to ensure our service members' needs are
3 addressed.

4 The SOP also increases the visibility of property
5 management response times pertaining to health and safety
6 issues, and it helps the Navy hold our partners accountable
7 in their delivery of services to sailors, marines, and their
8 families.

9 At each installation, the Navy and the Marine Corps
10 maintain an installation housing office that monitors our
11 partners' performance. Any significant or systemic concerns
12 are elevated in accordance with our SOP.

13 It is evident that there are cases where we and our
14 housing partners did not meet our expectations. We will
15 hold our partners and ourselves accountable. It is clear
16 that our SOP has not always been followed because the
17 procedures here are written with the intent to address these
18 needs. And you have my commitment and that of Secretary
19 Spencer that we are looking into this problem.

20 Thank you.

21 [The prepared statement of Ms. Bayer follows:]

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1 Senator Tillis: Secretary Henderson?

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1 STATEMENT OF HON. JOHN W. HENDERSON, ASSISTANT
2 SECRETARY OF THE AIR FORCE FOR INSTALLATIONS, ENVIRONMENT,
3 AND ENERGY

4 Mr. Henderson: Mr. Chairman, Ranking Members, Ranking
5 Member Reed, Ranking Member Kaine, and distinguished members
6 of the committee, it is an honor to represent our airmen and
7 our Air Force civilian and our senior Air Force leaders at
8 this hearing today.

9 My full written statement is submitted for the record
10 where we articulate some of the background about the Air
11 Force privatized housing initiatives, some of the challenges
12 we are currently having, and what specifically we are doing
13 about it.

14 The safety and health of our airmen is our highest
15 priority, and we share their frustration with the housing
16 challenges that they are experiencing at some of our bases.
17 These challenges distract our airmen from their mission.
18 This is unacceptable and we all must do better.

19 Now, my assessment -- and that is an assessment based
20 on spending 18 years during my active duty career in some of
21 the very housing run by the folks behind me and my
22 assessment based on my time in this position. What
23 ultimately determines whether a military family has a
24 positive or negative experience in military housing has
25 everything to do with the on-site leadership managing the

1 housing at each location.

2 Generally speaking, where the Air Force has had
3 problems with poor construction quality, which has led to a
4 lot of the mold problems, mismanagement of maintenance
5 requirements, or unresponsive customer service, ultimately
6 the root cause can be linked to a breakdown in
7 communications, a breakdown in oversight and leadership at
8 the site where it matters the most.

9 Now, challenges with facility degradation can be
10 expected and are unavoidable in property management, but
11 there is no excusing any instance where these issues go
12 unaddressed or are allowed to persist to a point where they
13 are impacting the quality of life of airmen and their
14 families. So whether it is the construction companies who
15 build our homes, the project owners who operate and maintain
16 them, or the on-site management teams who serve our airmen,
17 if their highest priority is not aligned with our highest
18 priority, there is no room on the Air Force team for them.

19 To this end, the Air Force will continue to exercise
20 proactive leadership and own these challenges by holding our
21 private sector partners and our on-site leadership
22 accountable for meeting our quality of life, health and
23 safety requirements for our airmen and their families.

24 Please accept our sincere gratitude for your
25 demonstrated support for the Air Force and the opportunity

1 to testify today. I look forward to your questions.

2 [The prepared statement of Mr. Henderson follows:]

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1 Senator Tillis: I am going to defer to Senator Reed.
2 He has another commitment. He will go ahead of me.

3 Senator Reed: Thank you very much, Mr. Chairman.
4 And thank you, Secretaries, ladies and gentlemen.

5 Since you are literally the partners of the private
6 housing companies, I want to ask you the same questions I
7 asked them, and I think a yes or no answer is appropriate,
8 beginning with Secretary McMahon.

9 Do you affirm today that you will do everything in your
10 power to immediately address the issues raised today by
11 military families here and also by those who have testified
12 and submitted material to the committee? Mr. Secretary?

13 Mr. McMahon: Yes, Senator, I will.
14 Secretary Beehler?

15 Mr. Beehler: Yes, Senator.

16 Senator Reed: Secretary Bayer?

17 Ms. Bayer: Absolutely, Senator.

18 Mr. Henderson: Absolutely, Senator.

19 Senator Reed: And as the chairman stresses,
20 communication with Congress in any form is a protected
21 communication of the whistleblower statutes. Do you affirm
22 today that you will do everything in your power to protect
23 the military families who have appeared here today, as well
24 as those who submitted testimony and information to the
25 committee, the Inspector General, and the chain of command

1 from reprisal? Just as a caveat, I was a little distressed
2 when the implication is that the chain of command was not as
3 responsive, in fact, indeed, retaliated against some of
4 these complaints. Secretary McMahon?

5 Mr. McMahon: Yes, Senator, I will.

6 Senator Reed: Secretary Beehler?

7 Mr. Beehler: Yes, Senator. I find retaliation totally
8 unacceptable and will do everything in my power to make sure
9 it never happens.

10 Senator Tillis: Secretary Bayer?

11 Ms. Bayer: Absolutely, Senator.

12 Senator Tillis: Secretary Henderson?

13 Mr. Henderson: Absolutely, Senator. And I would
14 follow on that the Secretary of the Air Force and Chief of
15 Staff have initiated an IG investigation to look exactly
16 into those mechanisms that allow our families to raise these
17 concerns in an environment that is free for communication
18 and allows the chain of command to act.

19 Senator Reed: Well, thank you very much.

20 I think one of the things that we have to do is provide
21 incentives and appropriate disincentives. And it strikes
22 me, listening to the testimony and the questions of my
23 colleagues, particularly the very, very thoughtful testimony
24 of the family members, that what we need is, in some
25 respects, a military housing ombudsman on every post that is

1 empowered. We have them but they are not empowered. That
2 they would be the ones as a representative of the families,
3 not the company or the chain of command, that would certify
4 that the housing is quality housing, not just adequate, but
5 quality housing, and from that certification might flow the
6 retention of the housing allowance, some financial
7 indication that would be appropriate.

8 Secretary McMahon, let me just ask you. Is that
9 something that you could work on or will work on?

10 Mr. McMahon: Senator, we have to find a different way
11 to both incentivize and disincentivize. I would have to
12 have a lawyer in the room to figure out what we can do with
13 the legal documents, what is within the art of the possible.
14 But we have to find solutions to get to a better position
15 than where we are today.

16 Senator Reed: Well, I understand, but part of this I
17 think is sitting down with the companies and, if necessary,
18 renegotiating aspects of the contract so that we can protect
19 the families. That is something I think should be done.

20 Mr. McMahon: Yes, sir. I agree with that, and we have
21 already begun that process. I meet again with them next
22 month to continue this journey to figure out how we can
23 collectively provide a better level of service to our
24 residents.

25 Senator Reed: Just a final comment. It is surprising

1 to me and I think my colleagues on the committee that --
2 particularly let me commend Senator Tillis and his
3 colleagues on the Personnel Committee. They spend a lot of
4 time with DOD personnel, service personnel asking questions
5 about what is going on, how can we help the service men and
6 women and their families. And this issue seems to have
7 caught us by surprise, which suggests that we have to go
8 back and look at -- you know, you are doing surveys. I
9 reviewed the surveys showing 85 percent approval. The
10 companies are doing surveys showing 85 percent. But then an
11 independent party does a survey and it is 55. I just think
12 we have to go and step back, among our many missions we
13 have, and not be caught by surprise again.

14 I am pleased by the testimony in some respects of the
15 companies admitting that they were themselves somewhat taken
16 aback when they discovered that these issues were so
17 flagrant and so serious. So, again, all of you, I would
18 hope you would take that back and do it.

19 Mr. McMahon: Yes, sir.

20 Senator Reed: Thank you.

21 And thank you, Mr. Chairman, for your kindness.

22 Senator Tillis: Certainly, Senator Reed.

23 I am going to defer my questions till the end and give
24 Senator Rounds an opportunity to go.

25 Senator Rounds: Thank you, Mr. Chairman.

1 Let me just begin by just saying, look, I appreciate
2 the service that you have all provided to our country. But
3 I also want to point out something here. I think we have an
4 obligation to call you on the carpet when it does not appear
5 that you are getting your job done.

6 Mr. McMahon, I just want to understand. You pointed
7 out that you have an 85 percent positive rating, and I just
8 want to allow you just a few minutes of my time to clarify.
9 That means 15 percent of all the folks who are out there are
10 telling you that they were not satisfied. What is an
11 acceptable number? And what did you do when you found out
12 that you had 15 percent of these young men and women that
13 were in these housing locations, that they had a problem,
14 enough to where they would report up the line? Can you
15 clarify for us that that was not necessarily something that
16 you were bragging about?

17 Mr. McMahon: Yes, sir, I would. And, Senator, to your
18 question, the acceptable number is 100 percent. And
19 although we may fail at times of being able to support the
20 resident, the question then becomes how responsive and how
21 do we respond to the failures that we have. The clear
22 answer today, as you have heard and as we have seen, is that
23 we have not responded collectively well enough as we have.

24 Senator Rounds: So we got a lot of work to do. And
25 you would say that in terms of your role and responsibility

1 on this, we have got a commitment that this is one that you
2 are going to be working your way from the top down to find a
3 better way to do it.

4 Mr. McMahon: Sir, let me be clear. I am the
5 accountable person in the Department of Defense for ensuring
6 that we provide quality homes to our residents that elect to
7 live on base, and ultimately it is my responsibility working
8 with my partners here and our privatization partners. So,
9 yes, I am committed to that.

10 Senator Rounds: Thank you, sir. And I suspect that
11 this subcommittee may very well be visiting with you again
12 in the future on it.

13 Colonel Henderson, as I know you, but Secretary
14 Henderson, you have over a period of years proven to me that
15 you are a person that is very capable of coming up with
16 solutions and working with people. I just want to know -- I
17 have a two-part question for you, and I have got about a
18 minute and 53 seconds left.

19 First, could you please discuss with the members of
20 this committee what recourse the Air Force currently has at
21 its disposal to hold accountable under-performing privatized
22 housing owners that are on your bases?

23 And secondly, what tools or mechanisms could this
24 committee help provide you with to better hold them
25 accountable in the future?

1 Mr. Henderson: Thank you, Senator.

2 First, we have a myriad of tools that I will not talk
3 about now where we measure performance, and there is a
4 number of those. But when we see those performance
5 indicators start to lag, which we have with a few of our
6 companies, we have these options inside the transactional
7 documents to retain incentive pays. How much incentive pay
8 we have the discretion kind of varies from partnership to
9 partnership. But we have that option and our Air Force team
10 would tell you in a lot of cases we have never paid the full
11 incentive pay, but we always end up having to pay partial.

12 When things get really bad, as they have at Tinker Air
13 Force Base, we have had to stop. We have had to get with
14 the project owner and put them on a very deliberate
15 corrective action plan, which is part of the transactional
16 documents. That is what we can do inside of the programs.

17 We do have the ability to go out with State and local
18 authorities for violations for the EPA, for building codes,
19 and for landlord-tenant laws. For some reason or another,
20 it sounds like at some of our bases that is mixed up, but we
21 do have those authorities also.

22 Additionally, in places where we have found suspected
23 fraud or malfeasance, we have initiated Office of Special
24 Investigation investigations, and we are working with the
25 FBI on some of those currently.

1 Senator Rounds: I am going to ask if you could respond
2 for the record with the remaining portions of answers to my
3 question.

4 But I want to know one more thing. If we could put
5 together a bill of rights, a tenants bill of rights, do you
6 believe that the Air Force -- I know you cannot speak for
7 all of the others, but do you believe the Air Force could
8 participate and work through the issue of creating a bill of
9 rights that the private contractors will use if we do a good
10 job of putting something like that together?

11 Mr. Henderson: Absolutely, sir. And inside the bill
12 of rights -- we talked about this thing of accountability
13 earlier -- there are some important things in there. For
14 instance, the resident should have the choice of whether
15 they pay their rent or not if they feel like their landlord
16 has not given them a healthy and safe place to live. And
17 that makes the landlord responsive financially to the
18 resident.

19 Additionally, I think there should be rebates for
20 untimely repairs, for power outages, and those things that
21 they have to do for self-help. Some of our project owners
22 already do things like that. I would like to see that
23 franchised a bit because that is where we are seeing our
24 positive satisfaction ratings.

25 And then finally, it would be nice if we could look at

1 something where we had a little bit more discretion over the
2 entire incentive fee so when we were not getting the
3 response out of our project owners that we expected, that we
4 had a little bit bigger hammer inside the partnerships to
5 influence that behavior.

6 Senator Rounds: Thank you. Thank you all once again
7 for your service. I appreciate that.

8 Mr. Chairman, thank you for allowing me to move
9 forward.

10 Senator Tillis: Senator Kaine?

11 Senator Kaine: Thanks to all of you. You have heard
12 the same testimony that I have heard. And Secretary
13 McMahon, you used three very good words in your opening
14 comment: "communication," "engagement," "responsiveness."
15 Those are things that are needed. Clearly the frustration
16 of family members not feeling like they have a place to go,
17 they are getting turned away here, turned away there. They
18 do not have an avenue where they can approach to get an
19 answer is really, really important. So those are good
20 words.

21 I want to say, Secretary Beehler, you used great words.
22 You used "accountability" and "apology."

23 Accountability, Secretary McMahon, you said you are the
24 accountable person, but I think what we are going to want to
25 see as we work on the NDAA over the course of the next

1 couple months, where is the accountability for poor
2 performers, you know, where is the mechanism that is a fair
3 mechanism in connection with contracts that exist already
4 and cannot just be torn up. What can we put in that creates
5 accountability for poor performers? Is it a withholding?
6 Is it access to bases by local building officials with the
7 ability sanction poor performers? There has got to be
8 accountability. The communication mechanism is really,
9 really important because it is so frustrating to not get an
10 answer, but there have to be accountability mechanisms.

11 And then I will say, Secretary Bayer, you used the
12 "apology" word, and I highly, highly commend you for that
13 because these folks are owed an apology. And frankly, they
14 are owed an apology more by panel 3 than by panel 2. We
15 ought to hold panel 2 accountable for living up to their
16 contract, but these folks did not volunteer to be a
17 Lendlease tenant or a Lincoln tenant. They volunteered to
18 be a member of the military. They volunteered with their
19 spouses to be soldiers and military families, troops and
20 military families. So to the extent that there is an
21 apology owed, it is more from you all. It is more from the
22 command structure that has let them down by not having the
23 accountability mechanisms so they can live.

24 I asked the panel of the business folks just that
25 simple question. Have any of you ever served? Have any of

1 you ever lived in military housing for the obvious reason?
2 There is no shame in not serving. I did not serve in the
3 military. But if you have not lived the life that these
4 people live, you guys understand the life, but they do not
5 necessarily understand the life. You know, these military
6 spouses -- first, they are in a joint project to
7 patriotically serve this country. Second, they deploy and
8 move around and change locations repeatedly in ways that are
9 extremely stressful. Third, they are dealing with the
10 military deployments of their spouses and family members in
11 the longest war in the history of this country, multiple
12 deployments again and again and again, and worried about the
13 physical safety of their loved ones.

14 And then on top, military spouses have an unemployment
15 rate that is three to five times the national average
16 because it is very difficult to find jobs as a military
17 spouse either because of the absence of high-quality child
18 care or an employer that looks at you and thinks, well, boy,
19 you are really qualified but you are going to move in the
20 next year and a half, so I am not going to hire you.

21 So there is a particular set of challenges that these
22 families deal with that you understand. I am not sure that
23 the private housing providers even after all these years
24 fully understand that. For most of them, it is a division
25 of a big housing enterprise where they are dealing with all

1 kinds of tenants who are not military spouses, not military
2 families to deal with these issues.

3 So this is incumbent upon you to get right in the
4 accountability mechanisms that you set up, and to the extent
5 that we have fallen short, hey, there may be things that we
6 need to apologize for. To the extent that problems are the
7 most persistent in legacy housing, you know, if we did not
8 build it right or maintain it along the way and then it is
9 causing problems, then that is something that we need to fix
10 from a budgetary standpoint.

11 But they are owed an apology and I am glad that you
12 made one, Secretary Bayer.

13 The last thing I would love to ask Secretary Beehler.
14 I know about the GAO investigation. Tell me about the IG
15 investigation you mentioned.

16 Mr. Beehler: Yes, Senator, a couple things.

17 First, when we were made aware of the situation at Fort
18 Benning last -- my office -- I was not in the office, but
19 last August, my office immediately launched an investigation
20 by the Army Corps of Engineers. That report took 10 percent
21 of all --

22 Senator Kaine: Because I am way over time. Just the
23 IG investigation you mentioned. Tell us about that.

24 Mr. Beehler: Yes. The IG investigation is being
25 called by the Chief of Staff of the Army to do spot, swoop-

1 down, splash type of inspections on designated installations
2 that obviously we are not going to reveal in advance in
3 order not to compromise. When we have those results, I
4 would be happy to share them with the committee and engage
5 in further discussion.

6 Senator Kaine: That would be enormously helpful.

7 Thank you, Mr. Chair.

8 Senator Tillis: Senator Sullivan?

9 Senator Sullivan: Thank you, Mr. Chairman.

10 I appreciate some of the initial testimony, Secretary
11 Beehler, with your statement from the Secretary of the Army
12 and the Chief of Staff.

13 And Secretary Bayer, I think it takes -- it is not
14 always easy to apologize, but I think that is warranted
15 here.

16 Secretary McMahon, I appreciate your written testimony
17 on the moral obligation that we have, that you, the Pentagon
18 has, as you mentioned as a military member. I did not like
19 the statement in your testimony about, well, they are not
20 required to live on base. That is kind of a non sequitur in
21 my view. I mean the whole point of this hearing is that if
22 they are going to live on base, it should be appropriate,
23 outstanding housing. So I think you might want to relook at
24 that one because that is not the point in my view at least.

25 Mr. McMahon: Senator, may I respond?

1 Senator Sullivan: Yes, you may.

2 Mr. McMahon: Senator, the intent of that is to say
3 what we want to do is create on-base housing where our
4 residents, our military members and families, want and
5 desire to live. And that is a matter of motivating our
6 private sector partners to build something so that it
7 becomes the first choice. If I implied something other than
8 that, I apologize. But our goal is to make it so good that
9 they want and desire to live there and that is where they
10 choose to live.

11 Senator Sullivan: No. I think that is a good goal.
12 Maybe I read it differently, but I just kind of read it
13 differently. Anyway, the point is if we are providing
14 housing on base, it should be outstanding and it should not
15 be, well, you can always go off base. I do not think anyone
16 believes that. And that is how I read yours and maybe I
17 will take a look at it and reassess it.

18 I want to go to this issue that the first panelist, Ms.
19 Cornwall, raised. I think she called it an unholy alliance
20 or a marriage that exists between the housing kind of
21 entities and maybe even the senior chain of command and the
22 private companies. And I think she was making a good point
23 where it seemed like they seem to be very closely aligned,
24 almost opposed to the interests of the service members,
25 which is the whole damn point of good housing. It is for

1 the men and women in the military and their families.

2 So can any of you address that? I think she is raising
3 a good point. How do we address that?

4 And let me just throw out another question because,
5 again, I do not have a lot of time here. But the chain of
6 command failures. It does seem like something happened or
7 something has happened, not in every case, but where the
8 chain of command, the unholy marriage, as she mentioned,
9 seems to create a situation where the people we are all
10 dedicated and supposed to serve, including this housing
11 situation, gets forgotten or thought about last. And I
12 would like you to comment on that. I know you were all here
13 for her testimony, but it seems to me it was powerful.

14 Mr. McMahon: Senator, if I could comment on your
15 second question first, and that is this concept of
16 leadership. Whether it is on the private partner side or
17 whether it is on the military side, it is clear to, I think,
18 all of us that there has been breakdown in leadership. We
19 have senior NCOs who ought to represent the needs of their
20 soldiers, sailors, airmen, and marines. We have first
21 sergeants. We have commanders at all levels whose job it is
22 to take care of the individual and take care of the family.
23 We recruit the individual. We retain the family. And if we
24 are not doing that on the military side, we are failing.

25 If, on the other side, that first line of defense is

1 the manager on the local base, if they are not sensitive to
2 those requirements, we failed there.

3 And so this is a failure of leadership on both sides
4 that we need to address and figure out how we change the way
5 we attack this.

6 Senator Sullivan: How about this unholy marriage or
7 alliance that she was referencing?

8 Mr. McMahon: Sir, as you know from your private sector
9 time, it is about partnerships. I will tell you that it is
10 absolutely essential that we are partners, that we
11 understand what each brings to the table. These homes, as
12 you know, are not government homes. They are private homes.
13 And so we have to acknowledge that and the legal elements
14 associated with that. At the same time, we have to partner
15 with them in a way that provides, at the end of the day, the
16 best quality home that we can to our residents.

17 Senator Sullivan: Thank you, Mr. Chairman.

18 Senator Tillis: Senator Warren?

19 Senator Warren: Thank you, Mr. Chairman.

20 So ultimately, each of you are here representing the
21 services, and you are responsible for making sure that these
22 private partners are providing safe housing, responding to
23 maintenance on time, generally satisfying the terms of their
24 agreements. In practice, these private housing providers
25 are virtually guaranteed to make a profit. They get a base

1 fee plus costs. Your big tool is the incentive fee.

2 Now, DOD told the committee that the incentive fees
3 were paid out about 95 percent of the time. And you heard
4 the testimony from the companies themselves. Not a single
5 one said they were ever denied all of their incentive fees,
6 at the same time that we are receiving testimony about
7 appalling conditions.

8 So I just want to understand what has gone wrong here,
9 how it is that these guys can get 95 percent of their
10 incentive fees, plus their base fee, plus their expenses at
11 the same time that we are hearing this kind of testimony.

12 So let me ask my first one. Secretary McMahan, tenant
13 surveys are your main tool to determine whether private
14 partners are meeting their obligations, but those surveys
15 evidently did not alert you to the mice, the mold, and the
16 lead poisoning. So do you agree that surveys are not giving
17 you a complete picture of what is going on?

18 Mr. McMahan: Yes, Senator, I agree with that. And
19 just so you know, what we see in returns on an annual basis
20 is somewhere between 35 and 50 percent from our residents.
21 So we are only getting a partial picture.

22 Senator Warren: All right. And do you independently
23 verify what you are getting on surveys through inspections?

24 Mr. McMahan: Senator, the data that I just gave you is
25 from a third party independent. So it is not --

1 Senator Warren: No, no. I am asking whether or not
2 you do any inspections or contract with someone to do
3 independent inspections. Do you only do the surveys?

4 Mr. McMahon: That is correct, ma'am, at the Department
5 of Defense level. We defer the rest of that to the services
6 who actually own the --

7 Senator Warren: So is anybody doing anything beyond
8 the surveys? Secretary Beehler?

9 Mr. Beehler: Senator, we have conducted annual ground
10 lease surveys of the condition of the outside of the houses.
11 As I started to refer, we launched an Army Corps of
12 Engineers investigation where we surveyed 10 percent of all
13 properties.

14 Senator Warren: Let me just stop then. You have a
15 housing portfolio that is more than 200,000 units. Are you
16 telling me you surveyed 20,000 units last year?

17 Mr. Beehler: Senator, we focused on -- no. We did
18 investigations inspections of the houses that had -- they
19 were pre-1978 that had lead --

20 Senator Warren: I appreciate it. Listen, I am sorry,
21 but I am short on time here, and I know we are trying to
22 stay within a time limit.

23 I am just trying to ask out of 200,000 housing units,
24 how many inspections did the services do last year.

25 Mr. Beehler: Well, for the Army we have roughly

1 100,000. We have done inspections both inside and outside
2 of all of the houses, to the best of my understanding.

3 Senator Warren: So you are telling me you did 100
4 percent inspections last year?

5 Mr. Beehler: During the course of a year, yes.

6 Senator Warren: In the course of a year, you inspect
7 100 percent of the housing, and you did not find any of
8 this?

9 Mr. Beehler: What we found we took and had made
10 repairs and instigated work orders.

11 Senator Warren: Okay. So you inspected but you did
12 not see the rats? I just do not understand what that means.

13 Mr. Beehler: I will take for the record and go back
14 and provide what our inspections found that were not
15 acceptable and what actions were taken to address it.

16 [The information follows:]

17 [SUBCOMMITTEE INSERT]

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1 Senator Warren: So how many State and local housing
2 inspectors were invited onto base last year?

3 Mr. Beehler: Senator, I will have to take that for the
4 record and provide.

5 [The information follows:]

6 [SUBCOMMITTEE INSERT]

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1 Senator Warren: You know, I will quit because I
2 understand where we are on this.

3 But this just is not right. These contracts are bad
4 enough as they are. A guaranteed profit -- virtually
5 guaranteed in return for which they are supposed to provide
6 decent housing. And the one tool you have got is to say
7 there has got to be some performance evaluation here. And
8 to give away 95 percent of the performance-based money at
9 the same time that we are hearing from the people who live
10 in this housing that it is rat-infested, that it is dirty,
11 that things leak, that is just not right. You are not using
12 the tools that Congress gave to you on behalf of our service
13 members. And until this gets fixed, we got a real problem.

14 [Applause.]

15 Senator Tillis: Senator Blumenthal?

16 Senator Warren: Thank you. Sorry, Mr. Chairman.

17 Senator Blumenthal: Thank you, Mr. Chairman.

18 I am going to begin where Senator Warren ended because
19 when I first learned about this absolutely outrageous
20 scandal, in effect, hiding in plain sight, my first question
21 was when did you know about it. So maybe you can tell me,
22 Secretary McMahon, when you first knew about this problem.

23 Mr. McMahon: Senator, as you know, I was reconfirmed
24 for the position that I am in and took over this
25 responsibility effective 1 November. Part of the

1 conversation as I prepared for this was to find out that
2 there were issues. As such, as early as middle January, I
3 scheduled to meet with my partners here, as well as the
4 privatization partners, to look into the details.

5 Senator Blumenthal: Did your predecessor know about
6 it?

7 Mr. McMahon: Sir, I do not know the answer to that
8 question.

9 Senator Blumenthal: And when you were briefed about
10 it, I assume the folks who briefed you had known about it
11 for some time.

12 Mr. McMahon: Sir, I cannot put words in their mouth.
13 I do not know the answer to that question.

14 Senator Blumenthal: Well, I would like to ask you for
15 the record to provide us with information about what was
16 known, who knew it and when.

17 Mr. McMahon: Yes, Senator. I will take that for the
18 record.

19 [The information follows:]

20 [SUBCOMMITTEE INSERT]

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1 Senator Blumenthal: And I would like to know also what
2 accounts for the disparity between the Department of Defense
3 85 percent satisfaction survey versus the Military Family
4 Advisory Network survey which shows 50 percent satisfaction.

5 Mr. McMahon: Senator, I will take that for the record
6 as well and provide --

7 [The information follows:]

8 [SUBCOMMITTEE INSERT]

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1 Senator Blumenthal: Well, what would be your response
2 right now?

3 Mr. McMahon: Senator, I cannot comment on the study or
4 the survey that was done by the family group. I do not know
5 how widespread it was or whether or not everyone was offered
6 the opportunity. I do know that on the annual survey, it
7 sounds like there is a much larger population that is
8 surveyed.

9 Senator Blumenthal: Would you support the proposal
10 that has been advanced by the military families -- I
11 certainly support it -- that the basic allowance for housing
12 payments should be cut until housing conditions, acceptable
13 standards are met?

14 Mr. McMahon: Sir, working with the lawyers, something
15 along those lines I think would be prudent to ensure that we
16 incentivize our partners to respond rapidly.

17 Senator Blumenthal: I am going to take that as a yes
18 because I think that more than an apology needs to be
19 provided. I accept that you are new and all of you may have
20 come into these positions after the problems arose, but now
21 more than apologies, I would like to see accountability
22 imposed on those providers of housing, the landlords, the
23 renters because if we were in the private sector and I were
24 still attorney general of the State of Connecticut, I would
25 be saying let us sue the -- and there would probably an

1 expletive. Let us sue them. Right?

2 [Applause.]

3 Senator Blumenthal: So that option for the families is
4 costly, burdensome, and frankly risky. But for the
5 Department of Defense to take their side and be their
6 advocate and champion it seems to me is basic
7 accountability. Would you agree?

8 Mr. McMahon: Senator, I would agree that there is
9 additional accountability on both our private partner side,
10 as well as on the military side.

11 Senator Blumenthal: And let me just ask you one more
12 question. If those families were to withhold housing
13 payments from their private landlords, I assume there would
14 be no retaliation by the Department of Defense.

15 Mr. McMahon: What I would tell you, Senator, is there
16 should be absolutely no reason for retaliation whatsoever on
17 any of these issues as our job is to take care of our
18 military members and their families.

19 Senator Blumenthal: And it is a matter of military
20 readiness. Would you agree?

21 Mr. McMahon: Yes, sir.

22 Senator Blumenthal: Because no one is going to want to
23 put their families through this kind of hardship.

24 Mr. McMahon: Senator, as I mentioned earlier, we
25 recruit the individual. We retain the family. It is

1 absolutely essential that we take care of both.

2 Senator Blumenthal: Thank you.

3 Thanks, Mr. Chairman.

4 Senator Tillis: Thank you.

5 I actually deferred to the end. My colleague, Senator
6 Rounds, probably thought I was doing it because I was nice,
7 but this way I can talk longer and I am not holding anybody
8 else up.

9 [Laughter.]

10 Senator Tillis: Except for the ranking member.

11 Now, I want to be very brief because, as I said to the
12 first panel, this is the beginning. This is more or less
13 the tip of the iceberg. There is a lot of work that has to
14 be done here. I think it was Senator Reed who said that he
15 remembers the military housing back when leisure suits were
16 popular. About that time.

17 Senator Reed: Yes.

18 Senator Tillis: And it was a horrible situation. That
19 is when DOD was doing it.

20 Quite honestly, I do believe that the public-private
21 partnership is a way to be able to have a better chance and
22 a more consistent, reasonably priced property. I think most
23 of us agree with that. If not, those who testified or
24 otherwise, please provide the feedback. But there are a lot
25 of structural things that we need to do differently.

1 And, Secretary McMahon, as the convener in all of DOD
2 with the lines of service, I have heard Secretary Bayer talk
3 about the standard operating procedure for the Navy.

4 Now, I know the lines of service come in here and they
5 will oftentimes say that they have to do things differently
6 because of their mission set. I cannot imagine that there
7 is a different best practice for Air Force housing than
8 there is for Marine housing or Army housing.

9 So one thing I would like for you all to start doing
10 very quickly is figure out who is doing things right or
11 better and start building best practices and not have
12 variations, which I think exist.

13 I think we also need to go back to the 82 or so
14 contracts that are out there and determine to what extent
15 they need to be modernized that is a fair and equitable
16 treatment for the DOD, for the private sector, but mainly
17 for the tenants, the people who are renting these houses.

18 And finally, I was trying to figure out -- I think,
19 Secretary Bayer, when you were talking about the standard
20 operating procedure and you were listing off some of the
21 hazards, is there like a trip mechanism now to where if
22 somebody called up and called whoever their private housing
23 provider is and said I see black mold, I see mushrooms
24 growing in my second story bathroom, I see these things that
25 I have a reason to believe that I have lead paint exposure

1 -- is there any tripping mechanism right now that just
2 absolutely escalates that to make sure that they are being
3 handled within the Navy?

4 Ms. Bayer: Yes, Senator. The processes and the
5 procedures are in the SOP.

6 Senator Tillis: Are they being followed?

7 Ms. Bayer: Exactly.

8 Senator Tillis: And if they are not being followed,
9 what is the recourse for the people not following them?

10 Ms. Bayer: It is a leadership issue. When I look at
11 the SOP and -- we have these maintenance calls. So there is
12 emergency maintenance calls, urgent maintenance calls, or
13 routine maintenance calls.

14 Senator Tillis: Well, I would argue that that is one
15 thing, without getting into the SOPs of the other lines of
16 service. Secretary McMahon, I believe there is a right and
17 wrong way to do that. The escalation procedures and the
18 repercussions for when the escalation does not occur need to
19 be very clearly spelled out.

20 Ms. Bayer: The point is there, Senator, is we just
21 need to hold leaders accountable that we are following our
22 procedures.

23 Senator Tillis: Well, that is right.

24 That actually gets to the last thing that I wanted to
25 talk about, and it has to do with retaliation. Nothing irks

1 me more than abuse of authority. And I consider retaliation
2 from somebody in a position of authority is the worst kind
3 of leadership you can possibly exhibit. And as the chair of
4 the Personnel Subcommittee and someone who gets consulted
5 with on future promotions, I can assure you if there is even
6 a whiff of retaliation among leaders that come before my
7 committee, they better find a different line of work.

8 I mean, this is a very important issue that needs to be
9 solved quickly. I hope that you all will convene and come
10 back and give us suggestions particularly with respect to
11 any additional authorities or revisions that we need to make
12 in advance of the National Defense Authorization Act. If
13 there are things that you need, we need to know that fairly
14 quickly.

15 But I also want to see evidence pretty quickly that you
16 are engaging the two dozen or so private housing providers
17 in each of your lanes and solving this problem and coming
18 back with very different results in the near future.

19 I also want to -- on behalf of the chair, he
20 appreciates all of you coming in today and he wants to
21 assure you that he is clearly -- on the one hand, this is a
22 joint committee between my Personnel Subcommittee and
23 Senator Sullivan's Readiness Committee. But the chair and
24 the ranking member thought enough of this that they want to
25 elevate this to the full committee level. At the same time,

1 both the chair and the ranking member have encouraged both
2 me and Senator Sullivan and our respective ranking members
3 to go through our own process, probably hold other hearings
4 so that we are moving this along.

5 So you can expect in my capacity as Personnel
6 Subcommittee chair that you will be getting an invitation to
7 come back, and we will be wanting some specific answers to
8 questions. You can also expect questions for the record
9 from many of us, particularly those of us on the
10 subcommittees, other members. And we would expect or would
11 appreciate a prompt response because we want to produce a
12 result.

13 Again, in the meantime, anybody out there, all the
14 networks, all the interest groups that are watching this,
15 please make sure they know that the Senators are here to do
16 the casework.

17 Actually there is one other thing and then I will stop.

18 By the way, I yielded back 1 and half minutes from my
19 first line of questions.

20 [Laughter.]

21 Senator Tillis: So I am only 30 seconds over so far.

22 Is there anything that would prohibit any of you all
23 from sending a letter to current military housing tenants
24 saying we are concerned about this? You may have a work in
25 progress. We want to know about it. Is there anything

1 within the contracts that would prevent you from doing that?

2 Mr. Beehler: Sir, on behalf of the Army, I will double
3 check. I do not know of anything, but I will definitely
4 check and hopefully we can do as you suggest but I need to
5 check.

6 Senator Tillis: Whatever is most expedient, whether it
7 is snail mail, email communication. But I think that we owe
8 to these tenants, particularly these young people, to know
9 that we have their back and that you are willing to help
10 them. And while the private providers are helping, I think
11 you owe it to the current base and maybe over some recurring
12 period until the foreseeable future when we are convinced we
13 have got a handle on this problem. I think you should do
14 that to your base.

15 Thank you all for being here today. And again, stay
16 tuned. We will be reaching back out to you and look for
17 questions for the record.

18 The meeting is adjourned.

19 [Whereupon, at 5:07 p.m., the hearing was adjourned.]

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