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4/30/75

THE WHITE HOUSE
WASHINGTON

Vice President

THE WHITE HOUSE
WASHINGTON

4/30/75

Nelson & I talked with
former Senator Ches. Potter
& outlined problem. Told
him to call you. Said he
would today.

After he does & you
have had time to analyze,
let me know.

Thanks so much.

BR

orig. sent to the VP

OFFICE OF THE VICE PRESIDENT
WASHINGTON

April 30, 1975

THE ~~VICE~~ PRESIDENT

FROM: ANN

Helson

1. To keep the Capitol Hill Club going through 1976 \$ 400,000
2. To keep Club, Associates and everything going 1,100,000



OFFICE OF THE VICE PRESIDENT
WASHINGTON

April 28, 1975

MEMORANDUM FOR THE VICE PRESIDENT

FROM: Peter J. Wallison
SUBJECT: The Capitol Hill Club

As far as I have been able to determine at the present time, this is the situation:

1. Travelers Insurance Company, the holder of the only existing mortgage on the premises occupied by the Republican National Committee and the Capitol Hill Club is about to foreclose its mortgage.

2. Foreclosure is imminent because the Club has not been meeting its rental payments to Capitol Hill Associates, the owner of the property, and Capitol Hill Associates ("Associates") in turn has not been able to make timely mortgage payments.

3. The Club needs approximately \$700,000 to clear up its debts (mostly to the Marriott Corporation) and to pay its rent through 1976; Associates needs approximately \$400,000 to clear up its own outstanding obligations.

4. Advances to Associates could be secured by a second mortgage (after Travelers) on the premises occupied by both the Club and RNC, but advances to the Club would be unsecured, and there can be no assurance that it would ever be recovered unless the Club became a going concern. The following questions arise at this point:

(a) Is your interest here in preserving the Club or just the Republican National Committee lease?

Because the leases of both the Club and the Committee have been assigned to Travelers as security for the mortgage, if Travelers forecloses it would be in a position to evict the Republican National Committee as well as the Club. Thus, it could be argued that the only way to protect the tenure of the RNC is to finance the operation of the Club.

This argument, however, does not work. Travelers would not want to evict the RNC, because the zoning for the property permits occupancy only by the Republican National Committee, and Travelers would have great difficulty getting a variance. Instead, Travelers will probably sell the property to Congress, which has a right of first refusal on both properties and wants to use at least the Club building for office space. John Rhodes has said that if the property is sold to Congress, he can arrange to have the RNC property leased back to RNC again.

In this transaction, the Club would fold and the losers would be Marriott Corporation (\$270,000) and certain other creditors of the Club. Associates would come out with a profit of approximately \$300,000, since the pre-agreed price for the property to Congress exceeds by that amount the total principal sum of the mortgage and other obligations of Associates.

(b) If your purpose, on the other hand, is to save the Club as well as the RNC, things are a good deal more complicated.

As noted above, any advance to the Club would be unsecured, and might be lost entirely if it does not become a viable organization.* This risk could be reduced by inducing the RNC to pick up a larger portion of the rent paid by the two entities to Associates, releasing a larger proportion of the Club's income for repayment of the loan made by the group you would assemble. Naturally, however, this is no guarantee that your investors would get their money back in two years, or ever.

* It should be noted that the officers of Associates who I have spoken to seem to believe that the Club would be viable under new management and that a report on the Club by Restaurant Associates of New York demonstrates this.

I see some political difficulties with your personal involvement in this transaction. Apparently, there is a feeling that it would be a good political issue for the Democrats if a Republican organization went into bankruptcy. However, it would also be a nice issue, and would cause you personally many difficulties, when it became known that you had assisted the RNC and the Capitol Hill Club by advancing a substantial amount of money with no real hope of return.

However, I have tentatively set up a meeting for Wednesday afternoon with the officers and attorneys for Associates, and I will, of course, go forward with this transaction unless you indicate otherwise.

The Dwight D. Eisenhower National Republican Center

April 8, 1975

General Dwight D. Eisenhower
Honorary Chairman
1961-1969

Theodore N. Danforth
Chairman of the Board

Fred L. Dixon
President

The President
The White House
Washington, D. C.

My dear Mr. President:

There may be some publicity over the proposed sale of the building now occupied by the National Republican Club of Capitol Hill (Club) to the United States Government. In view of your position and former position as a member of the Board of Directors and Executive Committee of Capitol Hill Associates, Inc. (Associates), we feel you should have the following facts:

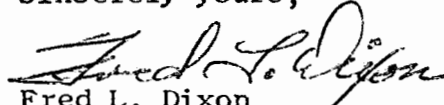
1. Associates is a reporting public company with approximately 1100 stockholders.
2. Associates solicited funds through the sale of its stock and contracted for the purchase of the land and the construction of the Republican National Committee (Committee) building to the specifications of the Committee and the Club building to the specifications of the Club.
3. Both buildings are leased to the respective parties under long term net net leases, i.e., the tenant is responsible for taxes, insurance, etc. The rent from these two leases is the sole source of income for Associates.
4. Both buildings were financed by The Travelers Insurance Company (Travelers). The Committee building has a balance due of approximately \$1,000,000, and the Club building has a balance due of approximately \$1,500,000. The deeds of trust on these buildings have a cross default provision so default of either is a default of both.
5. The Committee rent just meets the payments due Travelers on the building. The Club rent meets the payments due Travelers on its building with an excess of \$3,000 per month which has been used by Associates to meet its operating expenses and obligations.

6. As additional security, there is an Assignment of the rent and lease to Travelers effective upon default under the deeds of trust. This assignment precludes any act by Associates in relation to the leases without the written consent of Travelers. Travelers is represented in Washington, D. C. by the H. G. Smithy Company.
7. Both properties are subject to an agreement with the House Office Building Commission granting the United States a right of first refusal to purchase the buildings and fixing the price to be paid in the event of purchase or condemnation.
8. On January 21, 1975, Associates was notified of a Club Board of Directors meeting to be held that date where it was disclosed that the Club had lost approximately \$335,000 in 1973, \$245,000 in 1974 and anticipated a loss of \$140,000 in 1975, and would be compelled to close its doors March 1, 1975 unless it could have relief. The Club disclosed it was indebted to the Marriott Corporation in excess of \$270,000.
9. Associates has explored, with the Committee and the Club, various alternatives to preserve the Club building including re-financing, rezoning, additional tenants, etc., which have been found impracticable. The February rent payment from the Club was not paid until the end of the month and Associates was advised that no additional rent payment would be made adequate to meet the payments due Travelers. This being the case, the only alternative left was the sale of the building to avoid foreclosure perhaps of both buildings.
10. H. G. Smithy Company, as representative of Travelers, was given notice of this problem. Smithy representatives met with the Minority Leader of the House, the Committee and the Club representatives and Associates the latter part of February. Travelers was requested to grant Associates permission to act under the lease to obtain waiver of certain provisions thereof by the Club so notice could be given to the House Office Building Commission of the proposed sale. This request was confirmed by letter on March 6, 1975.
11. Travelers has, to date, not given such permission, but it is anticipated any day. At such time, notice will be given to the House Office Building Commission. It is anticipated the United States will purchase the building, as it is the most logical purchaser.
12. The obligation on the Club building being in default since March 1, 1975, Travelers has the right to foreclose on both buildings. As assignor of the leases on the buildings, Travelers could give notice to terminate the lease of the Club and demand that they vacate the building.

Mr. President
April 8, 1975
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If there are any questions that you or your Staff may have concerning this matter, I would greatly appreciate it if you would call me at St-3-5252, or Ronald E. Madsen who is acting as general counsel in this matter. Mr. Madsen may be reached at 587-2090.

Sincerely yours,


Fred L. Dixon
President

FLD/mhj

cc: Honorable John J. Rhodes

April 28, 1975

Ann -

Fred Dixon of the Capital Hill Associates called this morning to say that \$75,000 would take care of back rent, taxes and fees and give them about 3 weeks breathing space.

If Travellers publishes a foreclosure notice in the paper, it will cost them a \$66,000 fee.

Mr. Dixon is at his office if you need him.

ST 3-5252.

Nancy

File attached

April 25, 1975

From Fred Dixon:

1. For the Club to clear up its back debts and keep going through 1976 - \$400,000
2. For the Associates to clear up current notes etc. - \$600,000
3. Along with some miscellaneous items, a total of \$1.1 million would do it.

The above would keep the Associates from being foreclosed.

The Insurance Company has notified them they may start foreclosure proceedings on Monday morning.

To get the Club in healthy shape, they estimate would take \$2.5 million.

The above figures are approximate.

Mr. Dixon can be reached at home over the weekend if necessary at: 212- FE 8-0644

Nancy

THE WHITE HOUSE
WASHINGTON

May 1, 1975

MEMORANDUM FOR THE VICE PRESIDENT

The President has requested that the attached be forwarded to you.


Jerry H. Jones
Staff Secretary