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**Loan Cut Cost
Of Calif. Home**

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President Nixon's two close friends reduced by at least 18 per cent the price Mr. Nixon paid per acre for his San Clemente estate in 1969, an analysis of the transaction indicates.

This discount, made possible by Charles G. (Bebe) Rebozo and Robert H. Abplanalp, does not take into account the value of the 14-room house that Mr. Nixon also obtained on his portion of the estate. If the house is included, based on its value as determined by tax assessments, Mr. Nixon's total discount would be 48 per cent.

Mr. Nixon benefitted from this financial windfall without any investment on his part. He made no cash down payment on the San Clemente property because it was covered by a personal loan he received from Abplanalp. And he received the large discount in buying his portion of the estate because the remainder of the estate was sold at a profit by Mr. Nixon to Abplanalp and Rebozo.

Mr. Nixon's San Clemente purchase was the first transaction to raise substan-

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tial questions about the President's personal finances because of conflicting statements issued by the White House on the terms of the transaction.

When the purchase was first announced, the White House said Mr. Nixon was buying only a portion of the entire San Clemente estate. The price, the White House said, was \$340,000, of which \$100,000 would be paid by Mr. Nixon in cash. The remainder was to be covered by a mortgage loan.

The White House initially did not explain what was to become of the rest of the estate. One statement said it might be purchased by the Richard Nixon Foundation. But the foundation's latest financial statement indicated it had assets of only \$114,000, not enough to buy the balance of the land.

As recently as October, 1972, White House aides were still saying Mr. Nixon was looking for a buyer for the balance of the estate. Asked what had happened to that land in the interim, then White House Counsel John W. Dean III said it is "in limbo."

This year, the White House began to tell an entirely different story. It said Mr. Nixon had actually pur-

chased the entire 28.9-acre tract of land in 1969. The price was not \$340,000, but \$1.5 million, the White House said. Because of a loan from Abplanalp, Mr. Nixon did not have to make a cash down payment, the White House statements indicated.

The White House also revealed that Mr. Nixon sold 23 acres of the estate in 1970 to an "investment company set up by Mr. Abplanalp."

So it was nearly two years after the date of this sale that the White House was still saying it was looking for a buyer for the land.

Further details of the transaction came out in an audit commissioned by Mr. Nixon last summer. The audit, by the accounting firm of Coopers & Lybrand, showed that the investment company set up by Abplanalp to buy the balance of the estate was actually a partnership consisting of both Abplanalp and Bebe Rebozo, who was said to have subsequently withdrawn his interest.

The auditors said they did not know if the money paid to Mr. Nixon by the partnership came originally from the personal funds of Rebozo and Abplanalp, from their corporate funds, or from some other source.

When asked at his Sept. 5 press conference for the reasons for the contradictory statements about the San Clemente purchase, Mr. Nixon did not answer the question.

A closer look at the transaction, however, gives some indication of why it was so unusual.

To make it easier to understand, it can be compared to the purchase by a typical home buyer of a \$50,000 house.

The buyer has found the \$50,000 house that he wants, but he has one problem. It is part of a five-acre tract of land selling for \$250,000.

The seller insists on selling the entire tract of land. But the home buyer can only afford the \$50,000 property.

The home buyer then has an idea: if he can temporarily buy the entire estate, then resell most of it at a good price, he can get the house he wants. But how can he buy the entire estate, even temporarily? A bank in most cases will not loan him such a large sum, unless the home buyer can guarantee he can sell the rest of the land to repay the loan and the home buyer can make no such guarantee.

A solution to the quandary is provided by the home buyer's wealthy friend. The friend says he'll

make the loan so the home buyer can purchase the entire estate. The friend also says he'll take care of the sale of the balance of the tract; he'll buy it himself.

The friend then does that and more. He makes the loan, and the amount is so great the home buyer does not even have to make any cash down payment. The friend then buys the balance of the land, and he pays such a high price for it that the home buyer winds up paying far less than \$50,000 for the part of the property he wants.

In other words, he makes a profit on the transaction. And after it all is completed, the wealthy friend says that, because he doesn't have any immediate use for the land he bought, the home buyer can use a portion he needs to gain access to his house.

So altogether, the home buyer got the house he wanted, made no down payment, has the use of the balance of the land to gain access to his house, and ended up paying considerably less than the \$50,000 value of the house.

How much less can be seen from the actual transaction.

In 1969, Mr. Nixon bought the entire 28.9-acre San Clemente estate for \$1.5 million. To cover the purchase, Mr. Nixon obtained a \$625,000 loan from Abplanalp. This paid both for the down payment and the first payment of principal and interest due on a mortgage.

In 1970, Mr. Nixon sold 23 acres of the estate to his two friends, Abplanalp and Rebozo, for \$1,249,000. This left Mr. Nixon with 5.9 acres with a 14-room house on it.

His net purchase price, after he received the money from his two friends, was \$251,000, or \$42,542 per acre.

This compares with the \$51,903 price per acre paid by Mr. Nixon when he first bought the entire estate in 1969.

Mr. Nixon's discount—the difference between the two prices—was 18 per cent.

At first glance, the price paid by Mr. Nixon's friends for their 23 acres does not appear to be out of line. It came out to \$54,304 per acre, an increase of .5 per cent over the 1969 price Mr. Nixon paid.

A closer look, however, reveals that while the 1969 price included a 14-room house on the estate, the 1970 purchase by Mr. Nixon's friends was of land without a house. And because the

friends paid a markup of 5 per cent on four times more land than Mr. Nixon had, Mr. Nixon's profit was great enough to substantially reduce the sum that he had to pay for his portion of the estate.

The full extent of the benefit Mr. Nixon received from the transaction cannot be exactly determined because the original purchase price paid by Mr. Nixon in 1969 did not break down the value of the portion of the estate he eventually retained.

However, an estimate can be made based on an appraisal of the property made for tax assessment purposes. Tax assessments, while not precise, are generally considered a rough indication of the value of property. And the San Clemente assessments show the value of Mr. Nixon's house to be about 15 per cent of the total value of the estate.

Using this percentage to weight the 1969 purchase price of the entire estate, the value of Mr. Nixon's portion of the property would have been \$82,253 per acre, compared with the \$42,542



ROBERT H. ABPLANALP / **CHARLES G. REBOZO** / **ARTHUR F. SAMPSON**
 . . . private loan, GSA expenditures reduced President's expenses

price he ended up paying. This represents a discount to Mr. Nixon of 48 per cent.

This comparison indicates Mr. Nixon's friends paid 23 per cent more per acre than the price of their share of the estate a year and a half earlier.

In dealing with the question of whether Mr. Nixon should have reported a capital gain on his San Clemente transaction for income tax purposes, the White House issued over this

weekend statements that conflict on whether Mr. Nixon received a discount.

The statements said Mr. Nixon's tax accountant, who originally determined that Mr. Nixon should not pay a capital gain tax, believed the property that Mr. Nixon's friends bought from him in 1970. Under this interpretation, Mr. Nixon received no discount.

The accountant's determination was made, according to the White House, on the

basis of his "knowledge of the values of property" in the San Clemente area. A spokesman later said that the accountant had taken note of two appraisals of the property made in 1969.

However, the White House also reported that Cooper & Lybrand, which audited the San Clemente transaction, had determined that Mr. Nixon realized a capital gain on the sale of the extra 23 acres of \$117,370. The White House said

Coopers & Lybrand relied on the two 1969 appraisals.

Under this firm's interpretation, Mr. Nixon received a discount on the transaction of 37 per cent per acre.

It was Abplanalp's loan, which enabled Mr. Nixon to buy the entire tract in 1969 before reselling part of it, that enabled Mr. Nixon to realize a profit in the end.

At his Sept. 5 press conference, Mr. Nixon implied that the fact that he used loans to buy both his San Clemente and Florida houses indicated he is not wealthy.

"I owe money on all of them (the houses)," he said.

To wealthy investors, however, the most desirable investment is one made solely on credit.

"If you buy something with no money, and sell it for a profit, it's like a gift," says a Securities and Exchange Commission official who has traced hundreds of financial deals. "The goal (in high finance) is to put up as little of your own money as possible."

Despite Mr. Nixon's purchase of his properties for no down payment, the Coopers & Lybrand accountants who audited his transactions told reporters who called

them for comment that Mr. Nixon actually spent \$803,000 on the houses.

The \$803,000 figure turned out to include a mixture of payments of principal and interest on Mr. Nixon's loans and of expenditures for operating and maintenance expenses for his three houses for the past four years.

A typical home buyer who tallied all the money he put into his house for a four-year period also would come up with a high figure, although it would be proportionately lower than Mr. Nixon's because it would apply to only one home considerably less expensive than any of Mr. Nixon's.

The average home buyer also does not receive help from the government in decorating and maintaining his property.

An audit by the General Services Administration, the government housekeeping agency, indicates government expenditures on Mr. Nixon's San Clemente property included \$13,500 for new furnaces, \$1,853 for a flagpole, \$998 for a wrought iron railing, \$1,950 for pruning dead branches, \$3,800 for a connection to the city sewer system, \$8,810 to re-

move dry weeds, and \$25,524 to maintain the grounds.

Arthur F. Sampson, the GSA's administrator, has defended many of the expenditures on the grounds they were necessary for "security."

GSA has said the old furnaces were replaced because they were unsafe and virtually unusable, the old iron railing was hazardous, the weeds were a fire hazard, and the landscaping was needed to "insure growth."

In addition to the improvements to the home and grounds, GSA paid \$4,834 for furniture for Mr. Nixon's den in the San Clemente home, the GSA audit shows. A GSA spokesman said this was done because government services traditionally follow a President wherever he goes.

Mr. Nixon also received a gift of a three-hole golf course for his San Clemente estate from 76 California businessmen. The course, provided in 1970, would have cost \$65,000 to \$75,000 if Mr. Nixon had paid for it himself, according to Gene Stoddard, who supervised the work. He said materials contributed to the course alone amounted to \$40,000.