

Board of Director's Meeting**November 9, 2017****3:30 PM****Agenda**

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1. Roll Call	
2. Public Comment	
3. Approval of Minutes for the Meeting of October 12, 2017	(1)
4. Executive Director Report	
5. Resolution Approving the Disposition of Properties	(15)
a. 2933 W. Diamond Street to Kornegay Properties, LLC	
b. 2544 N. Marston Street to One Better, LLC	
c. West Poplar Work Force Housing Initiative (623 N. 11 th Street, 625 N. 11 th Street, 627-29 N. 11th Street, 632 N. 11th Street, 634 N. 11th Street, 640 N. 11th Street, 645-47 N. 11 th Street, 655 N. 11 th Street, 659 N. 11 th Street, 661 N. 11 th Street, 663 N. 11 th Street, 1022 Melon Street, 1019 Wallace Street , 1021 Wallace Street and 1110-14 Wallace Street) to WP Homes, LLC	
6. Resolution Approving the Philadelphia Land Bank Audited Financial Statements for Year Ending June 30, 2017	(26)
7. Resolution Granting Authorization to Expand Spending Authority to Acquire Tax Delinquent Property Through Sheriff Sale, Subject to Certain Terms and Conditions	(58)
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a. LAMA	
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This meeting is open to the public

PHILADELPHIA LAND BANK

BOARD MEETING MINUTES

A Regular Meeting of the Board of Directors of the Philadelphia Land Bank was held on Thursday, October 12, 2017 commencing at 3:46 p.m. in the offices of the Philadelphia Housing Development Corporation, being its regular meeting place, 17th Floor, 1234 Market Street, Philadelphia, Pennsylvania, pursuant to proper notices.

CALL TO ORDER

Ms. Kates called the meeting to order at 3:46 p.m.

CHAIRMAN'S ANNOUNCEMENT

The Vice-Chairman announced that prior to today's Public Session, the Board held an Executive Session to discuss that certain litigation matter entitled "Ori C Feibush and OCF Holdings LLC v. Kenyatta Johnson, the Philadelphia Land Bank, and the City of Philadelphia", filed in the U.S. District Court for the Eastern District of Pennsylvania, case number 2017-CV03134 WB. During the Executive Session, Senior Counsel advised the Board on application of the Sunshine Act.

Agenda Item 1 Roll Call

The following members of the Board of Directors reported present: Jennifer Kates, Vice-Chair, Christian Dunbar, Michael Koonce, Rick Sauer, Paulette Adams, Richard DeMarco and Majeedah Rashid.

The following members of the Board of Directors were not present: Lauren Vidas, Dominique Casimir, and Courtney Voss.

The following staff members were present: Angel Rodriguez, Steven Cusano, Esq., Christi Jackson, Andrea Saah, Brian Romano, Jamila Davis, Darren Williams, Cristina Martinez, Alex Sharshnirov, Elizabeth Bonaccorso, and Anne Fadullon.

Public Attendees: The list of public attendees is attached to these minutes.

A quorum of directors was present and the meeting, having been duly convened, proceeded with business.

Agenda Item 2
Public Comment

Ms. Kates asked if any member of the public wished to comment upon any item on the Board's agenda.

There were no comments from the public.

Agenda Item 3
Approval of Board Minutes

Ms. Kates called for a motion to approve the minutes of the Board meeting of September 14, 2017.

A motion to approve the minutes of the Board meeting of September 14, 2017 was made by Christian Dunbar and seconded by Richard DeMarco.

Upon motion made and duly seconded, the Board approved the minutes of the September 14, 2017 Board meeting as presented.

Agenda Item 4
Executive Director Report

Mr. Rodriguez informed the Board that during his first month he met with staff in the following City Council Districts: 1st, 2nd, 5th, and 7th. These meetings with city council staff were to assist in coordinating the Land Bank's operations with each Council District.

Next, Mr. Rodriguez stated that the MOU with the School Reform Commission was signed and that the Land Bank will acquire nineteen (19) properties at sheriff sale on October 18, 2017 .

Mr. Rodriguez stated that the Water Rate Board will meet in either November or December. Mr. Rodriguez stated that a formal notice for the next rate proceeding hearing will be posted in either January or February 2018. Mr. Rodriguez further stated that a decision would be made in June/July of 2018 regarding the Land Bank's request for a zero rate. Upon approval from the Water Rate Board, the Land Bank will not be obligated to pay for any water or stormwater management fees for properties in the Land Bank's inventory. However, Mr. Rodriguez pointed out that the Land Bank will need to pay off all outstanding water bills, which will impact the Land Bank's cash flow. Mr. Koonce asked if the Land Bank properties would be free and clear of stormwater management fees. Mr. Rodriguez replied that would be determined once a decision is made in June or July 2018. Mr. Rodriguez stated that he is working with Land Bank's Finance Department to determine all outstanding water bills and the total cost.

Agenda Item 5
Election of Officers

Ms. Kates stated the next item on the agenda is the election of Officers for the Philadelphia Land Bank Board of Directors.

Mr. Sauer stated that the positions are: Chair, Vice-Chair, Secretary, and Treasurer. Mr. Sauer nominated Mr. Dunbar as Chair, Ms. Kates as Vice Chair, Mr. Koonce as Secretary, and Ms. Vidas as Treasurer.

Ms. Rashid raised a concern with regards to nominating officers when there is a vacancy on the Board. Mr. Sauer responded that one (1) Board vacancy is not filled and that the Board is not sure when that position will be filled.

Mr. Koonce suggested that, since the Board does not know when the vacant seat would be decided, to move forward with today's nominations. Ms. Kates further stated that the Chair, Secretary, and Treasurer positions are vacant at this time. Mr. Cusano stated that procedurally the Board, pursuant to the Bylaws, can act at any time to elect officers. Ms. Kates replied that the Board Officers can be revisited at a later time if the Board so decides. Mr. Cusano replied that is correct.

Ms. Adams asked what the by-laws state with regards to succession when the Secretary and Treasurer positions are vacant. Mr. Cusano responded that the Bylaws do not name a successor in the event of a vacancy in the Secretary or Treasurer positions. Mr. Sauer stated that the Vice-Chair is the only one designated to act as Chair when there is a vacancy in the Chair.

Ms. Kates called for a motion for the election of officers.

Mr. Sauer made a motion for Mr. Dunbar to be Chair, Ms. Kates to be Vice Chair, Mr. Koonce to be Secretary, and Ms. Vidas to be Treasurer. Mr. DeMarco seconded the motion.

Upon motion and duly seconded, the Board approved the election of officers as follows:

RESOLUTION NO. 2017 - 42

RESOLUTION ELECTING OFFICERS OF THE PHILADELPHIA LAND BANK

NOW THEREFORE, BE IT RESOLVED by the Board of Directors of the Philadelphia Land Bank that the following members of the Board of Directors are elected as Officers of the Philadelphia Land Bank in the following capacities, to hold office for one year or until their successors are appointed and qualified:

Chair:	Christian Dunbar
Vice Chair:	Jennifer Kates
Secretary:	Michael Koonce
Treasurer:	Lauren Vidas

Agenda Item 6

Resolution Authorizing Personnel to Execute Documentation on Behalf of PLB

Mr. Cusano requested approval authorizing personnel to execute documentation on behalf of Philadelphia Land Bank. Mr. Cusano stated that Resolution No. 2016-20 which was previously

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adopted by the Board on December 8, 2016 needs to be amended. The purpose of the current resolution is to authorize Senior Counsel to execute certain documents.

Mr. Cusano stated that, in the routine business of the Land Bank, the Land Bank is required to execute and attest certain documents that the Board has authorized, either by specific resolution or under the authority which the Board has delegated to the Executive Director. Mr. Cusano stated the various documents include deeds, Purchase and Development Agreements, contracts, leases, rights of entry and Certificates of Completion. Mr. Cusano further pointed out that the proposed resolution identifies those staff positions within the Land Bank who would be granted authority to execute such documents, namely, the Executive Director, Senior Counsel, Director of Property Management and Director of Real Estate.

Ms. Kates called for a motion to approve the resolution authorizing personnel to execute documentation on behalf of Philadelphia Land Bank.

Christian Dunbar made a motion to approve this resolution. Majeedah Rashid seconded the motion.

Upon motion and duly seconded, the Board approved the resolution authorizing personnel to execute documentation on behalf of Philadelphia Land Bank as follows:

RESOLUTION NO. 2017 – 43

RESOLUTION AUTHORIZING PERSONNEL TO EXECUTE DOCUMENTATION ON BEHALF OF PHILADELPHIA LAND BANK

NOW THEREFORE, BE IT RESOLVED by the Board of Directors of the Philadelphia Land Bank that the following Land Bank staff are authorized to execute and deliver on behalf of the Land Bank all deeds, leases, rights of entry, agreements, contracts, instruments, assignments, certifications, attestations, and other documents which have been authorized by the Board of Directors by specific resolution or pursuant to Board of Directors' action delegating certain authority to the Land Bank Executive Director:

Executive Director
Senior Counsel
Director of Property Management
Director of Real Estate

Agenda Item 7

Resolution Granting Authorization to Acquire Tax Delinquent Property Through Sheriff Sale, Subject to Certain Terms and Conditions

Mr. Cusano requested authorization to acquire tax delinquent property through sheriff sale, subject to certain terms and conditions. Mr. Cusano stated Resolution No. 2017-33 was previously adopted by the Board on June 27, 2017 and today's action would extend the deadline of August 26, 2017 in that resolution to a future date agreed to by the Board.

Mr. Cusano stated that with the execution of the MOU between the City of Philadelphia, the Philadelphia School District, Philadelphia Gas Works and the Philadelphia Land Bank, the Land Bank expects to begin acquiring tax delinquent property at sheriff sale. Mr. Cusano stated that there are four (4) sales each month.

Mr. Cusano stated that the resolution being presented is substantially the same authorization found in Resolution No. 2017-33, except that the staff is seeking an extension. Ms. Kates asked if the Board can obtain a monthly report showing the uses of the properties proposed for acquisition and their proposed end use. Mr. Koonce stated that such information may be difficult to obtain because of the uncertainty as to when a property may be going to sheriff sale.

Mr. Koonce asked if a report could be obtained showing the proposed acquisitions so the Board could supervise this process. Mr. Rodriguez stated that a report could be provided to the Board at the scheduled Board meetings.

Ms. Kates stated that checks and balances need to be in place with respect to acquisitions. Mr. Rodriguez replied that the Board approved 65 properties, but that the number grew to 250 when Ms. Nikolic was the Executive Director. Mr. Rodriguez explained how the acquisitions of properties align to the Strategic Plan moving forward.

Mr. Koonce stated the Board needs to make sure there is a certain range of goals with respect to sheriff sale acquisitions. Ms. Kates stated that, since the initiation of Land Bank, the staff has provided reports to the Board regarding those properties in the pipeline. Ms. Kates stated that this is important so that the Board can get a better picture of potential sheriff sale acquisitions.

Mr. Rodriguez stated that he has been meeting with various city council staff in order to compile a list of potential sheriff sale acquisitions by council district; however, has not yet meet with all the council districts. Mr. Rodriguez further stated that the Land Bank staff will share with the Board a schedule of expected cash flow, acquisitions, and dispositions.

Ms. Kates requested that monthly reports should include properties that are on hold along with a reason for the hold. Mr. Koonce replied that there is no certainty that the Land Bank will be able to acquire all potential sheriff sale acquisitions because the taxpayer could pay the outstanding amounts before the sale.. Mr. Dunbar followed up by pointing out the difficulty projecting such information.

Ms. Kates stated that, at this time, there are a substantial number of potential sheriff sale properties on hold, which the Land Bank has not made a decision to acquire. Ms. Kates further stated that the Board must be informed about when properties are taken off the list and provided a reason for being taken off. Ms. Kates stressed that this information is extremely important.

Mr. Rodriguez explained to the Board that 250 properties came up in the proposed budget and are tied to the Strategic Plan. Ms. Kates stated that the Land Bank needs to figure out on an ongoing basis what is in the acquisition pipeline in order to meet the Strategic Plan goals.

Mr. Sauer requested that reporting should include the proposed property end use.

Ms. Kates asked for a list of those properties on hold, the categories for these properties, and how the Land Bank will decide which properties are to be acquired at sheriff sale. Mr. Koonce requested that the Land Bank staff provide a report outlining these items and the categories for each property acquired to date.

Ms. Kates stated that the Land Bank needs to determine each Council Districts' priority for sheriff sale acquisitions, whether it be gardens, side yards, etc.

Mr. Koonce asked about the relevance to the OneDrive with regards to sheriff sales. Ms. Jackson replied that the OneDrive shows potential sheriff sale acquisitions as approved, ineligible, under review, or no. Ms. Jackson added that the Land Bank staff is making updates to the One Drive.

Mr. Rodriguez stated that another filter needs to be implemented, such as budget status or costs based on strategic goals.

Ms. Kates stated the Board needs to think about how to properly filter the properties and staff needs to report back to the Board regarding the timing of acquisitions.

Mr. Koonce asked if there is a large number of properties moving to sheriff sale that the Land Bank is interested in acquiring. Ms. Jackson responded that only when there is a TIC does the Land Bank evaluate a property for acquisition. Mr. Rodriguez added that the Finance Department needs to prioritize the TICs for a property the Land Bank wishes to acquire and that he has asked the Finance Department to prioritize the Land Bank's acquisition requests.

Ms. Adams asked about the increase in liens as the property waits to be acquired by the Land Bank. Mr. Rodriguez responded that under the MOU the Land Bank never pays more than the OPA value pursuant to the MOU.

Ms. Kates added that the normal timeframe for a property to go through the foreclosure process is 1 year.

Mr. Rodriguez discussed how OPA values affect the balance sheet and that he had conversations regarding this with Mr. Williams to see if the OPA value can be adjusted for balance sheet purposes.

Ms. Adams asked if the acquisition cost will change over time; whether it being 6, 9, or 12 months later and how the budget impacts the process. Mr. Rodriguez stated that the Land Bank will need to be strategic regarding nominal dispositions and offset the nominal dispositions with competitive bids.

Mr. Rodriguez informed the Board that any request for funding from City Council must be completed by January 2018 for the City's 2018-19 budget.

Ms. Kates called for a motion to approve the resolution granting authorization to acquire tax delinquent property through sheriff sale, subject to certain terms and conditions, through December 15, 2017 .

Mr. Koonce made a motion to approve this resolution. Ms. Adams seconded the motion.

Upon motion and duly seconded, the Board approved the resolution granting authorization to acquire tax delinquent property through sheriff sale, subject to certain terms and conditions, as follows:

RESOLUTION NO. 2017 – 44

RESOLUTION GRANTING AUTHORIZATION TO ACQUIRE TAX DELINQUENT PROPERTY THROUGH SHERIFF SALE, SUBJECT TO CERTAIN TERMS AND CONDITIONS

WHEREAS, the Commonwealth Land Bank Act, 68 Pa. C.S.A. §§ 2101, *et seq.*, authorizes a land bank to bid for and acquire property exposed for sale pursuant to the Municipal Claim and Tax Lien Law, 53 P.S. §§ 7101, *et seq.*;

WHEREAS, Section 16-705(3)(b) of the Philadelphia Code authorizes the Land Bank to acquire tax delinquent properties at sales conducted by, or on behalf of, the City of Philadelphia (“Tax Sale Properties”);

WHEREAS, the Land Bank finds that the acquisition of Tax Sale Properties which meet the criteria of its Strategic Plan can be better managed by delegating the ability to bid for and acquire certain Tax Sale Properties.

NOW THEREFORE, BE IT RESOLVED by the Board of Directors that (“Board”):

1. The Board Chair, the Board Vice-Chair and the Executive Director are each authorized, subject to the terms of this Resolution, to bid for and acquire Tax Sale Properties.
2. The maximum expenditure for acquisition of Tax Sale Properties as authorized by this Resolution shall not exceed Two Hundred Fifty Thousand Dollars (\$250,000) without further approval and authorization of the Board.
3. The Executive Director shall report at each Regular Meeting of the Board on a cumulative basis: (a) the address of all Tax Sale Properties acquired; (b) the amount paid to the City to satisfy or remove all municipal and School District charges; and (c) the proposed disposition use of the property in a category shown in the Strategic Plan.
4. Upon request of a majority of the Board, Land Bank staff shall provide such other information to allow the Board to properly supervise and control this delegation of authority.
5. Those Land Bank staff authorized to execute documents on behalf of the Land Bank pursuant to any past or future Resolution are hereby granted authorization to execute and deliver all such contracts, instruments and documents, and to pay all amounts, necessary or convenient to carry out the purpose and intent of this Resolution.

6. The authorization provided in this Resolution shall expire on December 15, 2017 unless extended by further action by the Board.

Agenda Item 8
Resolutions for Bank Signatory Approval

Mr. Cusano requested approval for certain authorized personnel to sign orders and checks on behalf of the Land Bank. Mr. Cusano explained that the Bylaws require that the Treasurer sign all orders and checks for the payment of money and that all such orders and checks must be countersigned by the Chair or Vice Chair.

Mr. Cusano stated that to efficiently operate the Land Bank the following measures need to be instituted. First, delegate the power to sign orders and checks to three (3) authorized persons being Mr. Rodriguez as Executive Director, Mr. Cusano as Senior Counsel, and Mr. Williams as Finance Director. Second, all orders and checks must be signed by at least two (2) of the three (3) authorized persons.

Mr. Cusano pointed out that the authority would terminate if an authorized person voluntarily or involuntarily leaves their position with the Land Bank. Mr. Cusano stated that no sub-delegation of this authority is permitted without approval of the Board.

Mr. Cusano reminded the Board that, pursuant to Resolution 2015-11, the Executive Director may enter into contracts for supplies, materials, and services in amounts not to exceed \$50,000, inclusive of all amendments and extensions, which are consistent with the corresponding line item in the then current Land Bank operating budget.

Ms. Kates called for a motion to approve the resolution authorizing certain authorized persons to sign orders and checks for the payment of money by the Land Bank.

Mr. Sauer made a motion to approve this resolution. Mr. Koonce seconded the motion.

Upon motion and duly seconded, the Board approved the resolution authorizing certain persons to sign orders and checks for the payment of money by the Land Bank as follows:

RESOLUTION NO. 2017 - 45

**RESOLUTION AUTHORIZING CERTAIN AUTHORIZED PERSONS TO SIGN
ORDERS AND CHECKS FOR THE PAYMENT OF MONEY BY THE
PHILADELPHIA LAND BANK**

WHEREAS, section 205 of the Land Bank's Bylaws provides, among other things, that the Treasurer, or such other person as authorized by resolution of the Board of Directors of the Philadelphia Land Bank (the "**Board**"), shall "sign all orders and checks for the payment of money, and shall pay out and disburse such monies under the direction of the Board" and "Except as otherwise authorized by resolution of the Board, all such orders and checks shall be countersigned by the Chair or Vice Chair";

WHEREAS, the Board has determined that it is necessary to delegate authority to sign and countersign any and all orders and checks for the payment of money by the Land Bank;

WHEREAS, the Board has determined that all orders and checks for the payment of money by the Land Bank must be signed by at least two (2) Authorized Persons, as defined below;

WHEREAS, the Board has determined that it is necessary to provide the Authorized Persons with the authority to do and cause to be done any and all such further acts and things and execute and deliver all such certificates, agreements, documents, statements, filings, and instruments necessary or appropriate in order to carry out the intent and to accomplish the purposes of this Resolution;

WHEREAS, the Board has determined that the authority granted to each Authorized Person in this Resolution shall automatically terminate upon such Authorized Person voluntarily or involuntarily leaving their position with the Land Bank; and

WHEREAS, the Board has determined that the authority delegated in this Resolution shall not be sub-delegated without the approval of the Board.

NOW THEREFORE, BE IT RESOLVED by the Board of Directors of the Philadelphia Land Bank that:

1. The requirement that all orders and checks for the payment of money by the Land Bank be signed by the Treasurer and countersigned by the Chair or Vice Chair is hereby delegated pursuant to the terms of this Resolution.

2. All orders and checks for the payment of money by the Land Bank must be signed by at least two (2) Authorized Person.

3. Angel Rodriguez as Executive Director, Steve Cusano as Senior Counsel, and Darren Williams as Finance Director are hereby each an "**Authorized Person**" and collectively, "**Authorized Persons**" under this Resolution.

4. The Authorized Persons are hereby authorized to do and cause to be done any and all such further acts and things and execute and deliver all such certificates, agreements, documents, statements, filings, and instruments necessary or appropriate in order to carry out the intent and to accomplish the purposes of this Resolution;

5. The authority granted to each Authorized Person pursuant to this Resolution shall automatically terminate upon such Authorized Person voluntarily or involuntarily leaving their position with the Land Bank.

6. The authority delegated in this Resolution shall not be sub-delegated without the approval of the Board.

7. The Executive Director with the advice of Senior Counsel may allow modifications to this Resolution necessary or desirable to carry out its purposes and intents.

Agenda Item 9

Resolutions for Appointments to the Finance Committee, Strategic Plan Committee, and the Policy Committee

Mr. Cusano requested approval for appointments to the Finance Committee, Strategic Plan Committee, and the Policy Committee.

Ms. Kates asked for nominations to the Finance Committee. Mr. Sauer nominated Mr. Koonce as Chair of the Finance Committee with the following as committee members: Ms. Adams, Mr. DeMarco, Mr. Sauer, and Mr. Dunbar.

Ms. Kates called for a motion to approve these nominations and the resolution establishing a Standing Finance Committee, and appointment of committee members.

Mr. Sauer made a motion to approve these nominations and this resolution. Christian Dunbar seconded the motion.

Upon motion and duly seconded, the Board approved the resolution establishing a Standing Finance Committee, and appointment of committee members as follows:

RESOLUTION NO. 2017 – 46

**RESOLUTION ESTABLISHING A STANDING FINANCE COMMITTEE, AND
APPOINTMENT OF COMMITTEE MEMBERS, FOR THE PHILADELPHIA LAND
BANK**

WHEREAS, Section 310 of the Bylaws of the Philadelphia Land Bank authorizes the Board of Directors (the "**Board**"), by a majority vote of the entire Board, to designate one or more standing advisory and ad hoc committees, whose members may be comprised of both Board members and other individuals who are not Board members; and

WHEREAS, the Board desires to appoint a Standing Finance Committee pursuant to this Resolution.

NOW THEREFORE, BE IT RESOLVED by the Board that:

1. A Standing Finance Committee is hereby established with the following individuals being appointed to the committee to act in the capacity indicated below:

Committee Chair: Michael Koonce

Members: Paulette Adams
Richard DeMarco
Rick Sauer
Christian Dunbar

2. Any and all prior resolutions regarding a Standing Finance Committee, including, without limitation, Resolution 2015-4 and Resolution No. 2017-8, are hereby null and void.

Ms. Kates asked for nominations to the Strategic Plan Committee. Mr. Sauer nominated Ms. Kates as Chair of the Strategic Plan Committee with the following as committee members: Ms. Casimir, Ms. Rashid and Ms. Vidas.

Ms. Kates called for a motion to approve these nominations and the resolution establishing a Standing Strategic Plan Committee, and appointment of committee members.

Mr. Sauer made a motion to approve these nominations and this resolution. Christian Dunbar seconded the motion.

Upon motion and duly seconded, the Board approved the resolution establishing a Standing Strategic Plan Committee, and appointment of committee members as follows:

RESOLUTION NO. 2017 – 47

RESOLUTION ESTABLISHING A STANDING STRATEGIC PLAN COMMITTEE, AND APPOINTMENT OF COMMITTEE MEMBERS, FOR THE PHILADELPHIA LAND BANK

WHEREAS, Section 310 of the Bylaws of the Philadelphia Land Bank authorizes the Board of Directors (the "**Board**"), by a majority vote of the entire Board, to designate one or more standing advisory and ad hoc committees, whose members may be comprised of both Board members and other individuals who are not Board members; and

WHEREAS, the Board desires to appoint a Standing Strategic Plan Committee pursuant to this Resolution.

NOW THEREFORE, BE IT RESOLVED by the Board that:

1. A Standing Strategic Plan Committee is hereby established with the following individuals being appointed to the committee to act in the capacity indicated below:

Committee Chair: Jennifer Kates

Members: Dominique Casimir
 Majeedah Rashid
 Lauren Vidas

2. Any and all prior resolutions regarding a Standing Strategic Plan Committee, including, without limitation, Resolution 2014-8, Resolution 2015-5, and Resolution No. 2017-7, are hereby null and void.

Ms. Kates asked for nominations to the Policy Committee. Mr. Sauer nominated Ms. Voss as Chair of the Policy Committee with the following as committee members: Ms. Adams, Ms. Casimir, Ms. Rashid and Mr. Sauer.

Ms. Kates called for a motion to approve these nominations and the resolution establishing a Standing Policy Committee, and appointment of committee members.

Mr. Sauer made a motion to approve these nominations and this resolution. Mr. Dunbar seconded the motion.

Upon motion and duly seconded, the Board approved the resolution establishing a Standing Policy Committee, and appointment of committee members as follows:

RESOLUTION NO. 2017 – 48

RESOLUTION ESTABLISHING A STANDING POLICY COMMITTEE, AND APPOINTMENT OF COMMITTEE MEMBERS, FOR THE PHILADELPHIA LAND BANK

WHEREAS, Section 310 of the Bylaws of the Philadelphia Land Bank authorizes the Board of Directors (the "**Board**"), by a majority vote of the entire Board, to designate one or more standing advisory and ad hoc committees, whose members may be comprised of both Board members and other individuals who are not Board members; and

WHEREAS, the Board desires to appoint a Standing Policy Committee pursuant to this Resolution.

NOW THEREFORE, BE IT RESOLVED by the Board that:

1. A Standing Policy Committee is hereby established with the following individuals being appointed to the committee to act in the capacity indicated below:

Committee Chair: Courtney Voss

Members: Paulette Adams
Dominique Casimir
Majeedah Rashid
Rick Sauer

2. Any and all prior resolutions regarding a Standing Policy Committee, including, without limitation, Resolution 2014-9 and Resolution No. 2017-9, are hereby null and void.

Agenda Item 10

Updated on Second Amendment to PRA Memorandum of Understanding

Mr. Cusano informed the Board that the Second Amendment to the MOU between the Philadelphia Redevelopment Authority and the Philadelphia Land Bank has been executed by both parties.

Agenda Item 11
Update on Insurance

Mr. Cusano informed the Board that the Directors' and Officers Insurance was renewed with a new insurer. The new policy is for ten (10) months from October 16 , 2017 through July 1, 2018. The reason this policy is not for a full year is to align it with the expiration of PHDC's D&O Insurance, for convenience purposes. This will allow PHDC to renew theirs and the Land Bank's D&O Insurance in July, 2018. Mr. Cusano stated that the Land Bank staff submitted their application for liability insurance renewal to Conner and Strong for bidding. The Land Bank's liability insurance expires on December 9, 2017.

Agenda Item 12
Update on Memorandum of Understanding with the City of Philadelphia, SRC, and PGW

Mr. Cusano informed the Board that the MOU between the City of Philadelphia, School Reform Commission, and PGW has been executed by all parties. The term of the MOU was increased by the SRC from three (3) months to one (1) year effective from September 15, 2017 to September 15, 2018. However, the final MOU still allows any party to terminate with sixty (60) days notice.

Agenda Item 13
Update on Property Transfers

Ms. Saah provided an update of property transfers. Ms. Saah explained that no properties have been transferred to Land Bank from the City since September 2017. Ms. Saah informed the Board members that, on the Parcel Reconciliation Report dated October 1, 2017, the number of properties not approved for transfer reflects all properties listed as available for purchase. The Board requested a breakdown by Council Districts.

Agenda Item 14
Land Bank Acquisition and Sale Report

Ms. Saah provided an update of property transfers under the Disposition Report dated October 1, 2017. Ms. Saah stated that three (3) lots approved for disposition in the previous fiscal year settled. Ms. Saah stated that more settlements are in the pipeline.

Agenda Item 15
Old Business

LAMA

Mr. Rodriguez informed the Board members that training has been postponed. Mr. Rodriguez stated that training is being structured to each persons' actual use. A beta training program should be completed by the end of October.

Land Bank Staffing

Mr. Rodriguez provided the Board with an update on Land Bank staffing. Mr. Rodriguez stated that the bilingual clerk testing has taken place, and interviews will be scheduled soon. Next, Mr. Rodriguez stated that there are two (2) candidates for the Real Estate Specialist position who will

be given tests. Finally, Mr. Rodriguez stated that the Senior Development Specialist position job description is being finalized and that he will provide it to the union for review.

Mr. Rodriguez informed the Board that Philadelphia Housing Authority has offered the Land Bank a total of two-hundred fifty (250) properties. Two-hundred forty-nine (249) properties are structures and one (1) is a vacant lot. Mr. Koonce stated that the Land Bank staff will need to check if these properties are affected by any HUD or other restrictions. Mr. Rodriguez stated that the Land Bank could consider taking these properties in batches depending on salability. Mr. Rodriguez also informed the Board of the impact these properties will have on the Land Bank's cash flow with respect to insurance and property management costs.

Mr. Rodriguez stated that the Land Bank has no capacity to inspect these properties and indicated that he has a meeting with Licenses & Inspections to discuss if they can perform inspections on these properties for the Land Bank. Ms. Kates asked if there were plans to conduct market studies for these properties. Mr. Rodriguez responded that the Land Bank staff is considering issuing an RFP to conduct market studies. Mr. Koonce asked if L&I is able to give a rehab estimate as part of their inspection. Mr. Rodriguez responded that he will ask L&I. Ms. Kates asked if anyone in attendance had any additional questions or concerns that they would like the Board to consider. No questions or concerns were presented to the Board.

There being no further business to come before the Board, Ms. Kates called for a motion to adjourn the meeting.

Mr. Dunbar made a motion to adjourn the meeting. Ms. Rashid seconded the motion.

Upon motion and duly seconded, the Board approved to adjourn the meeting.

Ms. Kates declared the meeting adjourned at 5:08 p.m.

SECRETARY TO THE BOARD

MEMORANDUM

To: Board of Directors
From: Land Bank Staff
Date: November 9, 2017
Re: **Disposition Approvals**

Staff recommends that the Board approve the conveyance of the properties outlined in the attached fact sheets, which describe the proposed projects and terms of sale in further detail.

As required by the Land Bank Ordinance, these conveyances were approved by the Vacant Property Review Committee and by City Council resolution. Notices were sent to the entire neighborhood designated Registered Civic Organizations (RCOs), along with notices posted on the properties 10 days prior to these cases being presented to the Vacant Property Review Committee.

Name of Applicant(s):	Linda Kornegay
Legal Entity, if applicable:	Kornegay Properties LLC
Applicant Mailing Address:	219 W. 14 th Street, Wilmington, DE 19801
Application Date:	November 20, 2016
Property Addresses:	2933 Diamond Street
Council District & Zoning:	Council District #5; RSA-5
Accepted Sale Price*:	(\$14,826.00) Price determined by: <input type="checkbox"/> Appraisal <input checked="" type="checkbox"/> LAMA UFP <input type="checkbox"/> Other:

**Unless extraneous conditions apply, sale price and accepted price are the same.*

STRATEGIC PLAN GOAL	<input checked="" type="checkbox"/> Housing (2 unit rental) <input type="checkbox"/> Business Expansion <input type="checkbox"/> Side yard <input type="checkbox"/> Garden/Open Space
PROPOSED DEVELOPMENT	<input type="checkbox"/> New Construction <input checked="" type="checkbox"/> Rehab
PLANNED USE:	<input checked="" type="checkbox"/> Residential <input type="checkbox"/> Commercial <input type="checkbox"/> Mixed Use
IF RESIDENTIAL:	<input type="checkbox"/> Single Family <input checked="" type="checkbox"/> Multi-Unit & # of Units <u>2 units for rental</u>
TOTAL SQ FT	Total development: approximately 1700 square feet
CONSTRUCTION COSTS:	\$65,000.00
TOTAL PROJECT COSTS:	\$79,826.00
TOTAL PROJECT FUNDING*:	\$120,000.00 Documentation: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

**Applicant must submit Commitment Letter from lender or provide evidence of access to funding prior to Land Bank approval.*

Check one: ☐ Owner Occupied ☐ For Sale to Homebuyer ☒ Rental /Tenant

Staff Recommendation:

NOTE: Applicant will restore and rehab property back to two (2) units and provide quality affordable rental options for the community. Applicant has the support letter from Strawberry Mansion Community Development Corporation. Developer is compliant with the City of Philadelphia Revenue Department and has no outstanding tax obligations, conflicts of interest, or unresolved violation of City L&I codes.

Prepared by: Brian Romano
Reviewed by: Christi Jackson



Name of Applicant(s):	Terence Jones
Legal Entity, if applicable:	One Better, LLC
Applicant Mailing Address:	1510 Cecil B Moore Avenue
Application Date:	April 10, 2017
Property Addresses:	2544 N Marston Street
Council District & Zoning:	Council District #5; RSA-5
Accepted Sale Price*:	(\$6,042.00) Price determined by: <input type="checkbox"/> Appraisal <input checked="" type="checkbox"/> LAMA UFP <input type="checkbox"/> Other:

**Unless extraneous conditions apply, sale price and accepted price are the same.*

STRATEGIC PLAN GOAL	<input checked="" type="checkbox"/> Housing (Rehab/ Residential/ Single Family) <input type="checkbox"/> Business Expansion <input type="checkbox"/> Side yard <input type="checkbox"/> Garden/Open Space		
PROPOSED DEVELOPMENT	<input type="checkbox"/> New Construction <input checked="" type="checkbox"/> Rehab		
PLANNED USE:	<input checked="" type="checkbox"/> Residential <input type="checkbox"/> Commercial <input type="checkbox"/> Mixed Use		
IF RESIDENTIAL:	<input checked="" type="checkbox"/> Single Family <input type="checkbox"/> Multi-Unit & # of Units		
TOTAL SQ FT	Total development: 1,035.00		
CONSTRUCTION COSTS:	\$35,000.00		
TOTAL PROJECT COSTS:	\$41,042.00		
TOTAL PROJECT FUNDING*:	\$41,042.00 Documentation: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		

**Applicant must submit Commitment Letter from lender or provide evidence of access to funding prior to Land Bank approval.*

Check one: ☐ Owner Occupied ☒ For Sale to Homebuyer ☐ Rental /Tenant

Staff Recommendation:

NOTE: Applicant will restore and rehab property back to a Residential/Single Family dwelling. Applicant has support letter from Council District #5 (President Clarke). Developer is compliant with the City of Philadelphia Revenue Department and has no outstanding tax obligations, conflicts of interest, or unresolved violation of City L&I codes.

Prepared by: Maribel Rosado
Reviewed by: Brian Romano



DEVELOPMENT FACTSHEET
Scattered Site Workforce Housing, West Poplar

Name of Applicant(s):	Max Frankel
Legal Entity, if applicable:	WP Homes, LLC
Applicant Mailing Address:	1845 Walnut Street, Philadelphia, PA 19103
Application Date:	April 14, 2017
Number of Responses Received:	Three (3)
Property Address:	623 N. 11 th Street, 625 N. 11 th Street*, 627-29 N. 11th Street, 632 N. 11th Street, 634 N. 11th Street, 640 N. 11th Street*, 645-47 N. 11 th Street, 655 N. 11 th Street, 659 N. 11 th Street, 661 N. 11 th Street, 663 N. 11 th Street, 1022 Melon Street, 1019 Wallace Street, 1021 Wallace Street and 1110-14 Wallace Street
Council District & Zoning:	Council District #5; RM-1 and CMX-2*
Accepted Sale Price*:	<u>\$5,200</u> Price determined by: <input type="checkbox"/> Appraisal <input type="checkbox"/> LAMA UFP <input checked="" type="checkbox"/> Other: <u>Proposed acquisition price</u>

**Unless extraneous conditions apply, sale price and accepted price are the same.*

PROPOSED DEVELOPMENT	<input checked="" type="checkbox"/> New Construction <input type="checkbox"/> Rehab
PLANNED USE:	<input checked="" type="checkbox"/> Residential <input type="checkbox"/> Commercial <input type="checkbox"/> Mixed Use
IF RESIDENTIAL:	<input checked="" type="checkbox"/> Single Family: <u>26 single-family units</u>
TOTAL SQ FT	Approximately 28,381
CONSTRUCTION COSTS:	\$3,864,902
TOTAL PROJECT COSTS:	\$5,130,120
TOTAL PROJECT FUNDING*:	\$5,130,120 Documentation: <input checked="" type="checkbox"/> Yes (Equity and LOI) <input type="checkbox"/> No

**Applicant must submit Commitment Letter from lender or provide evidence of access to funding prior to Land Bank approval.*

Check one: ☐ Owner Occupied ☒ For Sale to Homebuyer ☐ Rental /Tenant

Staff Recommendation:

The Philadelphia Land Bank (PLB) issued a Request for Proposals (RFP) on March 17, 2017 for the fifteen (15) scattered-site properties located in the West Poplar neighborhood to be developed into workforce housing homeownership units. The RFP stipulated that homes be sold to households with incomes at or below 120% AMI with a maximum sales price of \$230,000.

The RFP generated three (3) responses, of which all three (3) met initial thresholds and were evaluated by a selection committee. Proposals were evaluated and scored in the following overall categories: financial feasibility, developer experience, financial strength of offer (access to capital), proposed scope & timeline, design quality and responsiveness to EOP goals.

The proposal ranked highest among all applicants. The applicant demonstrated extensive development experience and access to capital in the form of developer equity and a LOI from Royal Bank for construction financing.

WP Homes, LLC proposes to build 26 single family units consisting of 3 bedroom/2 bathroom of which 24 units will be 2-story and 2 units will be three-story. Construction will commence within 3 months of obtaining necessary permits, with construction completion within 18 months. Applicant is compliant and in good standing with the City of Philadelphia.

Prepared by: Brian Romano

Reviewed by: Christi Jackson



RESOLUTION NO. 2017 – _____

**RESOLUTION AUTHORIZING CONVEYANCE OF CERTAIN PROPERTY TO
KORNEGAY PROPERTIES, LLC**

WHEREAS, Section 16-707 of the Philadelphia Code authorizes the Philadelphia Land Bank ("Land Bank") to convey, exchange, sell, transfer, lease, grant or mortgage interests in real property of the Land Bank, subject to approval of the Vacant Property Review Committee and resolution by Philadelphia City Council, and subject further to the terms and conditions of Section 16-707; and

WHEREAS, the Vacant Property Review Committee reviewed the proposed transfer of 2933 Diamond Street (the "Property") at its public meeting held on July 11, 2017 and Philadelphia City Council approved conveyance of the Property by Resolution No. 170737, adopted on September 21, 2017.

WHEREAS, the Board of Directors has determined that it is in the best interest of the Land Bank to convey the Property; and

NOW THEREFORE, BE IT HEREBY RESOLVED by the Board of Directors of the Philadelphia Land Bank that:

1. The conveyance of the Property to Kornegay Properties, LLC for Fourteen Thousand Eight Hundred Twenty Six Dollars (\$14,826.00) is in the best interests of the Land Bank and is hereby approved;
2. The conveyance of the Property complies with all terms and conditions of Section 16-707 of the Philadelphia Code;
3. The Executive Director, Director of Property Management, and Senior Counsel are each hereby authorized, in the name of and on behalf of the Land Bank, to prepare, execute, deliver, and perform any and all agreements, deeds, and other documents as may be necessary or desirable to consummate the conveyance of the Property, which shall contain such terms and conditions as the Executive Director and Senior Counsel shall deem necessary or appropriate, and, when so executed and delivered by the Land Bank shall constitute the valid and binding obligations of the Land Bank; and
4. The Executive Director with the advice of Senior Counsel may modify this Resolution as may be necessary or desirable to carry out its purposes and intents.

RESOLUTION NO. 2017 - _____

**RESOLUTION AUTHORIZING CONVEYANCE OF CERTAIN PROPERTY TO
ONE BETTER, LLC**

WHEREAS, Section 16-707 of the Philadelphia Code authorizes the Philadelphia Land Bank ("Land Bank") to convey, exchange, sell, transfer, lease, grant or mortgage interests in real property of the Land Bank, subject to approval of the Vacant Property Review Committee and resolution by Philadelphia City Council, and subject further to the terms and conditions of Section 16-707; and

WHEREAS, the Vacant Property Review Committee reviewed the proposed transfer of 2544 N. Marston Street (the "Property") at its public meeting held on July 11, 2017 and Philadelphia City Council approved conveyance of the Property by Resolution No. 170739, adopted on September 21, 2017.

WHEREAS, the Board of Directors has determined that it is in the best interest of the Land Bank to convey the Property; and

NOW THEREFORE, BE IT HEREBY RESOLVED by the Board of Directors of the Philadelphia Land Bank that:

1. The conveyance of the Property to One Better, LLC for Six Thousand Forty Two Dollars (\$6,042.00) is in the best interests of the Land Bank and is hereby approved;
2. The conveyance of the Property complies with all terms and conditions of Section 16-707 of the Philadelphia Code;
3. The Executive Director, Director of Property Management, and Senior Counsel are each hereby authorized, in the name of and on behalf of the Land Bank, to prepare, execute, deliver, and perform any and all agreements, deeds, and other documents as may be necessary or desirable to consummate the conveyance of the Property, which shall contain such terms and conditions as the Executive Director and Senior Counsel shall deem necessary or appropriate, and, when so executed and delivered by the Land Bank shall constitute the valid and binding obligations of the Land Bank; and
4. The Executive Director with the advice of Senior Counsel may modify this Resolution as may be necessary or desirable to carry out its purposes and intents.

RESOLUTION NO. 2017 – _____

**RESOLUTION AUTHORIZING CONVEYANCE OF CERTAIN PROPERTIES TO
WP HOMES, LLC**

WHEREAS, Section 16-707 of the Philadelphia Code authorizes the Philadelphia Land Bank ("Land Bank") to convey, exchange, sell, transfer, lease, grant or mortgage interests in real property of the Land Bank, subject to approval of the Vacant Property Review Committee and resolution by Philadelphia City Council, and subject further to the terms and conditions of Section 16-707; and

WHEREAS, the Vacant Property Review Committee reviewed the proposed transfer of 623 N. 11th Street, 625 N. 11th Street, 627-629 N. 11th Street, 632 N. 11th Street, 634 N. 11th Street, 640 N. 11th Street, 645-647 N. 11th Street, 655 N. 11th Street, 659 N. 11th Street, 661 N. 11th Street, 663 N. 11th Street, 1022 Melon Street, 1019 Wallace Street, 1021 Wallace Street and 1110-1114 Wallace Street (collectively, the "Properties") at its public meeting held on August 8, 2017 and Philadelphia City Council approved conveyance of the Properties by Resolution No. 170736, adopted on September 21, 2017.

WHEREAS, the Board of Directors has determined that it is in the best interest of the Land Bank to convey the Properties; and

NOW THEREFORE, BE IT HEREBY RESOLVED by the Board of Directors of the Philadelphia Land Bank that:

1. The conveyance of the Properties to WP Homes, LLC for Five Thousand Two Hundred Dollars (\$5,200.00) is in the best interests of the Land Bank and is hereby approved;
2. The conveyance of the Properties complies with all terms and conditions of Section 16-707 of the Philadelphia Code;
3. The Executive Director, Director of Property Management, and Senior Counsel are each hereby authorized, in the name of and on behalf of the Land Bank, to prepare, execute, deliver, and perform any and all agreements, deeds, and other documents as may be necessary or desirable to consummate the conveyance of the Properties, which shall contain such terms and conditions as the Executive Director and Senior Counsel shall deem necessary or appropriate, and, when so executed and delivered by the Land Bank shall constitute the valid and binding obligations of the Land Bank; and
4. The Executive Director with the advice of Senior Counsel may modify this Resolution as may be necessary or desirable to carry out its purposes and intents.

MEMORANDUM

To: Board of Directors
From: Darren Williams
Date: November 9, 2017
Re: **Approval of FY 2017 Audited Financial Statements**

Mercadien, P.C., the Land Bank's independent auditors, has finalized the annual financial audit for the year ending June 30, 2017.

- Mercadien issued an Unqualified "Clean" Opinion of the Land Bank's financial statements
- No Findings were reported
- No material weaknesses were noted in internal controls
- The Land Bank complied with all Governmental Auditing Standards

Staff requests that the Board accept Mercadien's Independent Audit Report.

RESOLUTION NO. 2017 -

**RESOLUTION APPROVING PHILADELPHIA LAND BANK
AUDITED FINANCIAL STATEMENTS FOR YEAR ENDING JUNE 30, 2016**

WHEREAS, the Land Bank Act, 68 Pa.C.S.A. § 2101, *et seq.*, requires the Philadelphia Land Bank to prepare an annual financial audit for submission to the Department of Community and Economic Development and Philadelphia City Council;

WHEREAS, the Land Bank has engaged the audit firm of Mercadien, P.C., Certified Public Accountants, to audit the Land Bank's financial statements for Fiscal Year 2017;

WHEREAS, Mercadien has issued its Independent Auditor's Report; and

WHEREAS, the Land Bank Board has reviewed, and desires to accept, the Independent Auditor's Report.

NOW THEREFORE, BE IT RESOLVED by the Philadelphia Land Bank that:

1. The Independent Auditor's Report of the Philadelphia Land Bank issued by Mercadien, P.C., Certified Public Accountants for Year Ended June 30, 2017 is hereby accepted.
2. Land Bank staff is directed to submit the Auditor's Report to the Department of Community and Economic Development and to Philadelphia City Council as required by the Land Bank Act.

PHILADELPHIA LAND BANK

City of Philadelphia,
State of Pennsylvania

Financial Statements
and
Supplementary Information

June 30, 2017

PHILADELPHIA LAND BANK
City of Philadelphia, State of Pennsylvania

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PHILADELPHIA LAND BANK
City of Philadelphia, State of Pennsylvania

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the financial performance of the Philadelphia Land Bank ("Land Bank") provides an overview of the Land Bank's significant financial activities for the fiscal years ended June 30, 2017 and 2016. Please read it in conjunction with the attached financial statements for a comprehensive understanding of the reports.

Overview and Use of the Financial Statements

The discussion and analysis is intended to serve as an introduction to the basic financial statements of the Land Bank. The annual financial report is comprised of three components: management's discussion and analysis, the basic financial statements (including related notes to the financial statements), and supplemental schedules required by the City of Philadelphia (the "City").

The financial statements are designed to provide readers with a broad overview of the finances of the Land Bank in a manner similar to private-sector business. These statements are prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units on the accrual basis. Under this basis of accounting, revenues are recognized in the period in which they are earned, while expenses are recognized in the period they are incurred. Depreciation of capital assets is recognized in the statement of revenues, expenses and changes in net position.

The Land Bank is considered to be a governmental unit. As a result, the format of the attached financial statements conform with GAAP as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The statements of net position present information on all of the Land Bank's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in the Land Bank's net position are an indicator of whether its financial health is improving or deteriorating, respectively. To assess the overall health of the Land Bank, you need to also consider non-financial factors such as the Land Bank's ability to continue receiving funding from the City, City Council's willingness to transfer properties into the Land Bank inventory, and the Administration's willingness to provide resources to facilitate the operations of the Land Bank.

The statements of revenues, expenses and net position present information on how the Land Bank's net position at June 30, 2017 and 2016, is derived.

The statements of cash flows provide information about the sources and uses of cash during the fiscal year.

Basic Financial Statements

The Land Bank's audited Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position, and Statements of Cash Flows are presented on pages 11 through 13.

PHILADELPHIA LAND BANK
City of Philadelphia, State of Pennsylvania

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Assets

The Land Bank's total assets at June 30, 2017, 2016 and 2015, consisted of the following:

	2017	2016	2015	% Change
<u>Current</u>				
Cash	\$ 3,040,536	\$ 1,307,054	\$ 1,166,560	133%
Accounts Receivable	349,353	793,242	-	-56%
Prepaid Assets	-	210	510	-100%
<u>Non-Current</u>				
Property Held for Development or Sale	25,884,936	9,702,134	-	167%
Capital Assets	35,373	46,788	39,325	-24%
Total Assets	\$ 29,310,198	\$ 11,849,428	\$ 1,206,395	147%

Total assets at June 30, 2017, reflected a net increase of approximately \$17.5 million from the prior year. The Land Bank acquired 1,000 properties during the fiscal year from Philadelphia Housing Development Corporation ("PHDC") (134) from the City of Philadelphia's Department of Public Property (673) from the Philadelphia Redevelopment Authority ("PRA") (162) from Sheriff Sales – tax foreclosure (30) and one private property acquisition with a book value of approximately \$16.2 million. Property held for development or sale accounts for approximately 88% of total assets with a valuation of approximately \$25.9 Million. The Land Bank continues to utilize the City of Philadelphia's Office of Property Assessment pricing model to determine the valuation "pricing" of its properties. This methodology will be reassessed in 2018, coupled with consideration for establishing an impairment allowance, if the Land Bank continues to maintain ownership of these properties for an extended period of time.

Total Properties acquired and origin at June 30, 2017 and 2016, consisted of the following:

	2017	2016	TOTAL
<u>Properties Acquired</u>			
PHDC	134	585	719
PRA	162	-	162
City of Philadelphia (Public Properties)	673	427	1,100
Sherriff Sales	30	-	30
Private	1	-	1
Total Properties	1,000	1,012	2,012

Cash on hand increased by approximately 133% from June 30, 2016, to approximately \$3 million. Accounts receivable accounted for approximately \$349 thousand and 1% of total assets. Approximately \$288 thousand of this balance is due from the PRA and pertains to net sales proceeds from the Vacant Property Review Committee ("VPRC"). PRA administered this program which controls the disposition of city owned property during the fiscal year on behalf of Land Bank.

The remaining receivable balance of approximately of \$61.5 thousand is derived from four purchase money mortgages issued during the fiscal year totaling approximately \$44 thousand (with the expectation that minimal proceeds will be received as these mortgages are self-amortizing over a ten-year period) and \$17.5 thousand due from a private developer as part of a synthetic transaction.

PHILADELPHIA LAND BANK

City of Philadelphia, State of Pennsylvania

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Total assets at June 30, 2016, reflected a net increase of approximately \$10.6 million from the prior year. The Land Bank acquired 1,012 properties with a book value of approximately \$9.7 million accounting for approximately 82% of total assets. The Land Bank adopted the City of Philadelphia's Office of Property Assessment pricing model to determine the valuation "pricing" of its properties.

Cash on hand increased by approximately 12% from June 30, 2015, to \$1.3 million. Accounts receivable accounted for approximately \$793 thousand and 8% of total assets. Approximately \$779 thousand of this balance is due from the PRA and pertains to net sales proceeds from the VPRC. PRA administered this program which controls the disposition of city owned property from January 1 through June 30, 2016, on behalf of Land Bank. The remaining receivable balance of approximately \$14 thousand is due from the Department of Public Health. The Land Bank has partnered with Neighborhood Garden Trust ("NGT") to implement a \$45.5 thousand contract from the City of Philadelphia's Department of Health to work on a community garden project.

Liabilities

The Land Bank's total liabilities at June 30, 2017, 2016 and 2015, consisted of the following:

	2017	2016	2015	% Change
Current				
Accounts Payable	\$ 126,261	\$ 167,388	\$ 2,021	-25%
Escrows Payable	14,000	-	-	100%
Accrued Liabilities	46,652	286,121	192,399	-84%
Compensated Absences	42,061	31,907	24,752	32%
Intercompany Payable	-	156,385	255,670	-100%
Unearned Revenue	2,836,642	1,455,495	690,182	95%
Total Liabilities	\$ 3,065,616	\$ 2,097,296	\$ 1,165,024	46%

At June 30, 2017, total liabilities increased by approximately \$968 thousand (46%) to approximately \$3.1 million, primarily consisting of:

- Accounts payable obligations of approximately \$126 thousand. Of which \$123 thousand is due to PHDC for reimbursement of June 2017 monthly salary and indirect cost allocation.
- The Land Bank received nine security escrow deposits totaling \$14 thousand which will be repaid to the developer(s) upon the issuance of construction completion certificates.
- Accrued administrative expenses and contractual obligations as of June 30, 2017, for approximately \$47 thousand. Comprising of \$38 thousand in audit fees and \$6 thousand due to the Department of Housing and Community Development ("DHCD") for reimbursable operating expenses.
- Compensated absences increased by approximately 32% to \$42 thousand as the Land Bank's staff increased by one full time employee and existing staff accrued additional time.
- The Land Bank did not have an intercompany payable with the PRA at June 30, 2017, but rather a receivable of \$288 thousand. The \$156 thousand payable due to the PRA for reimbursement of expenses incurred on behalf of the Land Bank for the period of January 1 through June 30, 2016 was recovered during the fiscal year.
- Approximately \$2.8 million of unearned revenue at June 30, 2017, went unexpended. The balance of this funding will remain under the Land Bank's budget authority and will be rolled over into Fiscal Year 2018 approved funding allocation. This represents a 95% increase from the period ending June, 30 2016.

PHILADELPHIA LAND BANK
City of Philadelphia, State of Pennsylvania

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

At June 30, 2016, total liabilities increased by approximately \$930 thousand (80%) to approximately \$2.1 million, primarily consisting of:

- Accounts payable obligations of approximately \$167 thousand. Of which \$139 thousand is due to PHDC for reimbursement of June 2016 monthly salary and indirect cost allocation.
- Accrued administrative expenses and contractual obligations as of June 30, 2016, for approximately \$286 thousand. Approximately \$167 thousand payable to Drexel University for costs incurred for administering the fellows program and approximately \$40 thousand in audit fees.
- Compensated absences increased by approximately 29% to \$32 thousand as the Land Bank's staff increased by six full time employees to incorporate VPRC staff.
- Approximately \$156 thousand payable due to the PRA for reimbursement of expenses incurred on behalf of Land Bank's behalf for the period of January 1 through June 30, 2016.
- Approximately \$1.5 million of unearned revenue at June 30, 2016, went unexpended. The balance of this funding will remain under the Land Bank's budget authority and will be rolled over into Fiscal Year 2017 approved funding allocation.

Revenues

The Land Bank's total operating revenues for the years ended June 30, 2017, 2016 and 2015, consisted of the following:

	2017	2016	2015	% Change
Revenues applicable to:				
City of Philadelphia	\$ 450,000	\$ 350,000	\$ 275,000	29%
Philadelphia Redevelopment Authority	2,146,953	1,831,939	1,113,818	17%
Other - City Agencies	45,218	-	-	100%
Other - Purchase Money Mortgages	44,259	3,000	-	1375%
Total Operating Revenues	\$ 2,686,430	\$ 2,184,939	\$ 1,388,818	23%

In Fiscal Year 2017, the Land Bank received \$2,642,171 in new funding, coupled with unearned revenue rolled over from Fiscal Year 2016, \$450,000 from the City in general funds, \$2,146,953 from the PRA and \$45,218 from the Department of Health. As of June 30, 2017, the Land Bank recorded \$2,686,430 in total operating revenue and had an unearned revenue balance of \$2,836,642. This represents an approximate increase of 23% and \$500 thousand in *operating* revenue in Fiscal Year 2016.

As the Land Bank continues to record the transfer of incoming properties from other City land holding agencies, donated property revenue is generated to offset the recording of assets on the Land Bank's statement of net position. These are synthetic transactions with no offsetting consideration. Consequently, in the initial year when properties are first recorded, revenue artificially increases the Land Bank's net position. During Fiscal Year 2017 sixteen (16) properties were sold below market value with and/or without subsidy generating net sales proceeds of approximately \$278 thousand, the book value of these properties was approximately \$1.1 million so an annual non-operating loss of approximately \$840 thousand associated with these dispositions will be reported.

PHILADELPHIA LAND BANK
City of Philadelphia, State of Pennsylvania

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

For Fiscal Year 2018, a funding commitment is expected from the City of Philadelphia, as property sales are not expected to fully support the Land Bank's financial needs.

In Fiscal Year 2016, the Land Bank received \$2,154,000 in new funding, coupled with unearned revenue rolled over from Fiscal Year 2015, \$350,000 from the City in general funds and \$1,804,000 from the PRA. As of June 30, 2017, the Land Bank recorded \$2,181,939 in revenue and had an unearned revenue balance of \$1,455,495.

Expenses

The Land Bank's total operating expenses for the years ended June 30, 2017, 2016 and 2015, consisted of the following:

	2017	2016	2015	% Change
Personnel	\$ 1,631,267	\$ 1,178,942	\$ 727,117	38%
Office rental	81,514	59,921	30,788	36%
Outside service fees	929,600	927,775	587,496	0%
Depreciation	11,414	9,674	2,046	18%
Total Operating Expenses	\$ 2,653,795	\$ 2,176,312	\$ 1,347,447	22%

Total operating expenses increased by approximately \$478 thousand (22%) driven by personnel costs. For FY 2017, 61% of total expenses incurred pertain to personnel expenses, approximately \$1.63 million. Personnel at June 30, 2017 includes nine full time assigned staff (two employees were terminated during the fiscal year and two additional vacant positions) and an indirect allocation of support staff expenses from PHDC as approved by the inter-agency memorandum of understanding.

Office rental increased by approximately 36% to \$81,514, this can be attributed to the revised computation outlined in the memorandum of understanding which utilizes total hours worked by the Land Bank staff which significantly increased as staff was added, over total PHDC hours worked to calculate reimbursable amounts.

The majority of other expenses \$929,600 (35%) are attributed to outside contracts and services and are predominately technology related, approximately \$320 thousand for the Drexel University fellows, who assist with Land Bank parcel reconciliations and pricing model analysis, approximately \$286 thousand for Land Bank insurance policies, approximately \$71 thousand pertaining to real estate activities, approximately \$45 thousand to maintain Land Bank owned properties. Approximately \$38 thousand for audit fees and approximately \$55 thousand for technological consulting pertaining to LAMA. (Land Banks property management enterprise solution).

An inter-agency memorandum of understanding also exists with DHCD. For Fiscal year 2017 approximately \$116 thousand was expended to reimburse DHCD for services and contracts entered into on behalf of the Land Bank.

PHILADELPHIA LAND BANK

City of Philadelphia, State of Pennsylvania

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

The Land Bank's total expenses at June 30, 2016, consisted of the following:

- For FY 2016, 54% of total expenses incurred pertain to personnel expenses, approximately \$1.18 million. Personnel includes eleven full time assigned staff (six of which were full time VPRC employees added in November 2015) and an indirect allocation of support staff expenses from PHDC as approved by the inter-agency memorandum of understanding.
- Office rental increased by approximately 95% to \$59,921.
- The majority of other expenses \$927,775 (43%) are attributed to outside contracts and services and are predominately technology related, approximately \$275 thousand for the Drexel University fellows, who assist with Land Bank parcel reconciliations and pricing model analysis, approximately \$223 thousand for Land Bank insurance policies, approximately \$145 thousand to maintain Land Bank owned properties through a contract with Pennsylvania Horticultural Society ("PHS"). Approximately \$40 thousand for audit fees and approximately \$43 thousand for technological consulting.
- An inter-agency memorandum of understanding also exists with DHCD for fiscal year 2016; approximately \$95 thousand was expended to reimburse DHCD for services and contracts entered into on behalf of the Land Bank.

Net Position

The Land Bank's net position is derived for FY 2017 by the difference between revenue and expense. Through June 30, 2017, the Land Bank's net position of \$26,244,583 represents approximately (103%) of revenue generated as a result of the Land Bank recording the ownership of 2,012 properties (\$27,001,836) and primarily the net loss of \$839,886 on FY 2017 property dispositions coupled with cumulative net capital assets purchased. In subsequent years the Land Bank's net position surplus/deficit will be contingent on how many properties the Land Bank acquires and disposes of and changes to the City of Philadelphia land disposition policy.

The Land Bank's net position for the period ended June 30, 2016 of \$9,752,132 represents revenue generated as a result of the Land Bank recording the ownership of 1,012 properties (\$9,702,134) and cumulative net capital assets purchased (\$46,788) during the fiscal year.

Alternative Funding

The Land Bank has been the recipient of funds made available directly or indirectly from the City to support the Land Bank's initial startup. As property is transferred into the Land Bank and tax foreclosure properties are acquired, the Land Bank strives to reduce the dependency on the City for subsidy and within five years be able to finance its own activities and operation.

Notes to the Financial Statements

The notes to the financial statements are an integral part of the statements and should be thoroughly read for a complete detailed understanding of the financial position and activities of the Land Bank.

PHILADELPHIA LAND BANK
City of Philadelphia, State of Pennsylvania

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Issues That May Have a Significant Impact

The City Administration is working on a plan that would consolidate the functions and services of the Housing Agencies (Land Bank, PHDC, PRA and DHDC). This will have to be completed with the agreement and ratification of a staffing and Labor Plan by Local 1971 (DC 33) and (DC 47) which provides Union Representation to the housing agencies. In the interim, both PHDC and PRA signed Transfer Agreement Documents which allows the staffing of the Land Bank by PRA employees. In June of 2017, this agreement allowed for three (3) staff members from the PRA to be assigned to the Land Bank. In addition, the Land Bank has hired additional staff and has advertised for a full-time permanent Executive Director, Real Estate Specialist and Senior Development Specialist that will be solely dedicated to the Land Bank.

As of June 30, 2017, two thousand and twelve (2,012) properties have been transferred to or acquired by the Land Bank. This number will increase drastically once the Memorandum of Understanding ("MOU") with the City of Philadelphia is executed allowing the Land Bank first preference in the acquisition of tax delinquent properties. The Land Bank will continue to receive any approved City, PHDC or PRA properties and upon successful transfer, the Land Bank staff will begin to process eligible applicants.


On both the State and City levels, legislation has been enacted which will be beneficial to the operations of the Land Bank. Effective, July 13, 2016, under §8102-C.3 (24), the Land Bank was excluded from paying State Transfer Taxes for transactions. In addition, Bill 161006 amended Chapter 16-700 of the City Code to exempt all properties held by the Land Bank from all real estate taxes, water, sewer, storm water and other municipal charges. Bill 170205 of the City Code exempted the Land Bank from the payment of Real Estate Transfer Tax Fees. The Amendments were passed on December 8, 2016 and May 11, 2017, respectively.


The Land Bank Board has established a Policy Committee which is charged with ensuring compliance with the Strategic Plan. The Land Bank has also instituted a Panel which is responsible for the review and rating of all responses received on properties marketed through a Request for Proposals ("RFP"), Work Force Housing and/or Competitive Bid process. The proceeds from all sales will contribute to the funds required to support Land Bank Operations.

Contacting the Land Bank's Management

If you have any questions about this report or need additional information, you can contact the Philadelphia Land Bank at 1234 Market Street, 16th Floor, Philadelphia, PA 19107, (215) 448-3040 or visit our website at www.philadelphialandbank.org.

Sincerely,


Angel Rodriguez
Executive Director


DAWL

Darren Williams
Director of Finance

INDEPENDENT ACCOUNTANTS' REPORT

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Philadelphia Land Bank
City of Philadelphia, State of Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the Philadelphia Land Bank (the "Land Bank"), City of Philadelphia, State of Pennsylvania as of and for the years ended June 30, 2017 and 2016, and the related notes to financial statements, which comprise the Land Bank's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Land Bank as of June 30, 2017 and 2016, and the changes in its financial position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages one through seven be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that comprise the Land Bank's basic financial statements. The accompanying schedules of payments to other City agencies and capital assets are presented for purposes of additional analysis as required by the City of Philadelphia and are not a required part of the basic financial statements. These schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, these schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2017, on our consideration of the Land Bank's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Land Bank's internal control over financial reporting and compliance.

Mercadion, P.C.

Certified Public Accountants

October 3, 2017

BASIC FINANCIAL STATEMENTS

PHILADELPHIA LAND BANK
City of Philadelphia, State of Pennsylvania

STATEMENTS OF NET POSITION
June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Assets		
Current Assets		
Cash	\$ 3,040,536	\$ 1,307,054
Accounts receivable, net of allowance for doubtful accounts	349,353	793,242
Other current assets	<u>-</u>	<u>210</u>
Total Current Assets	<u>3,389,889</u>	<u>2,100,506</u>
Noncurrent Assets		
Property held for development or sale	25,884,936	9,702,134
Capital assets, net of accumulated depreciation	<u>35,373</u>	<u>46,788</u>
Total Noncurrent Assets	<u>25,920,309</u>	<u>9,748,922</u>
Total Assets	<u>\$ 29,310,199</u>	<u>\$ 11,849,428</u>
Liabilities		
Current Liabilities		
Accounts payable	\$ 126,261	\$ 167,388
Escrows payable	14,000	-
Accrued liabilities	46,652	286,121
Compensated absences	42,061	31,907
Unearned revenue	2,836,642	1,455,495
Intergovernmental payable	<u>-</u>	<u>156,385</u>
Total Current Liabilities	<u>3,065,616</u>	<u>2,097,296</u>
Total Liabilities	<u>3,065,616</u>	<u>2,097,296</u>
Net Position		
Net investment in capital assets	26,244,583	9,748,922
Unrestricted	<u>-</u>	<u>3,210</u>
Total Net Position	<u>26,244,583</u>	<u>9,752,132</u>
Total Liabilities and Net Position	<u>\$ 29,310,199</u>	<u>\$ 11,849,428</u>

See notes to financial statements.

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PHILADELPHIA LAND BANK
City of Philadelphia, State of Pennsylvania

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Operating Revenues		
Revenues applicable to:		
City of Philadelphia	\$ 450,000	\$ 350,000
Philadelphia Redevelopment Authority	2,146,953	1,831,939
Other - City Agencies	45,218	-
Other - Developer's Escrow	44,259	3,000
Total Operating Revenues	<u>2,686,430</u>	<u>2,184,939</u>
Operating Expenses		
Personnel	1,631,267	1,178,942
Office rental	81,514	59,921
Outside services fees	929,600	927,775
Depreciation	11,414	9,674
Total Operating Expenses	<u>2,653,795</u>	<u>2,176,312</u>
Operating Income	<u>32,635</u>	<u>8,627</u>
Loss on sales of land	(839,886)	-
Capital Contributions	17,299,702	9,702,134
Total Non-Operating Revenues	<u>16,459,816</u>	<u>9,702,134</u>
Changes in Net Position	16,492,451	9,710,761
Net Position, Beginning of year	<u>9,752,132</u>	<u>41,371</u>
Net Position, End of year	<u><u>\$ 26,244,583</u></u>	<u><u>\$ 9,752,132</u></u>

See notes to financial statements.

PHILADELPHIA LAND BANK
City of Philadelphia, State of Pennsylvania

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash Flows From Operating Activities		
Receipts from contracts with the City of Philadelphia and other agencies	\$ 4,111,225	\$ 1,800,854
Payments to employees for wages and benefits	(1,404,567)	(898,776)
Payments to suppliers for other costs	(1,266,007)	(744,446)
Net cash provided by operating activities	<u>1,440,651</u>	<u>157,632</u>
Cash Flows from Capital and Related Financing Activities		
Purchase of capital assets	<u>-</u>	<u>(17,138)</u>
Net cash used in capital and related financing activities	<u>-</u>	<u>(17,138)</u>
Cash Flows From Non-Capital and Related Financing Activities		
Proceeds from sale of property held for development or sale	<u>292,831</u>	<u>-</u>
Net cash (used in) non-capital and related financing activities	<u>292,831</u>	<u>-</u>
Net Increase in Cash	1,733,482	140,494
Cash, Beginning of year	<u>1,307,054</u>	<u>1,166,560</u>
Cash, End of year	<u>\$ 3,040,536</u>	<u>\$ 1,307,054</u>
Reconciliation of Operating Income to Net Cash		
Provided by Operating Activities		
Operating income	\$ 32,635	\$ 8,627
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	11,414	9,674
Changes in operating assets and liabilities:		
Accounts receivable	443,889	(793,242)
Other current assets	210	300
Accounts payable	(41,127)	165,367
Accrued liabilities	(239,469)	93,722
Unearned revenue	1,379,330	765,313
Compensated absences	10,154	7,155
Intergovernmental payable	(156,385)	(99,284)
Net Cash Provided by Operating Activities	<u>\$ 1,440,651</u>	<u>\$ 157,632</u>

NOTES TO FINANCIAL STATEMENTS

A. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations and Reporting Entity

The Philadelphia Land Bank ("Land Bank") is an independent governmental unit. In December 2012, the Commonwealth of Pennsylvania enacted the *Pennsylvania Land Bank Act*, 68 Pa.C.S.A. §§ 2101-2120, authorizing the creation of "land banks" by municipalities as tools to facilitate the return of vacant, abandoned and tax delinquent land/properties to productive use. In December 2013, City Council unanimously passed the ordinance which created the Philadelphia Land Bank, which Mayor Nutter signed into law. In July 2014, the Land Bank was incorporated.

The Land Bank is a new agency whose mission is to return vacant and tax delinquent property to productive reuse. The Land Bank will consolidate many of the land acquisition and disposition processes of the City under one umbrella, making it easier for private individuals and organizations to acquire properties that contribute to neighborhood disinvestment and turn them into assets for the community in which they are located. The Land Bank possesses a number of tools that will enable it to help return derelict properties to productive use. The Land Bank can:

- Acquire tax-delinquent properties through tax foreclosure.
- With the City's consent, clear the title to those properties so that new owners are not burdened by old liens.
- Consolidate properties owned by multiple public agencies into single ownership to speed property transfers to new private owners.
- Assist in the assemblage and disposition of land for community, nonprofit and for-profit uses.

The Land Bank is governed by a board of directors composed of eleven members, five appointed by the Mayor and five by City Council, with the 11th appointed by the ten. All board members' terms end with the end of the administration and council's term in January 2020, although they will serve until they are replaced. Members serve at the pleasure of their appointing authority.

The Land Bank is funded both directly and indirectly through the City of Philadelphia (the "City"). In its inaugural year, the Land Bank received general fund dollars directly from the City and through the Philadelphia Redevelopment Authority ("PRA") at the Mayor's request. As of June 30, 2017, the City has not indicated any intention to suspend or terminate its funding relationship with the Land Bank.

Financial Reporting

The Land Bank is considered to be a governmental organization. As such, the Land Bank presents its financial statements in conformity with accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Land Bank considers itself to be a special purpose governmental organization engaged only in business type activities.

NOTES TO FINANCIAL STATEMENTS

**A. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Related Party and Memorandum of Understanding

There are no organizations or agencies that should be included in the Land Bank's financial statements. Through a Management Contract with the Philadelphia Housing Development Corporation ("PHDC"), PHDC manages, oversees and operates the everyday activities of the Land Bank, which includes the authority to act on behalf of the Land Bank, hiring dedicated full time Land Bank staff, and organizing administrative and clerical support staff. PHDC personnel is also responsible for maintaining accurate financial records, facilitating the payment of operational expenses, and debts and all external financial reporting.

Component Unit

The City of Philadelphia is considering the Land Bank as a potential Component Unit of the City, with its annual financial information being consolidated into the City's Comprehensive Annual Financial Report ("CAFR"). As of June 30, 2017, no formal decision has been determined to its component unit status; however the Land Bank will comply with the City's guidelines in terms of both mandated required submissions and the implementation of GASB Statement No.'s 68, 69 & 70, if applicable.

Measurement Focus and Basis of Accounting

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred. All pass-through funding is recognized as revenue when the related costs are incurred. Such costs could include costs of acquisition and rehabilitation of certain real property to be alternately conveyed to program beneficiaries.

Land Bank records all revenues derived and related expenses incurred from its programs and activities as operating revenues and expenses since they are generated from the Land Bank's daily operations needed to carry out its purposes.

In its accounting and financial reporting, the Land Bank follows the pronouncements of the GASB and other entities that promulgate accounting principles. GASB Statement 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, establishes the order of priority of pronouncements and other sources of accounting and financial reporting guidance that a governmental entity should apply. Per the Statement, the sources of authoritative generally accepted accounting principles ("GAAP") are categorized in descending order of authority as follows: GASB Statements and Interpretations, GASB Technical Bulletins, GASB Implementation Guides, and literature of the American Institute of Certified Public Accountants ("AICPA") cleared by the GASB. Authoritative GAAP is incorporated periodically into the *Codification of Governmental Accounting and Financial Reporting Standards* ("Codification"), and when presented in the Codification, it retains its authoritative status. If the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP described above, a governmental entity should first consider accounting principles for similar transactions or other events within a source of authoritative GAAP described above and then may consider non-authoritative accounting literature from other sources. These include GASB Concepts Statements; pronouncements and other literature of the Financial Accounting Standards Board ("FASB"), Federal Accounting

NOTES TO FINANCIAL STATEMENTS

**A. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Measurement Focus and Basis of Accounting (Continued)

Standards Advisory Board, International Public Sector Accounting Standards Board, and International Accounting Standards Board, and AICPA literature not cleared by the GASB; practices that are widely recognized and prevalent in state and local government; literature of other professional associations or regulatory agencies; and accounting textbooks, handbooks and articles.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosure of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Accounts Receivable

Accounts receivable generally represent amounts due under terms of grants and contracts for expenditures incurred or services provided prior to year-end. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off. The Land Bank had no such balances at June 30, 2017. See Note D.

Revenue Recognition - Government Grants and Contracts

The Land Bank records funding received in advance under contracts with the PRA and the City as unearned (deferred) revenue until the related costs are incurred or services performed, at that time they are recognized as revenue. In accordance with the terms of the PHDC Management Contract, Land Bank reimburses PHDC for all eligible and allowable costs incurred on behalf of the Land Bank and recognizes revenue accordingly.

Property Held for Sale

Property held for development or sale will be stated at the lower of the cost of acquisition (or equivalent valuation) or an impaired value, which reflects the land/property true valuation in accordance with GASB Statement No.'s 34, 42 and 72. This methodology will be applied to long-held vacant properties, as well as units recently acquired for sale. As of June 30, 2016, the Land Bank owned 1,012 total properties, 585 acquired from PHDC and 427 acquired from the City of Philadelphia Department of Public Property. As of June 30, 2017, the Land Bank owned 2,012 total properties, 719 acquired from PHDC, 1,100 acquired from the City of Philadelphia Department of Public Property, 162 acquired from the Philadelphia Redevelopment Authority, 30 from Sheriff Sale, and one private acquisition. The Land Bank utilized the City of Philadelphia's Office of Property Assessment pricing model to determine the valuation "pricing" of its properties as the equivalent of the cost of acquisition. This methodology will be reassessed in 2018, coupled with consideration for establishing an impairment allowance, if the Land Bank maintains ownership of these properties for an extended period of time.

NOTES TO FINANCIAL STATEMENTS

**A. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Capital Assets and Depreciation

Capital assets are carried at cost or estimated historical cost, less accumulated depreciation. Capital assets are defined by the Land Bank as assets with a cost of more than \$750 and an estimated useful life in excess of one year. Depreciation is provided on the straight-line method over the estimated useful lives of the related assets as follows:

Buildings (operating real estate)	30 years
Leasehold improvements	10 years
Vehicles, furniture and equipment	10 years
Computer equipment and hardware	5 years

As of July 1, 2016, the Land Bank adopted an addendum to SAP E-72-002 (personal property perpetual inventory) which increased the minimum purchase price from \$500 to \$750 for an expenditure to be considered a capital asset.

Lease Obligations

The Land Bank has two lease agreements as of June 30, 2017. Both are thirty-six month leases with Ford Credit for the lease of two vehicles. Lease payments will not be capitalized and will be expensed monthly. The first lease was entered into in October 2016, for a total of \$12,459. The second lease was entered into in June 2017, for a total of \$14,138.

Compensated Absences

Land Bank staff are employed by PHDC and accrue leave time in accordance with PHDC personnel policies. PHDC employees accumulate sick and vacation time in accordance with their applicable contracts. Employees are not compensated for unused sick leave upon termination unless termination is due to retirement. Retiring employees are entitled to 30% of their accumulated sick time. Employees may carry over unused vacation on January 1, up to 560 hours. Compensated absences are accrued when incurred and reported as a liability. A corresponding entry is recorded to accounts receivable, since all such amounts are reimbursable by the respective agencies. The accrued liability for compensated absences is also reflected in PHDC's financial statements.

Other Post-employment Benefits

On behalf of Land Bank, PHDC accounts for other post-employment benefits under GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*. This statement requires governmental agencies to recognize an expense under the accrual basis for the annual required other post-employment benefits contributions, regardless of amounts paid. The cumulative difference between amounts expensed and paid creates a liability (asset) similar to net pension obligations. For the year ended June 30, 2017 and 2016, the Land Bank did not incur costs for other postemployment benefits.

NOTES TO FINANCIAL STATEMENTS

**A. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt, consists of capital assets and property held for development or sale, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position invested in capital assets, net of related debt excludes unspent debt proceeds. Net position is reported as restricted when limitations on their use are imposed through external restrictions by creditors, grantors or laws or regulations of other governments. Unrestricted net position consists of all other net position not included in the above categories.

Income Taxes

The Land Bank is exempt from federal income taxes under Section 115 [1] of the Internal Revenue Code. Accordingly, no provision for income taxes is presented in these financial statements. In addition, properties held for development are exempt from real estate taxes.

B. BUDGETARY INFORMATION

Annual budgets are adopted based upon approved funding commitments with outside grantor(s) (The City of Philadelphia, PRA) on a basis consistent with U.S. GAAP. All budgets continue to exist for the period defined in the scope of the funding management agreement. In December, the Land Bank prepares a subsequent year budget and submits it to the City for consideration. The Mayor and Council decides the level of support and origin of funds the Land Bank receives.

The appropriated budget is prepared by account and function. Once the budget is funded, the Land Bank may make transfers of appropriations within the agency without written authorization from the grantor.

C. CASH AND CASH EQUIVALENTS

Legal and Contractual Restrictions

City of Philadelphia agencies are authorized by statute to deposit funds in depositories that are either banks, banking institutions or trust companies located in the Commonwealth of Pennsylvania. To the extent that such deposits exceed federal insurance, the depositories must pledge as collateral (with their trust department or other custodians) obligations of the United States, the Commonwealth of Pennsylvania or any political subdivision of the Commonwealth. Under Pennsylvania Act 72 of 1971 ("Act 72"), as amended, the depositories may meet this collateralization requirement by pooling appropriate securities to cover all public funds on deposit. The Land Bank has no investments and receives no interest income for cash on deposit.

Analysis of Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Land Bank's deposits may not be returned to it. The Land Bank maintains its cash balances in accounts at a financial institution. The Federal Deposit Insurance Corporation ("FDIC") provides insurance coverage up to \$250,000. The financial institution secures Land Bank deposits in excess of FDIC with a pledge of collateral in accordance with Act 72. The pool of assets applicable to the financial institution's collateralization consists of Government National Mortgage Association securities and other collateral eligible under the U.S. Treasury Tax and Loan Program as in effect on the effective date of Act 72.

NOTES TO FINANCIAL STATEMENTS

D. ACCOUNTS RECEIVABLE

Accounts Receivable for the years ended June 30, 2017 and 2016, are as follows:

	<u>2017</u>	<u>2016</u>
PRA and Net VPRC proceeds:	\$ 287,594	\$ 778,906
Private Developers	17,500	-
Purchase Money Mortgages	44,259	-
City of Philadelphia Department of Health	-	14,336
	<u>\$ 349,353</u>	<u>\$ 793,242</u>

The VPRC ("vacant property review committee") program is administered directly by Land Bank staff coordinating the disposition of City owned properties. The PRA is responsible for the collection of sales proceeds and forwards the net proceeds to the Land Bank. These annual proceeds are deferred and form part of the subsequent fiscal year's budget appropriation.

E. CAPITAL ASSETS

Capital assets activity as of June 30, 2017 and 2016, was:

	<u>2017</u>	<u>2016</u>
Computers and equipment	\$ 55,638	\$ 55,638
Furniture and equipment	<u>2,870</u>	<u>2,870</u>
Total Capital Assets	58,508	58,508
Less - accumulated depreciation	<u>(23,134)</u>	<u>(11,720)</u>
Total Capital Assets	<u>\$ 35,373</u>	<u>\$ 46,788</u>

Depreciation expenses for capital assets was \$11,414 and \$9,674 for the years ended June 30, 2017 and 2016, respectively.

F. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2017 and 2016, consist of the following:

	<u>2017</u>	<u>2016</u>
Accounts Payable	\$ 126,261	\$ 167,388
Escrows payable	14,000	-
Accrued Administrative Expenses	46,652	286,121
PRA Payable	-	156,385
Compensated Absences	<u>42,061</u>	<u>31,907</u>
	<u>\$ 228,974</u>	<u>\$ 641,801</u>

NOTES TO FINANCIAL STATEMENTS

G. COMMITMENTS AND CONTINGENCIES

Litigation

The Land Bank is not a named defendant in any pending lawsuits.

H. RELATED-PARTY TRANSACTIONS

Related parties of the Land Bank include the City, PHDC and the PRA. Accounts receivable, net of payables, from PRA are \$287,594 and \$778,906 and amounts payable to PHDC are \$123,165 and \$138,313 as of June 30, 2017 and 2016, respectively. Substantially all assets, liabilities, revenues and expenses as of and for the years ended June 30, 2017 and 2016, are included under and dependent upon contracts and management agreements with the City and its agencies.

I. PENSION PLAN

Plan Description

Land Bank staff can participate in the City of Philadelphia Municipal Public Employee Retirement System, a cost-sharing, multiple-employer Public Employees Retirement System ("PERS"). The City of Philadelphia issues a publicly available financial report that includes the applicable financial statements and required supplementary information for the PERS. The report may be obtained by contacting the Director of Finance of the City of Philadelphia. All full-time employees are eligible and required to participate in the PERS. The PERS provides pension benefits, deferred allowances, and death and disability benefits. PHDC employees hired prior to January 1, 2002, participate in the J Plan. Under this plan, if an employee terminates his or her employment after at least 10 years of service but before reaching the age of 55, he or she may receive a refund of total contributions or defer pension benefits until reaching retirement age. Employees who retire after age 55 with at least one year of credited service are entitled to receive pension benefits for the rest of their lives equal to 2-1/2% of their final average compensation times the number of years for which they were employed by a participant in the PERS. After the first 20 years of service, the percentage of average final compensation to which an employee is entitled for each year of credited service decreases from 2-1/2% to 2%. Under Plan J, the highest maximum allowable benefit is 80%.

Participants in PERS may opt for early retirement with a reduced benefit. The Deferred Retirement Option Plan ("DROP") was initiated on October 1, 1999. Under this plan, employees who reach retirement age may accumulate their monthly service retirement benefit in an interest bearing account at the Board of Pensions for up to four years and continue to be employed by PHDC.

PHDC employees hired after December 31, 2001, participate in Plan Y. Under this plan, employees with 10 years credited service may retire at age 60. Employees retiring after 60 are entitled to receive pension benefits for the rest of their lives equal to 2.2% of their final average compensation times the number of years for which they were employed by a participant in the PERS. After 10 years of service, the percentage of average final compensation to which an employee is entitled for each year of credited service decreases from 2.2% to 2%. Under Plan Y, the highest maximum allowable benefit is 100%.

NOTES TO FINANCIAL STATEMENTS

I. PENSION PLAN (CONTINUED)

Plan Description

Employees under Plan Y who are not eligible to be represented by a union must vest their retirement benefits in five years rather than the normal 10-year vesting period. Members of the 5-year vesting (the Y5 Plan) are required to pay a higher contribution rate of .62 of one percent in addition to the normal Plan Y rate for five years. Their contribution rate then reverts to the normal Y Plan rate for the remainder of their employment.

Under each plan, provisions include death benefits, whereby the surviving beneficiary is entitled to receive 50% of monthly retirement payments. Additionally, the plans provide for disability benefits under which the disabled employee is entitled to receive benefits computed as if the employee were receiving a regular service pension. All Land Bank pension obligations and post-employment benefits are included in PHDC's financial statements.

Contributions Required and Made

Employees of PHDC are required to pay 4.75%, (3.02%, (4.02% if hired after 11/14/2014), 3.63% and 3.47% of their gross earnings to the pension plan for the J Plan, Y Plan, Y5 Plan and Y10 Plan, respectively, for 2017; compared to 4.25% from July 1, 2015 through December 31, 2015, which increased to 4.75% from January 1, 2016 through June, 30 2016. 2.47%, 3.14% and 3.47%, of their gross earnings to the pension plan for the J Plan, Y Plan, Y5 Plan and Y10 Plan, respectively, for 2016.

PHDC is required to contribute at actuarially determined rates, which were 221.990% and 196.019% of covered payroll for the J Plan for 2017 and 2016, respectively; and 9.422% and 8.830% of covered payroll for the Y Plan for 2017 and 2016, respectively. PHDC contributed 1.243% and 0.49% of covered payroll for Y10 Plan for 2017 and 2016, respectively. PHDC makes quarterly payments to the City PERS within 30 days of the end of each quarter. The Land Bank reimbursed PHDC for \$326,607 and \$169,365 in pension related expenses for the years ended June 30, 2017 and 2016, respectively.

J. RISK MANAGEMENT

The Land Bank is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Land Bank carries insurance.

K. PURCHASE MONEY MORTGAGES

The Land Bank has the authority to enter into Purchase Money Mortgage ("PMM") agreements with potential property buyers to subsidize the agreed purchase price which consequently protects the Land Bank's financial interest. These PMMs are self-amortizing over a period of ten years. The Land Bank will recognize the PMM as a receivable and revenue in the agreement year and amortize annually, until forgiven. Upon default, the PMM principal and accrued interest calculated at 4% annually, is due in full immediately.

SUPPLEMENTARY INFORMATION

PHILADELPHIA LAND BANK
City of Philadelphia, State of Pennsylvania

SCHEDULE OF PAYMENTS TO OTHER CITY AGENCIES

*** Philadelphia Housing Development Corporation (PHDC)**

FY 2017 PHDC labor expenses

8/15/2016	\$ 138,313	June 2016 labor expenses
9/30/2016	233,450	July 2016 & August 2016 labor expenses
10/17/2016	174,999	September 2016 labor expenses
11/23/2016	131,180	October 2016 labor expenses
12/19/2016	118,734	November 2016 labor expenses
1/26/2017	134,705	December 2016 labor expenses
2/15/2017	127,924	January 2017 labor expenses
4/18/2017	142,742	February 2017 labor expenses
5/4/2017	143,802	March 2017 labor expenses
6/22/2017	58,718	April 2017 & May 2017 labor expenses
	<u>1,404,567</u>	

6/30/2017 Accrued labor expenses

8/14/2017	<u>123,165</u>	June 2017 labor expenses
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Other payment reimbursements

2/27/2017	401	Vehicle lease deposit reimbursement
4/25/2017	340	Parking reimbursement
7/17/2017	2,000	Insurance deductible
	<u>2,741</u>	

Total reimbursed PHDC expenses \$ 1,530,473

*** Philadelphia Redevelopment Authority (PRA)**

Accrued labor & reimbursable expenses

6/30/2017	\$ 395,071	FY 2017 accrued expenses
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Total PRA expenses \$ 395,071

*** Division of Housing & Community Development (DHCD)**

Support Services

		Governed by Memorandum of understanding agreement
12/21/2016	\$ 71,746	Q1 & Q2 of FY 2017
6/21/2017	43,956	Q3 & Q4 of FY 2017
	<u>115,702</u>	

FY 2017 Reimbursable direct expenses 5,913 (payment made in FY18 (ck #1369))

Total DHCD expenses. \$ 121,615

PHILADELPHIA LAND BANK
City of Philadelphia, State of Pennsylvania

SCHEDULE OF CAPITAL ASSETS

Computer Equipment (5 years)	Amount	Date Purchased	Useful Life (months)	FY 2017 Depreciation	Accumulated Depreciation	Net Book Value
Dell Latitude E74400	\$ 1,429	3/22/2015	60	\$ 286	\$ 650	\$ 779
Dell Optiplex 7020 MT	669	3/20/2015	60	134	305	364
Dell Optiplex 7020 MT	669	3/20/2015	60	134	305	364
Dell Optiplex 7020 MT	669	3/20/2015	60	134	305	364
Dell Optiplex 7020 MT	669	3/20/2015	60	134	305	364
Dell Optiplex 7020 MT	669	3/20/2015	60	134	305	364
Dell Optiplex 7020 MT	669	3/20/2015	60	134	305	364
Dell Optiplex 7020 MT	669	3/20/2015	60	134	305	364
Dell Optiplex 7020 MT	669	3/20/2015	60	134	305	364
IBM 16GB Memory Kit (Server)	11,610	3/23/2015	60	2,322	5,274	6,336
Dell Precision T1700 GIS 42710-120	1,449	6/9/2015	60	290	596	853
Dell Precision T1700 GIS 42710-120	1,449	6/9/2015	60	290	596	853
Dell Precision T1700 GIS 42710-120	1,449	6/9/2015	60	290	596	853
Dell Latitude E7450	1,644	9/30/2015	60	329	575	1,068
Dell Optiplex 7020 MT 210-ACRY 17.3	860	9/20/2015	60	172	306	554
Dell Optiplex 7020 MT 210-ACRY 17.3	860	9/20/2015	60	172	306	554
Dell Optiplex 7020 MT 210-ACRY 17.3	860	9/20/2015	60	172	306	554
Dell Optiplex 7020 MT 210-ACRY 17.3	860	9/20/2015	60	172	306	554
Dell Optiplex 7020 MT 210-ACRY 17.3	860	9/20/2015	60	172	306	554
Dell Optiplex 7020 MT 210-ACRY 17.3	860	9/20/2015	60	172	306	554
Dell Optiplex 7020 MT 210-ACRY 17.3	860	9/20/2015	60	172	306	554
Dell Optiplex 7020 MT 210-ACRY 17.3	860	9/20/2015	60	172	306	554
Dell Optiplex 7020 MT 210-ACRY 17.3	860	9/20/2015	60	172	306	554
Dell Precision 3620 XCTO	1,652	6/5/2016	60	330	353	1,299
Dell Precision 3620 XCTO	1,652	6/5/2016	60	330	353	1,299
Dell Optiplex 5040	1,197	6/1/2016	60	239	258	939
Dell Optiplex 5040	1,197	6/1/2016	60	239	258	939
Dell Optiplex 5040	1,197	6/1/2016	60	239	258	939
	<u>39,875</u>			<u>7,975</u>	<u>15,267</u>	<u>24,608</u>
Computer Software (5 years)	Amount	Date Purchased	Useful Life (months)	FY 2017 Depreciation	Accumulated Depreciation	Net Book Value
Microsoft Dynamics SL 2015	15,762	3/10/2015	60	3,152	7,272	8,490
	<u>15,762</u>			<u>3,152</u>	<u>7,272</u>	<u>8,490</u>
Equipment (10 years)	Amount	Date Purchased	Useful Life (months)	FY 2017 Depreciation	Accumulated Depreciation	Net Book Value
Widmer S-3 Check Signer	975	5/7/2015	120	97	210	765
Epson Home Cinema Projector	1,896	6/18/2015	120	190	385	1,511
	<u>2,870</u>			<u>287</u>	<u>595</u>	<u>2,276</u>
TOTAL	\$ 58,507			\$ 11,414	\$ 23,134	\$ 35,373

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
Philadelphia Land Bank
City of Philadelphia, State of Pennsylvania

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Philadelphia Land Bank (the "Land Bank"), City of Philadelphia, State of Pennsylvania, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which comprise the Land Bank's basic financial statements, and have issued our report thereon dated October 3, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Land Bank's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purposes of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Land Bank's internal control. Accordingly, we do not express an opinion on the effectiveness of the Land Bank's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(CONTINUED)**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Land Bank's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Land Bank's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Land Bank's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mercadion, P.C.

Certified Public Accountants

October 3, 2017

MEMORANDUM

To: Board of Directors
From: Steve Cusano, Esq. 
Date: November 9, 2017
Re: **Delegation of Limited Authority to Land Bank Board Officers and Executive Director
for Acquisition of Tax Delinquent Property**

The attached Resolution is substantially the same as Resolution 2017-43 previously adopted by the Board on October 12, 2017. The purpose of this Resolution is to increase the amount of expenditure for tax sale acquisitions and to extend the deadline in the prior resolution.

As in the prior resolution, certain Board Officers and the Executive Director are granted limited authority to bid for those Tax Sale Properties which are eligible for acquisition. We propose an increase in the amount of expenditure for tax sale acquisitions and to extend the deadline in the prior resolution.

There will be monthly reporting to the Board of properties acquired and payments made, along with how each property is intended to be used when conveyed.

RESOLUTION NO. 2017 –

**RESOLUTION GRANTING AUTHORIZATION TO ACQUIRE TAX DELINQUENT
PROPERTY THROUGH SHERIFF SALE, SUBJECT TO CERTAIN TERMS AND
CONDITIONS**

WHEREAS, the Commonwealth Land Bank Act, 68 Pa. C.S.A. §§ 2101, *et seq.*, authorizes a land bank to bid for and acquire property exposed for sale pursuant to the Municipal Claim and Tax Lien Law, 53 P.S. §§ 7101, *et seq.*;

WHEREAS, Section 16-705(3)(b) of the Philadelphia Code authorizes the Land Bank to acquire tax delinquent properties at sales conducted by, or on behalf of, the City of Philadelphia ("Tax Sale Properties");

WHEREAS, the Land Bank finds that the acquisition of Tax Sale Properties which meet the criteria of its Strategic Plan can be better managed by delegating the ability to bid for and acquire certain Tax Sale Properties.

NOW THEREFORE, BE IT RESOLVED by the Board of Directors that ("Board"):

1. The Board Chair, the Board Vice-Chair and the Executive Director are each authorized, subject to the terms of this Resolution, to bid for and acquire Tax Sale Properties.

2. The maximum expenditure for acquisition of Tax Sale Properties as authorized by this Resolution shall not exceed _____ Dollars (\$_____) without further approval and authorization of the Board.

3. The Executive Director shall report at each Regular Meeting of the Board on a cumulative basis: (a) the address of all Tax Sale Properties acquired; (b) the amount paid to the City to satisfy or remove all municipal and School District charges; and (c) the proposed disposition use of the property in a category shown in the Strategic Plan.

4. Upon request of a majority of the Board, Land Bank staff shall provide such other information to allow the Board to properly supervise and control this delegation of authority.

5. Those Land Bank staff authorized to execute documents on behalf of the Land Bank pursuant to any past or future Resolution are hereby granted authorization to execute and deliver all such contracts, instruments and documents, and to pay all amounts, necessary or convenient to carry out the purpose and intent of this Resolution.

6. The authorization provided in this Resolution shall expire on _____ unless extended by further action by the Board.

7. This resolution supersedes and replaces Resolution 2017-43 adopted on October 12, 2017.

MEMORANDUM

To: Board of Directors
From: Steve Cusano, Esq. *SC*
Date: November 9, 2017
Re: **Delegation of Authority to Issue and Execute Certificates of Completion, Garden Leases, and License Agreements, Subject to Certain Terms and Conditions**

The power of the Board to delegate authority is found in section 108 of the Bylaws.

The purpose of this Resolution is to grant the Executive Director the authority to approve, enter into, and grant Lease(s), License Agreement(s), and Certificate(s) of Completion, subject to certain terms and conditions.

With respect to Lease(s) and License Agreement(s), this authority is subject to the following:

1. Lease(s) and License Agreement(s) are for no more than one (1) year including any extensions.
2. License Agreement(s) must be terminable upon no more than thirty (30) days written notice.
3. The Land Bank shall comply with 16-707(1)(a), 16-707(1)(b), and 16-707(1)(c) of the Code.
4. This authority is limited by section 108 of the Bylaws.
5. The Land Bank's Senior Counsel has approved the form and substance of each Lease(s) and License Agreement(s).

With respect to Certificate(s) of Completion, this authority is subject to the following:

1. The Executive Director must receive a completed inspection report.
2. The Executive Director may, in his sole discretion, grant a Certificate(s) of Completion if the developer/purchaser guarantees, with adequate assurance, that all defaults under the PDA and all outstanding issues noted by the Department of Licenses & Inspections will be promptly addressed.
3. The Land Bank's Senior Counsel has approved the form and substance of each Certificate(s) of Completion.

The Executive Director or Senior Counsel shall report at each regular Board meeting, on a cumulative basis, any and all Lease(s), License Agreement(s), and Certificate(s) of Completion approved, entered into, or granted pursuant to this Resolution since the immediately preceding regular Board meeting.

Once approved by the Executive Director, those Land Bank staff authorized to execute and deliver documents pursuant to Resolution 2017-43 are hereby authorization to execute and deliver any and all Lease(s), License Agreement(s), and Certificate(s) of Completion.

RESOLUTION NO. 2017 – ____

**RESOLUTION DELEGATING AUTHORITY TO ISSUE AND EXECUTE
CERTIFICATES OF COMPLETION, GARDEN LEASES, AND LICENSE
AGREEMENTS, SUBJECT TO CERTAIN TERMS AND CONDITIONS**

WHEREAS, Section 16-707(6) of the Philadelphia Code (the "Code") provides that, notwithstanding the provisions pertaining to approvals by City Council and the Vacant Property Review Committee, the Land Bank is authorized, without further approvals, to lease out any property owned by the Land Bank for a lease term of one year or less; provided that the Land Bank complies with subsections 16-707(1)(a), 16-707(1)(b), and 16-707(1)(c) of the Code.

WHEREAS, pursuant to the Land Bank's Disposition Policy, individual garden leases, community garden leases, and community-managed open space leases (the "Lease(s)") are required to have a term of no more than one (1) year.

WHEREAS, the Board recognizes the need for prompt and timely management decisions and believes that the efficiency of the Land Bank's operations will be enhanced if the Board, in a single resolution, delegates to the Executive Director the authority of the Board to approve, enter into, and grant Lease(s) to an individual or entity, subject to certain terms and conditions.

WHEREAS, the Board understands that the development of real estate often requires various governmental and quasi-governmental approvals including, without limitation, zoning approval and that in connection with such approvals various property reports, plans, and surveys are also often required including, without limitation, an ALTA survey and a geotechnical report.

WHEREAS, the Land Bank may desire to grant to an individual or entity the right to access Land Bank property to perform certain tests and surveys and, in certain instances, store materials pursuant to a written agreement (the "License Agreement(s)").

WHEREAS, the Board recognizes the need for prompt and timely management decisions and believes that the efficiency of the Land Bank's operations will be enhanced if the Board delegates to the Executive Director the authority of the Board to approve, enter into, and grant License Agreement(s) to allow an individual or entity the right to access Land Bank property to perform tests and surveys and, in certain instances, store materials, subject to certain terms and conditions.

WHEREAS, the Land Bank's Purchase and Development Agreement (the "PDA") provides that after completion of the improvements and compliance with the terms of the PDA by the developer/purchaser, the Land Bank shall record a certificate of completion ("Certificate(s) of Completion"), subject to certain terms and conditions.

WHEREAS, the Board recognizes the need for prompt and timely management decisions and believes that the efficiency of the Land Bank's operations will be enhanced if the Board delegates to the Executive Director the authority of the Board to approve, enter into, and record Certificate(s) of Completion.

WHEREAS, Section 108 of the Bylaws of the Philadelphia Land Bank (the "**Bylaws**") provides that the Board may delegate its authority to dispose of interests of the Land Bank in real property to staff of the Land Bank, except in the following circumstances: (a) the proposed terms of the transaction conflict with the Land Bank's published policies or procedures; (b) the transferee has a significant history of tax or water delinquencies; owning property maintained in a condition that violates the Code; or failing to redevelop properties previously acquired from the City of Philadelphia or other local public agencies; (c) the value of the property is in excess of \$50,000; or (d) when otherwise required by state law.

WHEREAS, Section 108 of the Bylaws further provides that the Board may delegate to staff, through resolutions with proper oversight, the performance of Land Bank functions and operations, including the powers and responsibilities assigned to the Officers of the Land Bank.

NOW THEREFORE, BE IT HEREBY RESOLVED by the Board of Directors of the Philadelphia Land Bank (the "**Board**") that:

1. Subject to the terms and conditions set forth in this Resolution, the Board hereby delegates to the Executive Director the authority, without Board approval, to: (i) approve, enter into, and grant Lease(s) to an individual or entity; (ii) approve, enter into, and grant License Agreement(s) to allow an individual or entity the right to access Land Bank property to perform tests and surveys and, in certain instances, store materials; and (iii) approve, enter into, and record Certificate(s) of Completion,
2. With respect to Lease(s) and License Agreement(s), the authority granted to the Executive Director in this Resolution is subject to the following:
 - a. Lease(s) and License Agreement(s) shall be for a term of no more than one (1) year including any extensions. Any and all extensions after the expiration of the initial (1) year period requires Board approval.
 - b. License Agreement(s) must be terminable by the Land Bank upon no more than thirty (30) days written notice.
 - c. The Land Bank shall comply with subsections 16-707(1)(a), 16-707(1)(b), and 16-707(1)(c) of the Code, as applicable.
 - d. The authority granted to the Executive Director in this Resolution is limited by section 108 of the Bylaws.
 - e. The Land Bank's Senior Counsel has approved the form and substance of each Lease(s) and License Agreement(s).
3. With respect to Certificate(s) of Completion, the authority granted to the Executive Director in this Resolution is subject to the following:
 - a. The Executive Director must receive a completed inspection report signed off by, at least, the inspector; the projector manager; and the Land Bank legal department

indicating, at a minimum, (i) whether all improvements have been completed in accordance with the PDA; (ii) whether there are any defaults by the developer/purchaser under the PDA or any other document applicable to the Land Bank; and (iii) whether any outstanding issues were noted by the Department of Licenses & Inspections with respect to the improvements.

- b. The Executive Director may, in his sole discretion, grant a Certificate(s) of Completion if the developer/purchaser guarantees, with adequate assurance, that all defaults under the PDA and all outstanding issues noted by the Department of Licenses & Inspections will be promptly addressed.
 - c. The Land Bank's Senior Counsel has approved the form and substance of each Certificate(s) of Completion.
- 4. The Executive Director or Senior Counsel shall report at each regular Board meeting, on a cumulative basis, any and all Lease(s), License Agreement(s), and Certificate(s) of Completion approved, entered into, or granted pursuant to this Resolution since the immediately preceding regular Board meeting.
 - 5. Once approved by the Executive Director, those Land Bank staff authorized to execute and deliver documents on behalf of the Land Bank pursuant to Resolution 2017-43, and any applicable future resolution, are hereby authorized to execute and deliver any and all Lease(s), License Agreement(s), and Certificate(s) of Completion and any other documents necessary or convenient to carry out the purpose and intent of this Resolution.
 - 6. The Executive Director with the advice of Senior Counsel may allow modifications to this Resolution necessary or desirable to carry out its purposes and intents.
 - 7. The authority delegated in this Resolution shall not be sub-delegated without Board approval.

----- END -----

Philadelphia Land Bank Parcel Reconciliation Report, November 1, 2017

Property Transfer Status for Properties Approved for Transfer/Acquisition		CITY	PHDC	PRA	TAX	PRIVATE	TOTAL
Properties Approved for Transfer/Acquisition		1230	775	297	45	1	2348
Properties Withheld from Transfer to PLB		67	11	96			174
Properties Under Review for Transfer to PLB		34	38	19			91
Properties In Process of Transfer to/Acquisition by PLB		18	4	11	0	0	33
Properties Transferred to/Acquired by PLB		1111	722	171	45	1	2050*
Properties Sold by PLB		52	37	3	0	0	92
Properties Remaining In PLB		1059	686	168	45	1	1958
Public Agency Properties Not Approved for Transfer, Possibly Available (Status: Available, Available (non-residential))		2485	0	668			3153

Milestones for Properties Still to be Conveyed to PLB		CITY 52	PHDC 42	PRA 30	TAX	PRIVATE	TOTAL
Properties under review for suitability for transfer		34	38	19			91
Waiting for surveys, corrective deeds, sheriff's deeds, or a resolution		18	4	7	0	0	29
Deed exhibit drafted, ready for City attorney review (PUB, PHDC)		0	0				0
Deed exhibit under DOR review (PUB, PHDC, PRA)		0	0	0			0
Deed exhibit has been reviewed by DOR (PUB, PHDC, PRA)		0	0	4			4
Second deed exhibit has been drafted (PUB ONLY)		0					0
Deed has been sent for execution (PUB/PRA, PHDC, PRA)		0	0	0			0
Deed in process of being recorded		0	0	0	0	0	0
Additional properties transferred to PLB since 8/7/2017 (PUB/PRA, PHDC, PRA, TAX, PRIVATE)		1	0	0	11	0	12

* The total number conveyed to the land bank to date, including tax sale and private acquisitions. Properties sold have not been deducted from this total.

Philadelphia Land Bank Approved Dispositions Report (as of 11/1/2017)

	YEAR 1 7/1/2016 – 6/30/2017				YEAR 2 7/1/2017 – 6/30/2018			
	Strategic Plan Goals	No. of Lots Approved	No. of Units To Be Built	Strategic Plan Goals	No. of Lots Approved (YTD)	No. of Units To Be Built (YTD)	Increase Over Last Month	
Side Yards	45 lots	4 lots		81 lots	1 lots		0 lots	
Total Housing/Mixed Use	170 units	100 lots	155 units	205 units	0 lots	0 units	0 lots/0 units	
20 % at 30% or below of AMI	34	6	9	41	0	0	0	
30 % at 60% or below of AMI	50	54	80	62	0	0	0	
25 % at 120% or below of AMI	43	24	37	51	0	0	0	
25 % non-income restricted	43	16	29	51	0	0	0	
Business Expansions	3 lots	2 lots		6 lots	0 lots		0 lots	
Gardens/Open Space	33 lots	0 lots		33 lots	0 lots		0 lots	
Total Dispositions	251	106 lots*	155 units	325	1 lot ⁺	0 units	1 lot/0 units	

*As of 11/1/2017, 92 lots approved for disposition in Year 1 have been conveyed.

*As of 11/1/2017, 0 lots approved for disposition in Year 2 have been conveyed.

VPRC Approved Sales Report (as of 11/1/2017)

Disposition Type	YEAR 1 7/1/2016 – 6/30/2017		YEAR 2 7/1/2017 – 6/30/2018	
	No. of Lots Sold		No. of Lots Sold (YTD)	Increase Over Last Month
Side Yards	34		19	2
Other Sales	38		12	2
Nonprofit (Gardens/Open Space)	10		9	0
Nonprofit (Other)	3		3	1
Total Sales	85		43	5