

Kalmbach Link in Building

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Clients of Richard Nixon's former attorney, Herbert Kalmbach, stand to profit from a \$16.5-million land development project near the site of a huge government office building that the Nixon administration acquired early this year under controversial circumstances.

The Federal government took title to the pyramid-shaped Rockwell International building in Southern California after pressure from the Nixon White House, including efforts by Robert Finch, who was presidential counselor at the time of the negotiations.

The government's ownership has increased land values in the area substantially, according to commercial and real estate experts.

Finch, who is now a private attorney in Los Angeles, acknowledged having pushed for the government takeover of the Rockwell building and said in an interview with Newsday that he had talked with Kalmbach a number of times during the time he was making these efforts.

But Finch said he could not recall whether the Rockwell building had been mentioned in his conversations with Kalmbach. Finch is a close friend of Kalmbach's and was his college classmate at the University of Southern California.

Disclosure of Kalmbach's clients' interest in land near the Rockwell building has added still another concern to the minds of congressional members who are already critical of the federal acquisition. Among the criticisms has been the fact that the Nixon administration acquired the building, which is located ten miles from Mr. Nixon's San Clemente home, at least in part as a temporary storage facility for his residential papers.

Representative Jack

Brooks (Dem-Texas), chairman of the subcommittee on government activities, says that he is "seriously concerned about the possibility of somebody outside of the General Services Administration (the agency responsible for acquiring the building) promoting the whole deal."

Brooks said he has asked the General Accounting Office to investigate the entire transaction, including any possible involvement by Kalmbach.

The Rockwell building was acquired by the government on March 8 in a controversial swap arrangement in which U.S. officials turned over three government facilities in the Los Angeles area to Rockwell International in exchange for the million-square-foot modern pyramid that stands in the midst of the undeveloped hills and valleys of Laguna Niguel.

Rockwell International, a major defense and aerospace contractor originally constructed the building in 1971, but the mammoth structure remained vacant because of an unexpected lag in the space industry.

At the time the trade with the government was proposed in mid-1971, a government economist assigned to evaluate the trade called the building a "white elephant."

That official, Earl Armbrust, who works in the Office of Management and Budget, voiced a number of objections to the proposed swap.

In a memo dated Jan. 12, 1972, Armbrust argued that the building was a "white elephant" that Rockwell could not sell on the private market, that the government had no immediate use for it and that it appeared to be a building "in search of a mission." However, Armbrust eventually approved the transaction after Finch continued to push the deal. Armbrust later was promoted by Mr. Nixon to chief, OMB general manager branch.

The Kalmbach link to the land near the Rockwell

Controversy

building involved both a mortgage company that financed the purchase of the land by a private developer and a second company that also stands to profit from the development of this near-barren hillside property.

The complex holdings of the firms linked to Kalmbach worked like this:

One of the largest investors in land near the Rockwell building prior to the government takeover was Alison Mortgage Investment Trust (AMIT). Kalmbach was once a trustee of the firm; he also put up his own seed money to help finance AMIT. Kalmbach dropped these personal and financial ties to AMIT prior to the firm's investment in the land near the Rockwell building. But the Kalmbach law firm continued to repre-

sent AMIT's chief executive officer, Roger H. Alison, and a member of Kalmbach's old AMIT associates in a variety of legal transactions under other firm names. (During this period, Kalmbach also was serving as Nixon's personal attorney. Kalmbach resigned from his law firm ten months ago, after pleading guilty to charges stemming from his role in the Watergate scandal. He now is serving six to 18 months in prison for illegal campaign fund solicitation.)

● In 1973 — eight months before the government took over the Rockwell building but while negotiations were in progress — the Kalmbach-connected mortgage company (AMIT) advanced developer Randall Presley \$4,624,000 in cash to purchase 1,324 acres of land about one-half mile from the Rockwell building. The mortgage company put up an additional \$11,876,000 for Presley to develop the land and build homes on the property — a total of \$16,500,000.

Under the terms of the Presley loan agreement — providing development plans are approved and carried out — AMIT will be paid a minimum of \$4,125,000 in interest over a five-year peri-

From story on "Flood of Cards, Gifts for Nixon" (SFC 25 Dec 74, UPI):

* "Paul Presley, a friend of Mr. Nixon whose property is next to that of the former President ... "

Paul Presley runs (owns?) the San Clemente Inn.

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Presley won county approval this year that would allow him to build homes in the \$60,000 to \$90,000 price range on the site.

• The development also affords an opportunity for other profits to be made by a company managed to Alison and other Kalmbach clients. This company is KAG Investment Co., which Kalmbach originally helped to create with his own seed money. The Kalmbach law firm continued to represent Alison Investment Co., the parent company that now wholly owns KAG Investment. KAG Investment is a company whose officers advise AMIT on which types of loans to make. For this advice KAG receives an "incentive fee" on loans made by AMIT — including the loan to Presley. (The size of the fee KAG received from the Presley loan could not be learned).

Officers of AMIT and members of Kalmbach's old law firm acknowledged that the firm represented Alison and his associates in various legal transactions, but they said that the Kalmbach firm resolved no financial benefits from the investment near the new federal office center. They also told Newsday that Kalmbach himself had no financial interest in AMIT or any of the other firms involved in the land development project. Kalmbach, through his attorney, refused to comment.

The government acquired the Rockwell building for use as new federal office center through a trade of \$19,500,000 worth of government property to Rockwell. Although the area around the building is now undeveloped, government occupancy is expected to spur development and increase land values of the surrounding property. Rockwell officials and local real estate officials agree.

Financing consultant John Chapman, who represents several surrounding property owners including Presley, is pushing for the development of a "new community" around the federal office center, which he believes

will eventually become the downtown area for a city of a half-million people.

Brooks subcommittee was asked in 1973 to approve the swap between the government and Rockwell but refused to do so. Brooks called it a "disgraceful transfer"

Although the government had been negotiating for the plant since 1971, Thomas Hannon, San Francisco re-

gional administrator for the GSA which finally approved the swap in March 1973, said

that he anticipates the building still will not be occupied fully for one to three years.