

## Senate panel questions St. Petersburg developer

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Author: DAVID DAHL

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### Document Text

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WASHINGTON - St. Petersburg businessman Joseph Zappala, the ambassador-designate to Spain, was asked at his Senate confirmation hearing Thursday to explain a sizable loan he received from a bank where he's a board member.

In written questions to Zappala, Sen. Claiborne Pell, chairman of the Senate Foreign Relations Committee, asked the nominee if the "favorable terms" of the loan were "the result of your position on the bank's board." The nominee's disclosure form lists the loan as worth at least \$250,000.

In addition, Pell, D-R.I., asked the nominee about the methods used by Straight Inc., the controversial drug rehabilitation organization Zappala co-founded. Pell noted that a jury awarded \$220,000 to a former Straight client who had claimed the center falsely imprisoned him.

Zappala did not respond to Pell's written questions Thursday during his testimony. He did not return a reporter's calls asking for comment.

Though the questions came as a surprise, committee sources say they are not expected to delay the nomination. Zappala himself said after the hearing that he expected to be confirmed by the Senate as early as next week. "We're just delighted and excited about the prospects of going to Spain," he said.

The nominee's disclosure form was reviewed by the Office of Government Ethics for potential conflicts with his new post. "We believe Mr. Zappala is in compliance with applicable laws and regulations regarding conflicts of interests," wrote Frank Nebeker, head of the ethics office.

During the hearing, Democrats tried to link Zappala's campaign fund-raising for President Bush last year with the president's decision to nominate him to the ambassadorship.

"I did contribute substantial monies to the campaign. I was a zealot for George Bush, and I'm proud of my involvement," Zappala told the committee.

Zappala, a prosperous, 55-year-old developer, served as a co-chairman of the committee that raised more than \$20-million to finance Bush's inauguration last month. In addition, he contributed \$130,000 to GOP campaign committees in the last two years, according to documents he submitted to the committee.

Joining Zappala in raising money for Bush was Mel Sembler, a St. Petersburg shopping center developer whom Bush has nominated to be ambassador to Australia. Sembler is expected to appear before the Foreign Relations Committee next week.

On Thursday, Democrats on the committee sharply questioned Zappala about his qualifications to represent the United States in Spain.

In response, Zappala spoke at length about U.S. military interests in Spain. He also said he has been taking a Spanish course for the last three weeks.

"This country has offered me an opportunity to enjoy significant benefits," Zappala said, as he recounted his business successes and drug-fighting efforts. "I'm at a point in my life where I think that I can devote those kind of qualities . . . to the services of my country."

In introducing Zappala, Sen. Connie Mack, R-Fla., praised him as a "friend of Florida" and a "great negotiator" who has worked to solve problems in his community, such as drug abuse.

But it was Zappala's efforts to fight drug abuse that were the basis for one of Pell's questions.

Zappala co-founded Straight Inc., a drug treatment organization, in 1979. In 1983, a jury awarded a former Straight client \$220,000 after he claimed he was falsely imprisoned for four months by the center. A federal appeals court upheld the award in November 1984.

Information about the treatment organization reportedly was sent to the Foreign Relations Committee from an "aggrieved" former client, according to a committee official.

Pell was armed with information about the organization Thursday. In his questions to Zappala, Pell asked: "How do you respond to those critics who charge that the methods employed by Straight are unsound?"

The senator also asked if Straight still uses the same treatment methods as it did in 1983. A 1987 St. Petersburg Times article about Straight found that the center had altered some of its controversial treatments.

The committee chairman also asked about loans Zappala received from First Union National Bank of Florida, where Zappala has been a board member since 1979.

According to Zappala's financial disclosure form, he received a promissory note for a "personal line" of credit from First Union. The note was worth at least \$250,000, according to the form, and was given in 1987.

Zappala reported that he would pay a "prime" interest rate on the note. That's the rate banks normally charge to their best customers.

"Is it common practice for the bank to issue loans at prime?" asked Pell. A reporter's call to a spokesman at the bank's Jacksonville headquarters Thursday was not returned.

Zappala also received a second loan worth at least \$250,000 in 1987 from First Union, according to his disclosure form. It was for his mortgage on the Tucson Greyhound Park in Arizona, a racetrack he has partly owned since 1987, according to the form. The rate for the second loan was 9 1/2 percent.

According to the form, Zappala plans to resign from eight corporate boards to which he belongs.

#### **[Illustration]**

BLACK AND WHITE PHOTO; Caption: Joseph Zappala, 55, is the president's nominee for ambassador to Spain.

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#### **Abstract (Document Summary)**

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