

INTRODUCTION

Joseph Strauss of Phoenix Associates is identified by the IG as earning \$1.3 million on HUD Mod Rehab. IGR at 553. At Lantos' subcommittee hearing on 6/22/89, Strauss would acknowledge that he actually earned more than \$4 million on HUD projects. Strauss is affiliated with Judith Siegel of Landex Corporation of Warwick, Rhode Island, to whom the IG attributes \$351,000 on Mod Rehab consultant fees. IGR at 553. There is as yet no record on Siegel's earnings as a developer.

At FOOD meeting in 10/86 at which Thomas T. Demery announces his resignation, it is decided, evidently at the suggestion of Demery, that FOOD should ask Ben Waldman of Jack Lichtenstein and Co., a former HUD employee and member of the White House Staff (Office of Presidential Personnel), to organize future fundraising events. IGR at 444, 447, 452. Fundraiser is held in Dallas on 10/15/86; in charge are Demery along with Waldman and Scott Small of Lichenstein and Co. IGR at li. Before Lantos subcommittee Strauss would acknowledge that Ben Waldman had been employed by Phoenix Associates to lobby to secure Mod Rehab projects. To Lantos question whether Waldman had helped Demery get his job, Strauss says he does not know.1/

To questioning by Lantos, Strauss would state that in addition to Waldman, he employed Mark Holtzman, David Carmen, and Jerris Leonard to assist him in securing Mod Rehab units from HUD. Leonard is Demery's lawyer, and the index to Demery's wordprocessing diskettes that were produced under FOIA, suggests that Leonard may have authored Demery's 11/7/88 memorandum to Pierce explaining the mod rehab selection process as well as a formal statement regarding Demery's his affiliation with F.O.O.D. See TD 5/4/3,5.2/

Although Demery's phone logs (which reflect only calls that Demery was unable to receive) show numerous calls from Waldman, Holtzman, Carmen, Leonard, as well as Strauss' other associates Judith Siegel and Robert Gould, not a single call from Strauss is reflected in these logs. On Demery's voluminous listings of telephone numbers and addresses produced under FOIA (TD5/7/4/5), Strauss' name is

1/ It is not known whether Waldman's services for Strauss were performed during or after his government employment.

2/ References to documents on Demery's wordprocessing diskettes are indicated in the following manner: Diskette Number (TD1 through TD5)/page of index/item on page.

conspicuously absent. However, on a short, wallet-sized listing where 20 persons are identified by initials (TD4/7/11), the second person is "JAS," which evidently is Strauss, and two numbers are listed for him. Jerris Leonard, Judith Siegel, and Mark Holtzman are also on this short list.3/

Demery is a fundraiser for Pat Robertson. A document from Demery's wordprocessing diskettes giving background sketches to a list of invitees (apparently to a Robertson event) describes Joseph Strauss as a "four year friend of Tom Demery. Met him while he [(Strauss)] served on the Secretary's staff at HUD.... contributed \$5,000 to February 1986 Michigan event and convinced the other three \$5,000 donors (including [mod rehab developer] Gabriel [Diaz]) to support you...Very good friend of Ben Waldman's. He would like to schedule an event within the next 90 days and have 15-20 donors fly in and meet with you at a location of your choice. " TD2/1/9.

3/ Among the other names on the list are Demery friend David M. Barrett (who would be matched with a 150 unit Mod Rehab request for More, OK on Demery's 11/3/87 memorandum, see David M. Barrett chronology); Drew Lewis (former Secretary of Transportation, who would be matched with a 200 unit request for Jacksonville, FL on the 11/3/87 memorandum); Alan S. Bird of Real Property Services, Inc. (800 number for Bird) (who would contribute \$29,500 to FOOD and on whose Geneva Apartment complex Demery would override Boston HUD's foreclosure recommendation, see IGR, Exhibit 8 at 1, Exhibit 9 at 4; 5/11/89 House Banking Transcript at 177-86); J. Michael Queenan (Winn Group member who contributed over \$35,000 to FOOD, see Winn Group chronology); Kenneth M. Puller of Puller Mortgage (whom Demery would describe in 3/7/87 memorandum to Pat Robertson discussed infra as a person "who is making enormous profits using a HUD mortgage insurance program"); Demery friend Martin L. Artiano (who would be matched with a 150 unit Oregon Housing Mod Rehab request on the 11/3/87 memorandum, see Artiano/Pingree-Dahle chronology); Atlanta lawyer Lou Kitchin (who would be matched with a 150-unit Shreveport Mod Rehab request on the 11/3/87 memorandum); Silvio DeBartolomeis (Winn Group member to whom Demery gave a copy of the 3/25/88 Mod Rehab memorandum before it was released within HUD, see Winn Group chronology).

Strauss would tell Lantos subcommittee that, with the exception of one Congressional campaign he never contributed more than \$250 to a candidate (though he may have switched from the word "I" to the word "we" when he made the statement about \$250).

CHRONOLOGY

10/21/86 Demery is confirmed as Assistant Secretary for Housing-FHA Commissioner.

10/29/86 Demery and Siegel meet at 8:00 a.m.4/

11/19/86 Siegel calls from local number.5/

12/86 or 1/87 Herbert Berezin of Marken Properties advises Patricia Jennings of Holyoke Housing Authority (HHA) that Mod Rehab units are available and the "he was pretty sure that funding was available if HHA applied for units, the units would be awarded." IGR at 9-10. Berezin's consultant is Judith Siegel, who is associated with Phoenix Associates. Berezin has arrangement with Siegel whereby Berezin agrees to pay Siegel "upon official notification, either from Siegel or from the Public Housing Authority, that the Section 8 [Mod Rehab] units were awarded to the PHA by HUD." IGR at 13.

1/8/87 HHA sends application for 100 Mod Rehab units to Demery through Regional Administrator Mongan. IGR at 5, 9.

1/13/87 At meeting of Demery, Dean, and Pierce, Holyoke is selected for 100 Mod Rehab units. Attachment to Demery to Pierce 11/7/88 Memorandum.

At this same meeting, Puerto Rico is selected to receive 400 units--Humacao (200), Vega Baja (100), and Ceiba (100). Strauss is the consultant on projects using the majority of the units in all three places, with payments totaling \$490,000. 9/18/89 IG Report at 34-35; 41-42.

4/ With the possible exception of the 8/4/87 entry infra, Demery's records show no instance of Siegel's meeting with Demery at HUD.

5/ Demery's phone records, which HUD has made available pursuant to FOIA requests, show only messages of calls received either when Demery was not in or when he did not take the call. Presumably they reflect only a small proportion of telephone communications. Only a part of the Siegel calls recorded in the phone logs are noted here. However, the attachment hereto shows a listing of all calls from Strauss affiliates.

1/27/87 According to Form HUD 185, signed by Demery, the units were awarded to HHA on this date. On 10/14/87 the units are awarded by the PHA to Berezin for Riverplace Apartments. IGR at 13. HUD IG audit of HHA indicates that at some point Demery would grant a waiver for that project.

2/2/87 Demery's phone records indicate call from Siegel who says she will call again around 2:00.

2/4/87 IGR states that the units were assigned to the HHA on 1/30/89, but HHA not officially notified of that assignment until 3/16/87. However, Berezin had paid Siegel \$150,000 by check dated 2/4/87. Siegel stated to IG investigator that she does not recall how she came to know that the funds had been assigned to the HHA but she is certain that she did know. On 2/5/87, Siegel sends check for \$25,000 to Phoenix and on 2/10/87 another check for \$55,000 to Phoenix. IGR at 73. Siegel also states to HUD IG that she never talked to Demery about the Holyoke or about any mod rehab projects. IGR at 78.

2/23/87 Siegel sends letter of understanding to Badgett regarding services as consultant in securing Mod Rehab units for Gastonia Housing Authority (GHA). Upon notification to GHA of award by HUD of 82 Mod Rehab units, Badgett shall pay Siegel \$123,000. Exhibit 3 to IGR.

*3/2/87 At meeting of Demery, Dean and Dorsey, Dade County is selected to receive 412 mod rehab units. Form HUD-185 is signed by Demery on 4/7/87. On 4/9/87, Strauss client Jorge Bolanos appears at Dade County Housing Authority with the 185 stating that 190 units were for his project Gardens of Homestead. IGR at 151. 9/18/89 IG Report shows Strauss as consultant on 190 unit Bolanos project Gardens of Mosestead II.

3/4/87 Siegel meets with Gastonia Housing Authority telling them "time was of the essence" and to send request for Mod Rehab units directly to Demery. IGR at 180-81.

3/7/87 Demery prepares list of invitees to Robertson event describing Strauss as noted above. The same document would describe Gabriel Diaz as an invitee whom Strauss had originally persuaded to support Robertson and someone who "desires to gather 15-20 friends at \$5,000 each in his home to have them meet Pat."

3/12/87 Food Fundraiser held in New York, coordinated and sponsored by Waldman. IGR at 452. Demery is honoree. IGR at 493. Raises about \$65,000. House Banking Tr. at 247. Phoenix Associates contributes \$15,000 and Siegel \$1,000. Exhibits 8 and 9 to IGR. Other contributions of 3/12/87 and in following months from persons associated with Siegel include:

| | | |
|---|----------|---------|
| Dick Richman | 3/12/87 | \$1,000 |
| | 6/1/87 | \$2,500 |
| Richman is with Wilder Richmond; for affiliation with Siegel, see IGR at 72, 80-81) | | |
| S. Gould | 3/13/87 | \$1,000 |
| (for affiliation with Siegel, see IGR at 127) | | |
| Altman Bros. | 6/15/87 | \$1,500 |
| | 10/19/87 | \$1,000 |
| for affiliation with Siegel, see IGR at 81) | | |
| Berezin | 6/17/87 | \$2,500 |
| (solicited by Siegel, IGR at 14) | | |
| Katz (62) | 10/29/87 | \$5,000 |
| (solicited by Siegel, IGR at 61-62) | | |
| Cobbett Ass. | 10/29/87 | \$500 |
| (for affiliation with, solicitation by, Siegel, see IGR at 49-50) | | |

Siegel also receives and sends money directly to FOOD in Michigan or South Africa and helps to organize fundraiser held in Boston in 10/87. IGR at 77-78.

4/2/87 Demery calendar shows breakfast meeting with Siegel.

4/7/87 Demery, Dean, and Dorsey meet on Mod Rehab funding. See 11/7/88 Mem. from Demery to Pierce at 2. Decision made to award Gastonia 82 Mod Rehab units. Demery tells House Banking that he did not know Siegel was a consultant on the Gastonia project and that Gastonia was awarded the units because it had "tremendous application." Tr. 168, 177. In Lantos subcommittee Demery also states that he did not know Gastonia had a consultant; states that the application was in 1.5 inch binder. Siegel tells HUD IG investigator that she never talked to Demery about Gastonia. IGR at 78.

1/59

In Attachment to Demery to Pierce 11/7/88 Memorandum, Demery states that Gastonia had been selected on basis of his "personal review of application." It is the only selection with a notation of that nature. The attachment also indicates that the Gastonia Housing Authority letter request was dated 4/17/87, which would have been after the selection was made.

There is no record that the 1.5 inch application from Gastonia Housing Authority was ever seen by anyone but Demery. Although Congressman Morrison expressed skepticism as to how the document came into Demery's possession, which Demery would then describe as 2 inches thick (Banking Tr. at 193-94), Demery would never be questioned as to what could be in a PHA request for Mod Rehab units (usually a letter) that would comprise 1.5 or 2 inches of material.

At same meeting, decision is made to send 360 units to Dade County, Florida. Between this date and the end of

Demery's term, another 578 units--100 selected 8/26/87, 253 units selected 11/23/87, 75 units selected on selected 6/88 and 150 units selected 10/88. Strauss was consultant to Aristide Martinez for West Dade Ltd (122) units and West Dade II (209 units). See 9/18/89 IGR at 24. While the lack of project dates in the 9/18/89 IG Report makes it impossible to give exact dates to these projects, it appears that both involved units awarded after 4/87. See IGR at 145 which gives 9/29/87 date for West Dade Ltd., which presumably preceded West Dade II. See also IGR at 152, where Dade County housing official recounts Martinez appearing at the Dade County Housing Authority with Form HUD-185s dated 2/4/88 (which would reflect the 11/23/87 selections, although the witness mentions far more units than seem actually to have been sent out), and stating the units were for him (Martinez) and Bolanos.

4/9/87 Check for \$1,500 issued from Siegel to President's Dinner/Building Fund. IGR at 75. According to Philadelphia Inquirer article dated 7/30/89, this donation was made through Demery. (A \$15,000 check from Siegel the following year, also through Demery, would cover Richman, Katz, Gould, and Collins. See IGR at 75.)

4/10/87 Siegel calls Demery. Leaves message: "Wanted to see if you got her CONFIDENTIAL letter. She is hanging by her fingernails."

4/28-29/87 In connection with certain activities in conjunction with the President's Dinner, Demery makes reservations at Four Seasons for 19 persons or couples, including Alan S. Bird of Real Property Services, Gabriel Diaz, Kenneth Puller, and Robert Rohlwing (see Rohlwing chonology). TD2/11/4. Special meeting is held the afternoon of 4/28 in Douglass room. TD2/1/6. Demery transports entire group to his home by tour bus. TD2/3/1. The 4/28 meeting may be the meeting referenced in the 3/7/87 memorandum, since all out-of-town persons from the 3/7/87 listing have rooms booked.

5/7/87 Form HUD-185 awards Gastonia 82 Mod Rehab units that go to Badgett/Siegel/Phoenix. Gastonia would get rent waiver signed by Demery on 11/20/87. IGR at 188.

5/21/87 Demery calendar shows meeting with Judith Siegel.

5/29/87 Siegel calls Demery.

6/2/87 Israel Roizman (working for Altman Brothers, a partner with Siegel on Kingsley Park in Essex, Maryland) arranges the FOOD fundraiser in Philadelphia. IGR at 467-69, 496-99.

6/2/87 Beryl Altman of Altman Brothers takes Demery and major contributors at Philadelphia Fundraiser to dinner at the Frog restaurant at cost of \$1,035.54. IGR at 1j, 503.

* [Because of the connections between Siegel and Altman Brothers, this chronology should be read in conjunction with the Israel Roizman chronology.]

6/8/87 Siegel calls Demery.

6/8/87 Holtzman, calling from the offices of Carmen and Carmen, invites Demery and his wife to be Holtzman's guests at black tie dinner in tribute to William Casey on 6/22/87.

6/11/87 Demery calendar shows meeting with Siegel.

6/15/87 Altman Bros. contribute \$1,500 to FOOD.

6/17/87 Pursuant to request by Siegel to contribute either to FOOD or to Dukakis, Berezen donates \$2,500 to FOOD.

6/22/87 Demery attends William Casey tribute.

6/23/87 Demery signs waiver on Kingsley Park project. See Demery 5/23/88 phone message. Kingsley Park is joint project between Siegel, Wilder Richman Corp., and Altman Bros. IGR at 80-81. IG found this project to have incorrect rent computation, and to have a potential overpayment by HUD of \$4,021,000. IG Audit at 62-63. According to Washington Post article of 7/16/89 (at A14), Demery overruled local office in granting of waiver.

6/24/87 Demery spends day on Siegel's sailboat.

6/26/87 Demery writes letter to Siegel thanking her for sailboat outing earlier in the week. TD3/5/4.

7/24/87 Siegel calls.

8/4/87 Siegel calls saying she is in town and asking if they could "get together for a drink or should she come by the office." Word "office" appears to have been underlined by Demery, although meeting is not indicated on calendar.

10/29/87 Siegel co-sponsors FOOD fundraiser in Boston. IGR at 484.

11/3/87 Date of Demery Memorandum listing Mod Rehab requests with developers or consultants. TD3/7/1. Strauss is not listed. But a 200 unit request for Metro Dade (no. 21) is matched with "unknown." (A 202 unit Metro Dade request is also matched with Dickerson, see Larry Dickerson chronology.)

Since it is not possible that there were only 21 requests on hand, presumably the 21 listed were intended to be given some sort of priority, which may mean that the "unknowns" really were known.

11/13/87 Siegel calls Demery on this Friday asking to have lunch on the following Monday

11/16/87 Siegel and Demery meet for lunch.

11/20/87 Demery signs waiver on Gastonia. IGR at 188.

11/23/87 At meeting of Pierce and Demery, Metro Dade is selected for 253 units. In Attachment to the 11/7/88 memorandum to Pierce, Demery states the reason as "Pipeline; need." See 4/7/87 entry.

POSTSCRIPT 1988:

The Gastonia project is the last Siegel/Phoenix project discussed in IG report where Siegel/Phoenix are shown to have attempted to obtain the Mod Rehab units for the PHA. (Siegel did ultimately become the developer in Richland, Washington, although that occurred after Queenan/Abrams had approached the PHA, though Queenan/Abrams then lost the award after the PHA decided to forego the "dry NOFA" and to readvertise.) There were, however, approximately 34 PHA's that were selected for funding in 6/88, subsequent to what Demery maintains were significant modifications to the selection process after March 1988, although there is as yet incomplete information available as to the identity of the consultants and developers. Over 40 PHA's were selected for funding in 10/88, and there is even less information available on these.

Responding to questions from Congressman Kennedy (in House Banking Committee hearing) as to whether one would find the same consultants benefiting from the post-March 1988 awards, Demery responded that there may be reason to expect to see awards where Queenan and Siegel are involved because the PHAs that have worked with them will have terrific applications. Tr. 176. Demery's knowledge that they would have terrific applications does not, however, appear consistent with Demery's statements that he never knew who consultants were on projects.

A number of Siegel/Phoenix projects that were awarded prior to Demery's term received rent waivers, but apart from Kingsley Park, available information does not permit determination of when the waivers were granted.

According to Washington Post 7/16/89 article sometime in 1987, Siegel approached Trudy McFall, Maryland's Community Development administrator, stating that she had reason to believe she could get more mod rehab units in Baltimore County. According to the Post, soon thereafter HUD approved funding for Yorkway, a 68-unit development of Siegel's. Form HUD 185 shows 80 units given to Baltimore County on 7/20/88.

4/26/88 Siegel dines with Demery at Mansion House

5/6/88 Siegel calls.

5/11/88 Demery writes Siegel asking her to address certain concerns about the maximum rental waiver for Kingsley Park. The letter to Siegel transmits, essentially verbatim, the HUD internal IG report finding that the overruling of Baltimore office's recommendation (see 6/23/87 entry) enabled the developer to obtain \$2,257,700 in mortgage proceeds and an additional \$4,021,000 in rent subsidy funds. TD4/4/6.

5/11/88 Having contributed \$15,000 through Demery for herself and other developers (who reimbursed her), Siegel attends President's Dinner. IGR at 75.

6/88 Because all of the 19 PHA's scoring 48 points in the 6/88 selection round would have one of more tie-breaker criteria, by Memorandum of 6/23/88, Lawrence Goldberger would advise Demery that it was within his discretion to select any of the PHAs scoring 48. Of the 9 that were selected, 2 would involve Siegel projects. New Jersey DCA would receive 125 units, of which 107 would go to the second part of City Side Apartments in Trenton, a Siegel-Gould-Altman project. See 9/18/89 IGR at 31; IGR at 127. And Maryland DCA would receive 80 units, which would go to Siegel's Yorkway project. 9/18/89 IGR at 29.

[NOTE: Of the remaining 7 PHAs scoring 48 points that were selected at this time, one was Victoria, Texas (150 units) for a Winn Group project (see Winn Group chronology); two were Great Falls (40 units) and Salt Lake City (125 units), for Artiano-Pingree-Dahle projects (see Artiano/Pingree-Dahle chronology); one was Temple, Texas (50 units), a Fred Bush project (see Demery Contradictions). The developers are unknown in the case of the other three selections: Dade Co., FL, Portage Metro, Ohio, and Los Angeles, CA.

In the 6/88 funding round, the Ranking Panel recommended that New Orleans receive 150 units, which it did. IG worksheet indicates belief that this went to a Roizman project, and it is believed that this was part of a 250-unit Roisman-Altman project. There was no indication of any

intention at this time that New Orleans was to be split-funded with additional units to be provided in FY 88. Nevertheless, after the fall 88 round, Demery would send another 100 units to New Orleans, by memorandum dated 12/13/88. See discussion in Revised Procedures of additional fundings of FY 89; compare David M. Barrett chronology.

Other allocations from the Fall 1988 round in areas where Siegel/Phoenix have previously been involved include an additional 226 units to New Jersey DCA, 84 units to Springfield, MA, 150 more units to Dade County, and 52 units to Idaho Housing Authority. Thirty-five (35) units went to Dubuque, Iowa, which had been one of the "unknowns" on the 11/3/87 listing. These matters have gone uninvestigated.

Any effort to fully investigate Demery's activities, however, would also have to explore the allocation of existing housing certificates in FY 1988 and FY 1989, which became the equivalent of Mod Rehab units after they were authorized for use in a project-based manner.