

You are here: LAT Home > Articles > 2003 > December > 17 > National

Senator's Way to Wealth Was Paved With Favors

By Chuck Neubauer and Richard T. Cooper
December 17, 2003

He wielded extraordinary power in Washington for more than three decades, eventually holding sway over nearly \$800 billion a year in federal spending.

But outside the halls of the U.S. Senate, which is a world of personal wealth so rarified some call it "the Millionaires' Club," Sen. Ted Stevens (R-Alaska) had struggled financially.

Then, in 1997, he got serious about making money. And in almost no time, he too was a millionaire – thanks to investments with businessmen who received government contracts or other benefits with his help.

Added together, Stevens' new partnerships and investments provide a step-by-step guide to building a personal fortune – if you happen to be one of the country's most influential senators.

They also illustrate how lax ethics rules allow members of Congress and their families to profit from personal business dealings with special interests.

Among the ways that Stevens became wealthy:

* Armed with the power his committee posts give him over the Pentagon, Stevens helped save a \$450-million military housing contract for an Anchorage businessman. The same businessman made Stevens a partner in a series of real estate investments that turned the senator's \$50,000 stake into at least \$750,000 in six years.

* An Alaska Native company that Stevens helped create got millions of dollars in defense contracts through preferences he wrote into law. Now the company pays \$6 million a year to lease an office building owned by the senator and his business partners. Stevens continues to push legislation that benefits the company.

* An Alaskan communications company benefited from the senator's activities on the Commerce Committee. His wife, Catherine, earned tens of thousands of dollars from an inside deal involving the company's stock.

Stevens, in a written response to questions submitted by The Times, said that in all these cases his official actions were motivated by a desire to help Alaska, and that he played no role in the day-to-day management of the ventures into which he put money.

"I am a passive investor," Stevens said of his real estate dealings. "I am not now nor have I been involved in buying or selling properties, negotiating leases or making other management decisions."

All in the Family

In these deals and others, Stevens' brother-in-law, William H. Bittner, played a pivotal role. An Anchorage lawyer and lobbyist, Bittner represents major business interests for whom the senator has repeatedly gone to bat. In one instance, Stevens engineered a \$9.6-million federal appropriation that chiefly benefited a Bittner client, part of South Korea's **Hyundai** conglomerate.

Stevens tucked a single line into a must-pass appropriations bill that used federal tax dollars to buy the company out of a coal-loading facility in Seward.

Stevens said he did it to lower the company's costs and keep it from canceling an agreement to buy Alaskan coal. Bittner did not respond to questions from The Times.

Stevens' relationship with Bittner fits an increasingly widespread pattern in Washington: Senior senators do favors for special interests that pay hundreds of thousand of dollars in lobbying and consulting fees to the senators' children, spouses and other relatives.

As The Times documented in a series of articles in the summer, Sens. John B. Breaux (D-La.), Trent Lott (R-Miss.) and Orrin G. Hatch (R-Utah) did favors for companies and groups that paid their sons as lobbyists and consultants. Sen. **Harry Reid** (D-Nev.) has pushed through federal land trades and other provisions benefiting Nevada interests that employ his sons and son-in-law.

The Times also reported that Stevens had continually supported interests that paid his youngest son, Ben, hundreds of thousands of dollars as a consultant.

The senators all said their decisions on policy issues and legislation had not been influenced by their relatives.

But Stevens' dealings have carried him a step further. His official actions have helped individuals and companies from which he himself draws financial benefits, a six-month Times examination found.

His required financial statements have fallen short of complete disclosure – especially on the activities of a small investment corporation owned by his wife and her family, a company that is covered by the reporting rules.

The Senate has few ethics rules governing such arrangements. Although accepting expensive gifts and speaking fees is banned, the conflict-of-interest rules are much less explicit. For example, nothing clearly bars a senator from sponsoring legislation that benefits the clients of family members who lobby. Nor are lawmakers prohibited from going into business with people receiving legislative favors.

Mainly, the Senate relies on an ill-defined injunction not to bring shame upon the body.

Senate Ethics Committee Chairman George Voinovich (R-Ohio) declined to discuss the issues raised by The Times articles.

House Ethics Committee Chairman Joel Hefley (R-Colo.) said he hoped to convene an advisory panel of current and former House Ethics Committee members next year to examine a range of ethics questions, including how to address the issue of lobbying by relatives.

"I do think we ought to revisit this," he said. He declined to comment on the issue of lawmakers' financial partners.

Lawmakers should be careful about their business relationships, John D. Saxon, a former Senate Ethics Committee counsel, said, speaking generally and not about Stevens in particular.

"It's a very slippery slope for a member of Congress to be entangled with someone in a business dealing and then use their official position to help them, even if it's on something completely different," he said.

'Stevens Money'

Today, Stevens is the longest-serving Republican in the Senate, and as president pro tempore stands just behind the vice president and the speaker of the House in the constitutional line of succession to the Oval Office.

For more than 20 years, he has been chairman or ranking member of the Senate's Defense Appropriations Subcommittee. Since 1997, he has been chairman or ranking member of the full Appropriations Committee, which must approve every dollar of federal discretionary spending each year.

Stevens' position as a senior member of the Commerce Committee adds to his clout – especially in telecommunications policy, which is under the committee's jurisdiction.

In Alaska, Stevens exerts unparalleled influence. No state is so dependent on federal dollars and decisions. The federal government still owns 60% of all its land, generates one-third of all jobs, and holds the keys to economic growth through regulation of its major industries – oil and gas, fishing, timber and tourism.

Federal spending in Alaska, known locally as "Stevens money," runs as much as 70% above the national average on a per capita basis.

Since his first day in the Senate in 1968, Stevens has delivered for Alaska.

He has won tax breaks for Native businesses, bailouts for fishermen, a pipeline for an oil consortium and restoration of an abandoned Army post as a tourist attraction for a Yukon village.

He got \$28 million for a rail terminal open only during the summer and \$40 million for a commercial space satellite facility.

Almost every institution, region and segment of the population in the state has benefited from Stevens' efforts, from its schools and social programs to its transportation system, its urban areas and the far-flung villages of Alaska's Native peoples.

But during the period Stevens has grown wealthy, some longtime supporters say, the senator has become less willing to hear their views.

"I've been here a long time, and always had a great deal of respect for Sen. Stevens' enormous power and the good he's done for Alaska," Terry Haines, a veteran commercial fisherman from Kodiak Island, said recently. "But lately he's become extremely rigid and doesn't seem to be listening to his constituents much."

Hard Times

Theodore Fulton Stevens was born Nov. 18, 1923, in Indianapolis. At the outset of the Great Depression, when Stevens was 6 years old, his parents divorced, according to his campaign biography.

Stevens went to live with his grandparents after the divorce, helping out by selling newspapers and working evenings and weekends in a drugstore. He later moved in with an aunt and uncle in Manhattan Beach, Calif., where he graduated from high school. Both his father and grandfather died of cancer, Stevens has said.

Stevens joined the Army Air Corps during World War II, flying cargo planes "over the Hump" in the Himalayas – some of the most dangerous missions of the war. He won two Distinguished Flying Crosses and two Air Medals, his biography says.

The biography describes how he graduated from UCLA and Harvard Law School. After working in the 1952 Eisenhower campaign, he was hired by a Washington lawyer, but soon took a new job as a lawyer in Alaska, which was still a territory.

He played a leading role in the successful campaign for statehood, but Alaska's voters rejected Stevens the first two times he ran for the Senate.

Winning a seat in the state Legislature, he became House majority leader and go-to man for Gov. Walter J. Hickel. In 1968, when Sen. E.L. "Bob" Bartlett died unexpectedly, Hickel picked his ally to fill the vacancy.

In the Senate at last, Stevens worked hard to master legislative details and committee politics.

But increasing political success was accompanied by personal tragedy.

In 1978, his first wife, Ann, died along with four others when the executive jet carrying them home crashed at the Anchorage airport. Stevens was one of two survivors.

At that point, the Stevens' five children were adults. Two years later, he remarried, and soon had a daughter, Lily, who recently graduated from college.

In the 1980s, Stevens and his new wife, the former Catherine Bittner, suffered a serious financial reversal.

Along with her younger brother, William Bittner, and other partners, Stevens invested in the construction of a \$2-million crab boat, records show. Before it was finished, costs soared and the crab market crashed, plunging Stevens into debt.

The unexpected inheritance of a 54-foot yacht helped Stevens to regain his financial footing. Records show the boat was a bequest from the late Charles Willis "Bill" Snedden, publisher of the Fairbanks Daily News-Miner, a longtime friend of Stevens'. Stevens sold the boat for about \$400,000, according to a source involved in the transaction who did not want to be named.

Stevens' financial problems underscored the disparity between his personal situation and that of his wealthy Senate colleagues.

In a news interview in the late 1980s, he lashed out at Alaska voters for failing to appreciate the personal and financial sacrifices he had made for them.

A \$50,000 Investment

In 1997, Stevens began making up for lost time.

"Money was never what Ted Stevens was about," one close associate said of Stevens' sudden focus on accumulating wealth. The associate attributed it to Stevens' age – he turned 80 last month – and to concern about his family.

Whatever the reasons for the change, sometime in 1997 – acting at the senator's request – brother-in-law Bittner contacted a friend, Anchorage real estate developer Jonathan B. Rubini, about investment opportunities for the senator, Rubini said.

At the time, Stevens was making about \$130,000 a year as a senator, and his wife reported annual earnings of about \$100,000.

Rubini said he would be honored to help, the developer recalled recently during extensive interviews in his Anchorage office.

A lawyer and a Democrat known for representing liberal clients, Rubini had a gift for engineering complex deals.

Rubini and his partner, Leonard B. Hyde, made it a practice to form a separate syndicate of investors for each project. Bittner had often been among those participants. Rubini arranged for Stevens to put up \$50,000, giving him a 7.7% interest in a new syndicate called JLS Properties.

Rubini, Hyde and another partner who came in on the deal were required to personally guarantee, if necessary, debts the partnership took on. They also agreed to contribute more capital if needed.

Stevens was not asked to guarantee notes or promise more money because he was brought in as a passive investor, Rubini said. The senator said

he asked for that status because it shielded him from the kind of open-ended financial obligation that had caused his "bad experience" in the crab boat venture.

The deal began in characteristic Rubini fashion, with the purchase of an \$11-million collection of what he called "ragtag" properties, whose out-of-state owners wanted to unload. Rubini quickly resold several of the properties to pay down debt.

Among the properties retained were a small office park near the Anchorage airport and a modest two-story office building downtown. Within three years, Rubini said, Stevens' equity climbed to about \$250,000.

Stevens also invested \$50,000 in a separate Rubini syndicate to acquire an apartment complex in Fairbanks in 1999, records show. Stevens' equity in that property has grown too, Rubini said.

A Federal Contract

Stevens was soon in a position to do a favor for Rubini.

When Elmendorf Air Force Base, immediately north of Anchorage, was selected to participate in a new Pentagon program to privatize base housing, Rubini and another set of partners bid on the \$450-million contract in 2000.

The chosen developer would take title to the existing housing, upgrade and expand it, then rent the houses back to service families. At 828 units, the Elmendorf contract was far larger than anything Rubini had built before – "a big reach for us," as he put it.

Yet with low-interest government construction loans and the Air Force pledging to pay tenants' housing allowances directly to the contractor for the next 50 years, it looked like a moneymaker.

Bittner became an investor in the Elmendorf group that Rubini put together, records show. Stevens did not, and he said Monday that he had been unaware of Bittner's involvement.

The senator said he "strongly supported" privatization because it improved housing for military families and "it would greatly enhance the likelihood that Elmendorf would not be closed in the next round of base closures."

When Rubini sought more time to prepare his bid, Air Force officials noted in their records, he sent the senator a copy of the request.

"I purposely CC'd Sen. Stevens to send a signal to the Air Force that we would raise the issue with the Alaska delegation if the Air Force acted unreasonably," Rubini said.

Although it was less than he wanted, Rubini was given a two-week extension.

With only the final paperwork to wrap up, Rubini was told he'd won.

Then, in September 2000, days before the deal was to become final, the Air Force reneged. One government memo said the Air Force thought Rubini's group "lacked capacity and adequate financing" – claims Rubini strenuously rejects.

Rubini, whose group had already spent \$1 million on preparation work, fought back. He filed a formal protest and also wrote to Stevens, explaining the problem and requesting help. Then he flew to Washington. First, he tried to talk to Air Force officials, who refused to see him. Next, he visited Stevens on Capitol Hill.

The meeting went so well that Stevens invited Rubini home, where they watched one of the presidential candidate debates between **Al Gore** and George W. Bush, Rubini said.

Military Offensive

Stevens said he decided to get involved with the Elmendorf project.

"My involvement with the Elmendorf project was motivated to ensure that the Air Force moved forward," he said in his written response.

In addition, he said, he was "looking out for an Alaskan company that was getting short shrift from the Department of Defense."

Stevens did not answer questions about the specific actions he took. He was quoted in an August Anchorage Daily News article as saying he called Air Force generals. The article reported on his relationship with Rubini.

Whatever he did, the Air Force began to feel some heat.

As chairman of Appropriations, Stevens is an ex officio member of its Military Construction Subcommittee. The chairman of that subcommittee, Conrad R. Burns (R-Mont.), is one of Stevens' fishing buddies.

In October 2000, Burns wrote to the secretary of the Air Force, F. Whitten Peters, threatening to take away the Elmendorf privatization money

because of the glitch in awarding the contract.

Burns arranged for a similar letter to go to the Air Force from the chairman of the corresponding House committee, and House aides said they knew Stevens was interested in the matter.

Burns did not respond to calls or written questions about his actions.

Meanwhile, Rubini tried one more move: joining forces with the only other Elmendorf bidder – Hunt Building Corp. of El Paso. Hunt was an established builder of military housing, though the government had forced the company to pay \$8 million in compensation for construction problems on an earlier project.

In early December 2000, the Air Force put aside its reservations and decided Rubini and his new partner were acceptable.

Rubini said he did not know specifically what Stevens did on the Elmendorf project. Whatever it was, "Sen. Stevens would have stepped up to assist any Alaska business," he said.

Air Force officials say they are happy with the work Rubini's firm has done at Elmendorf, and recently announced the Rubini group would get to do a second round of housing upgrades without further competition – this phase 50% larger than the first.

Inside Track

Stevens' efforts to help Rubini with Elmendorf came just as Rubini was making a decision that transformed Stevens from a modestly successful investor into a millionaire.

In October 2000, while Rubini was enlisting the senator's help with the Air Force, the developer acquired 30 acres in midtown Anchorage that he planned to cover with gleaming office towers.

Like Elmendorf, this deal was a big step up for Rubini – larger both in size and potential profits than his earlier ventures.

And Rubini chose to make Stevens and JLS Properties part of it. He said JLS had accrued equity in the properties it already owned and thus could help with the new financing.

Rubini could have financed the new development in many ways. He could have used the financial resources of almost any of his numerous successful holdings. Or, as he frequently did in such cases, he could have attracted an entirely new set of investors.

Why did he choose to use JLS to help with financing instead of one of the other options? It was just a decision he made, Rubini said.

Once again, the senator did not have to agree to guarantee the new venture's debts, as the other JLS partners were required to do.

The first new building to be constructed, called Centerpoint I, is a striking \$35-million edifice with commanding views of snow-capped mountains. The remainder of the 30-acre parcel is being developed as Centerpoint II. Stevens is part of that project too.

Stevens has reported that his investments in JLS, Centerpoint I and Centerpoint II, all stemming from his initial \$50,000 investment, are now worth between \$750,000 and \$1.5 million.

Rubini said there was no connection between Stevens' intervention on Elmendorf and Rubini's decision to move the senator into the Centerpoint deals.

"Clearly, a phone call from Sen. Stevens does not hurt," Rubini said, referring to the senator's contacts with the Air Force on his behalf.

"But there was no quid pro quo, plain and simple," he said.

Lifetime Annuity

Today, Centerpoint I is fully occupied as the new headquarters of the Arctic Slope Regional Corp., which is paying \$6 million a year on a 20-year lease.

Arctic Slope is no ordinary tenant. A \$1-billion-a-year business, it is the largest Alaskan-owned company in the state. More important, the company – along with 12 other regional Native corporations – was created through legislation the senator took the lead in drafting. And it has prospered through his continuing efforts in the Senate.

Arctic Slope and the other Native regional corporations were born in 1971 as part of a landmark bill called the Alaska Native Claims Settlement Act, hailed as a humanitarian alternative to the failures of traditional reservations.

Under the act, about 40 million acres and almost \$1 billion in working capital went to Native corporations and to some 200 much smaller village bodies to settle their claims to land. They were to help their shareholders, the Native people living in their regions, by making investments, starting businesses and in other ways generating economic activity.

Many of the Native corporations have found it hard to fulfill their mission, but Arctic Slope, which represents Inupiat Eskimos on the oil-rich North Slope, gradually built a strong base providing support services to the giant oil companies at Prudhoe Bay.

And Stevens is now fighting to authorize oil extraction from the nearby Arctic National Wildlife Refuge, where Arctic Slope owns petroleum rights to 92,000 acres.

Thanks to Stevens, Arctic Slope and the other Native corporations also enjoy preferences when seeking federal contracts that go well beyond anything available to blacks or Latinos, even though Arctic Slope ranks among the nation's 500 largest privately owned companies.

One set of preferences that Stevens inserted into his annual defense appropriations bills recently enabled Arctic Slope and another Native corporation to land a \$2-billion Pentagon deal without competitive bidding.

Now money is flowing the other way – to Stevens.

A company executive, Conrad Bagne, said Arctic Slope did not find out about Stevens' ownership in Centerpoint until the company had finalized the deal. He said Stevens' involvement had no effect on the company's decision to sign the lease and that there was no impropriety.

"No one is more committed to public service than Sen. Stevens," Bagne said.

Stevens now has a personal stake in his tenant's future. At the same time, he continues to aid the company's bottom line through his position as chairman of the Appropriations Committee. This year, for example, he pushed through legislation renewing the federal defense contract preferences.

In addition, Stevens has inserted a provision in this year's pending appropriations bill that directs federal agencies to consult with Arctic Slope and the other Native corporations on equal footing with tribal governments. This gives Arctic Slope, for one, new legal standing when pushing to open the Arctic wildlife refuge to oil and gas drilling – a position opposed by at least some tribal leaders.

"I have and will continue to work with all Alaska Native corporations – both individually and collectively – in my official capacity," said Stevens, noting that he does not deal directly with Arctic Slope on its lease.

An Arctic Slope subsidiary has paid Bittner \$120,000 since 2002 to lobby on appropriations and government contracts.

Hidden Interest

Business interests that look to her husband for support have also enriched Catherine Stevens in a series of transactions that went through Chamer Co., the private family investment firm run by Bittner.

Sen. Stevens did not report some of these deals on his financial disclosure reports; others were reported only sketchily – without the details required by law.

One of the transactions was a quick stock deal involving the Alaska Communications Systems Group that earned Catherine Stevens at least \$47,000, records show.

The company has benefited from the senator's influence over communications policy as a senior member of the Commerce Committee.

For example, Stevens pushed through legislation in 1996 that created a subsidy for remote telephone service, and he has fought efforts to dilute Alaska's sizable share of the subsidy. Alaska Communications considers the subsidy, called the universal service fund, an important revenue source.

Alaska Communications Chairman Charles Robinson said, "The universal service fund is important to every telephone company in Alaska." He said Stevens had "done a great job in preserving it."

The senator said his actions had "benefited all Alaskans and all Alaska communications companies."

Stevens stands to be an even more valuable ally in 2005, when he's scheduled to take over as Commerce Committee chairman.

Robinson combined the Fairbanks and Anchorage phone companies to create Alaska Communications in 1999, and took it public in the fall of that year.

As is common before companies go public, a select group of insiders was allowed to buy stock at a bargain price, in this instance \$6.15 a share, the documents show. In this group were several financiers and others involved in creating the company, including Bittner, who was and is the company's Washington lobbyist.

Though she was not on record as an officer or financier for the company, Catherine Stevens ended up with some of the bargain shares. Robinson said he knew she had shares but did not remember how she obtained them.

Alaska Communications issued 42,248 shares to Chamer Co., which Catherine Stevens owns with Bittner, their sister and their mother. She

purchased 16,250 of those shares and sold them a year later, according to the Securities and Exchange Commission.

Ted Stevens did not report the shares on his ethics report for 1999, the year Chamer acquired them.

Ethics rules require disclosure of activity by a family-owned business, in detail and in the same year a transaction occurs.

The deal was not reported until 2000, after Catherine Stevens had sold her shares, most of them at \$9.25, for a profit of at least \$47,000.

Rubini, the developer of Centerpoint I, said Chamer also had an interest in that project. He said Chamer put up \$250,000 for a 3% short-term stake in Centerpoint I that earned a 15% return on investment.

Records show Chamer also invested \$125,000 in an earlier Rubini syndicate.

Stevens did not disclose either of these investments on his Senate financial forms.

Although Senate ethics rules encompass his wife's financial activities as well as his own, Stevens sought to distance himself from Chamer.

"I have no interest in that company, do not participate in its meetings, nor do I participate in any decisions related to its business activities," he said Monday. His wife did not respond to telephone messages on Tuesday.

Back in Washington

Stevens continues to push for money and other benefits for Alaskan interests – including nearly \$400 million in pending legislation to help tourism, education, the environment, scientific research, roads, fisheries and the war against fetal alcohol syndrome.

There's also \$2.5 million to survey the seabed for a fiber-optic cable connecting Kodiak Island, Anchorage and the Kenai Peninsula; Alaska Communications Systems serves both Anchorage and Kodiak.

*

Researcher Mark Madden in Washington assisted in this report. Staff writer Judy Pasternak in Washington also contributed.

Related Articles

- Alaska Senator Defends Record and Investments Dec 20, 2003
- Senator Takes On Cancer Like Another Adversary Jun 25, 2005
- Federal Buyout With a Family Connection Dec 17, 2003
- U.S. slashes funds for parkland Apr 09, 2008
- Alarm sounded on Medicare's financial health Apr 24, 2007

More articles by Chuck Neubauer and Richard T. Cooper

More articles from the National section

California and the world. Get the Times from \$1.35 a week
