

ROGER PEDERSEN, Housing Supervisor, Montana Department of Commerce, 805 North Main Street, Helena, Montana, was interviewed in his office on November 1, 1988 by Special Agent JOHN R. BALAUN.

PEDERSEN advised as follows:

In his capacity as Housing Supervisor, PEDERSEN handles the HUD Moderate Rehab program for the State of Montana. The applications for units are submitted by the local authorities to the Department of Commerce, which in turn deals with HUD.

PEDERSEN has no doubt that politics influences the awarding of Moderate Rehab units in Montana. It is PEDERSEN's belief that the last project awarded by HUD in Montana which was on the basis of merit was awarded prior to September 1983. There have been two projects awarded since that time. In both cases PINGREE AND DAHLE was involved as a potential developer, and in both cases the proposal of PINGREE AND DAHLE was selected.

PINGREE AND DAHLE is operated by WILLIAM PINGREE and NORMAN DAHLE out of Salt Lake City, Utah. Both PINGREE and DAHLE visited Montana in connection with their business. They mentioned they had a counsel in Washington, D.C. That person may be MARTIN ARTIANO. It is PEDERSEN's understanding the counsel was previously a HUD employee.

Beginning about four years ago projects have been funded in response to a Conditional NOFA. The practice has been for PEDERSEN and the cities in Montana to learn through PINGREE AND DAHLE that there might be funds coming down from HUD. PEDERSEN and Great Falls were instructed to run a Conditional NOFA advertisement. Though other applications might be received, the application of PINGREE AND DAHLE had to be selected by the city because it most closely matched HUD criteria. PINGREE AND DAHLE is completely familiar with the HUD criteria. There have been two projects in Montana in the last four years. PINGREE AND DAHLE has been selected as developer for both projects.

PINGREE and DAHLE indicated to PEDERSEN they had talked to GOLDBERGER and DEMERY who informed them the units would be coming down. PEDERSEN did not have knowledge of the availability of the units at that time.

The two projects developed since 1984 are both in Great Falls, Montana. The 1984 project was the ELMORE HOTEL, which is a one and two bedroom project which was not completed until 1987. The other project is a 1988 project involving the FRANKLIN SCHOOL.

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The Conditional NOFA for the 1984 project was advertised after PINGREE AND DAHLE had become involved. There were a number of proposals received besides the proposal submitted by PINGREE AND DAHLE. The proposals were evaluated using the HUD criteria, which provided the most important aspect to be the amount of money required to rehabilitate the property. The ELMORE HOTEL proposal submitted by PINGREE AND DAHLE was the most costly, and it was selected.

After the Conditional NOFA, PEDERSEN applied to HUD for the units, which were awarded several months later.

The FRANKLIN SCHOOL project was only recently funded by HUD.

PINGREE and DAHLE were in PEDERSEN's office over a year prior to this interview. PINGREE and DAHLE mentioned they had 300 Moderate Rehab units set aside for them by HUD. PEDERSEN is not certain of the terms used by PINGREE and DAHLE, but the meaning was that HUD had authorization for 300 Moderate Rehab units which authorization was assigned to PINGREE AND DAHLE and which they could draw from when they found a suitable project.

PINGREE and DAHLE also spoke of doing projects in the states of Washington, Texas, Virginia, and Oregon.

PEDERSEN and officials in Great Falls told PINGREE and DAHLE that three bedroom units were needed in Great Falls. PINGREE AND DAHLE then located the FRANKLIN SCHOOL, a historic building for which investors would receive tax credits.

PINGREE AND DAHLE told the city and PEDERSEN that 40 three bedroom units was to be the size of the project. PEDERSEN and the city then prepared and ran a Conditional NOFA advertisement in February 1988 for the 40 units. The only proposal received was the PINGREE AND DAHLE proposal.

On May 10, 1988 PEDERSEN received a letter from the Denver Regional Office of HUD inviting the Montana Department of Commerce to submit applications for Moderate Rehab units. PEDERSEN noted the correspondence stated the units had to be placed under agreement "expeditiously." He believes this term is used so that only projects which have already had the Conditional NOFA advertised will be eligible, thereby restricting the units to those projects in which PINGREE AND DAHLE, and other favored developers, are involved.

Having received the invitation, PEDERSEN prepared applications for four projects. The projects, in addition to the PINGREE AND DAHLE project in Great Falls, were located in Butte, Missoula, and Billings. PINGREE AND DAHLE was not involved in the Butte, Billings, or Missoula projects. The projects which were most needed were those in Butte and Missoula.

PEDERSEN was informed by a letter dated August 5, 1988 from the Denver HUD office signed by DONALD DIRKSEN that the applications of Billings, Missoula, and Butte were not selected for funding. The application for Great Falls was selected and the city previously selected the PINGREE AND DAHLE proposal. Conditional NOFAs had not been run in Butte, Missoula, and Billings, though one had been run in Great Falls.

PEDERSEN and other officials in Montana would like to be able to use proposals other than those of PINGREE AND DAHLE but HUD selected the location where PINGREE AND DAHLE had a proposal, and in the cases of both the ELMORE HOTEL and FRANKLIN SCHOOL, the proposal of PINGREE AND DAHLE was the one which most conformed to HUD criteria, or the only proposal submitted.

In an attempt to enable the most desirable projects to be selected, though HUD has not indicated additional funding is available, PEDERSEN is instructing cities which wish to apply for Moderate Rehab units, to run a Conditional NOFA advertisement and receive proposals. He feels that in this way when HUD does announce availability of units he can submit applications for units which can be under agreement "expeditiously."

PEDERSEN did notice the awarding of the units to Great Falls was delayed. He attributes this delay to the fact that the HUD Office of Inspector General was "nosing around" the Moderate Rehab program.

It is believed by those involved in the Moderate Rehab program that HUD makes the selection of the units to be funded so those units will be developed by a favored developer. PEDERSEN believes the favoritism is repayment for past political support. The REAGAN administration is nearing the end of its term and the Moderate Rehab program is being used to repay the loyal supporters.

PEDERSEN has observed that HUD personnel seem to be aware the awarding of the units is on a political rather than a merit basis but they are not in a position to correct the situation.