

**AGENDA**  
**PHILADELPHIA LAND BANK**  
**BOARD OF DIRECTOR'S MEETING**

TUESDAY, NOVEMBER 10, 2020 – 10:00 AM  
PURSUANT TO 35 PA.C.S. § 5741, THIS MEETING WILL BE HELD REMOTELY  
THIS MEETING IS OPEN TO THE PUBLIC

**INSTRUCTIONS FOR PUBLIC ACCESS TO THIS MEETING**  
**AND TO SUBMIT PUBLIC COMMENTS ARE LOCATED ON THE FOLLOWING PAGE**

**AGENDA ITEMS**

1. Roll Call
2. Approval of Minutes of the Meeting of October 13, 2020
3. Executive Director's Report
4. Property Dispositions

**Competitive Sale - Request for Proposal**

*The purchase price on Resolution 2020-10 was incorrectly listed as \$60,000. The purpose of this resolution is to rescind Resolution 2020-10 and to approve this disposition with a revised purchase price of \$30,000. The properties below were part of an RFP that was posted for 30 days and scored by the evaluation team pursuant to the 2017 disposition policy. At least 60% of the residential units must be to renters with household incomes not to exceed 80% of AMI.*

- 5334, 5336, 5338, 5340, 5342, and 5344 Market St. to Kaede Holdings, LLC (CD3)

~~**Competitive Sale - Request for Proposal**~~

~~*The properties below were part of an RFP that was posted for 30 days and scored by the evaluation team pursuant to the 2020 disposition policy. At least 70% of the residential units must be to purchasers with household incomes not to exceed 80% of AMI.*~~

- ~~• 2231 Cross St., 2256 Greenwich St., 2239 Wilder St., 2232 Cross St., 2305 Greenwich St., 2315 Wilder St., 2235 Cross St., 2309 Greenwich St., 2241 Wilder St., 2249 Cross St., 2230 Reed St., 2243 Wilder St., 2252 Cross St., 2318 Tasker St., 2324 Cross St., 2214 Wilder St., 2227 Fernon St., 2220 Wilder St., 2224 Greenwich St., 2222 Wilder St. (CD2)~~

~~**Non-Competitive Sale - Business Expansion**~~

~~*The property below is being conveyed for use as a parking lot to serve the staff and guests of Gloria Casarez Residence and Peg's Place, both are affordable housing developments.*~~

- ~~• 1331 N. 8<sup>th</sup> Street to Project HOME (CD5)~~

**Interagency Transfer to the Philadelphia Housing Authority**

*Some of the following properties are owned by the Land Bank, while others will be transferred from the City and PRA into the Land Bank for further transfer to PHA for a LIHTC project.*

- 2338 N. 31st St., 2340 N. 31st St., 2408 N. 31st St., 2410 N. 31st St., 2412 N. 31st St., 2500 N. 31st St., 2401 N. 32nd St., 2549 ½ N. 32nd St. (a/k/a 2551 N. 32nd St.), 2401 N. 33rd St., 3010 W. York St., 3012 W. York St., 3014 W. York St., 3013 W. York St., 3015 W. York St., 3108 W. York St., 3110

W. York St., 3112 W. York St., 3200 W. York St., 3202 W. York St., 3204 W. York St., 3206 W. York St., 3214 W. York St. 3222 W. York St. to the Philadelphia Housing Authority (CD 5)

5. **Resolution Accepting Philadelphia Land Bank Audited Financial Statements for Year Ending June 30, 2020**

*The purpose of this resolution is to accept the Land Bank's audited financial statements for the year ending June 30, 2020.*

6. **Public Comment (Old & New Business)**

7. **Adjournment**

**PHILADELPHIA LAND BANK  
BOARD MEETING MINUTES**

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A Regular Meeting of the Board of Directors of the Philadelphia Land Bank was held on Tuesday, October 13, 2020, commencing at 10:00 a.m. via Zoom webinar pursuant to 35 Pa.C.S. § 5741 and proper notices.

**CALL TO ORDER**

Ms. Fadullon called the meeting to order at 10:09 a.m.

Steve Cusano, Senior Counsel, made the following announcement: Today's Board meeting is being held via an authorized communication device as authorized by Title 35, Section 5741 of the Pennsylvania Consolidated Statutes and is being recorded. Questions and comments may be made using the Q&A button at the bottom of the screen. If you are calling in and not using the Zoom webinar you may ask questions or make comments by hitting \*9 on your phone. You can use the "raise hand" function at the bottom of the screen. Please do not use the chat function. If any member of the public has any issues submitting questions or comments, please send an email to Steve.Cusano@phdc.phila.gov.

Mr. Cusano then announced that prior to today's public session, the Board held an executive session where the Board received information regarding a memorandum of understanding with PHDC.

**Item 1  
Roll Call**

The following members of the Board of Directors reported present: Paulette Adams, Alex Balloon, Eric Bodzin, Anne Fadullon, Joshu Harris, Michael Johns, Majeedah Rashid, and Rick Sauer.

The following members of the Board of Directors were not present: Richard DeMarco and Michael Koonce.

The following staff members were present: Angel Rodriguez, Steve Cusano, Esq., Andrea Saah, Esq., Carolyn Terry, and Jamila Davis.

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.

**Item 2  
Approval of Board Minutes**

Ms. Fadullon called for a motion to approve the minutes of the Board meeting of August 11, 2020.

Ms. Rashid made a motion to approve the minutes of the Board meeting of August 11, 2020. The motion was seconded by Mr. Balloon.

Upon motion made and duly seconded, the Board approved the minutes of the August 11, 2020 Board meeting.

### **Item 3** **Executive Director's Report**

The Executive Director's report is attached to these minutes as Exhibit A.

Mr. Rodriguez updated the Board regarding recently completed settlements for the month of September and October as set forth on Exhibit A. 2301-07 Ridge Avenue is the development of a pharmacy. Another settlement was to PHA for an affordable housing development at 60% of AMI in which PHA will lease the properties to the developer.

Mr. Rodriguez informed the Board that, due to the displacement of the Fletcher Street Urban Riding Club as a result of conveying certain properties to PHA, the Land Bank, along with the Council President's office, has identified a temporary location at 2695 West Diamond Street, until a permanent location is found in Fairmount Park.

Mr. Rodriguez informed the Board regarding settlement for certain properties on the 1600 block of Bodine Street as set forth on Exhibit A, certain City Council Resolutions submitted for several properties as set forth on Exhibit A, and the transfer of 110 properties in Council District 1 from the Department of Public Property to the Land Bank. Mr. Rodriguez informed the Board regarding certain LIHTC projects as set forth on Exhibit A. Mr. Rodriguez further informed the Board regarding certain request for proposals and competitive sales and the application from the César Andreu Iglesias Garden Group as set forth on Exhibit A.

### **Item 4** **Resolution Regarding Amended and Restated Management Contract Between Philadelphia Land Bank and the Philadelphia Housing Development Corporation**

Mr. Cusano presented this Resolution and explained its purpose to the Board.

Ms. Fadullon asked if members of the Board had any questions or comments. There were none.

Ms. Fadullon then read a question from Mr. Jihad Ali who asked about "the termination language that both will be terminated. The language says and not or". Mr. Cusano responded by clarifying that the provision applies to both the Executive Director and Senior Counsel, but it does not mean that the Executive Director and Senior Counsel are necessarily terminated at the same time.

Ms. Fadullon asked if any other members of the public had any additional questions or comments.

Ms. Fadullon then read another question from Mr. Ali who asked "In part V section C the language says that reports are not required to be submitted unless requested. Why not require reports?" Mr. Cusano explained that Mr. Ali is referring to the Memorandum of Understanding

which was approved by the Board in June 2018. Mr. Cusano further explained that PHDC did not want to be required to provide reports about management services unless requested by the Land Bank.

Ms. Fadullon asked if any other members of the public had any additional questions or comments. There were none.

Ms. Fadullon asked if there were any questions or comments from the Board. There were none.

Ms. Fadullon called for a motion on the Resolution.

Mr. Cusano asked that the motion include that the following be added to the end of Section I.A.(1) of the Amended and Restated Management Agreement as shown in bold on the attached Resolution: “In connection with any termination for Cause, PHDC shall provide the Land Bank Board Chair with prior notice and evidence substantiating such termination.”

Mr. Balloon made a motion to approve the Resolution Regarding Amended and Restated Management Contract Between Philadelphia Land Bank and the Philadelphia Housing Development Corporation, as amended. The motion was seconded by Mr. Harris.

Upon made and duly seconded, the Board approved the Resolution Regarding Amended and Restated Management Contract Between Philadelphia Land Bank and the Philadelphia Housing Development Corporation, as amended, attached to these minutes as Exhibit B.

**Item 5**  
**Public Comment**  
**Public Comment (Old & New Business)**

Ms. Fadullon read a question from Nomble Lee: “The PHDC website says that within 30-69 days someone from the land management will contact you if there are any issues with one’s application. Am I to assume that if I was not contacted in 60 days that there aren’t any issues with my side yard application? And may I assume that things are running smoothly with the process? Thank you so much.” Mr. Rodriguez explained that he could not respond without reviewing the application.

Ms. Fadullon asked if members of the public had any old or new business to address with the Board. There was none.

Mr. Cusano then stated that prior to today’s meeting, the public had an opportunity to email any questions or comments. The deadline for submission was Monday, October 12th, 2020 at 1:00 pm. Mr. Cusano indicated that no questions or comments were received.

**Item 6**  
**Adjournment**

There being no further business, Ms. Fadullon called for a motion to adjourn the meeting.

Ms. Adams made a motion to adjourn the meeting. Mr. Balloon seconded the motion.

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

The meeting was adjourned at 10:31 a.m.

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SECRETARY TO THE BOARD

## Public Attendance Sheet



### BOARD OF DIRECTORS

#### REGULAR MEETING

Tuesday, October 13, 2020 at 10:00 AM

Pursuant to 35 Pa.C.S. § 5741, this meeting was held remotely using Zoom webinar

First Name	Last Name	Email
Maria	Quinones Sanchez	councilwomansanchezreply@gmail.com
Jamila	Davis	jamila.davis@phila.gov
a	weiss/SoLo	awfromhh4@gmail.com
George	Davis	gbdrealestate@gmail.com
Andrea	Imredy Saah	andrea.saah@phdc.phila.gov
Anthony	Miller	info@nkcddc.org
Carolyn	Terry	Carolyn.Terry@phdc.phila.gov
Anthony	Miller	amiller@nkcddc.org
Elizabeth	Rogers	elizabeth@ocfrealty.com
Nomble	Lee	Nomble.Lee@gmail.com
Zulu	Nation neighbor	bohart2@yahoo.com
zulu	nation	sabrinamccain328@yahoo.com
jihadali		jihad@jihadali.com

## EXHIBIT A

### PHDC LAND MANAGEMENT UPDATE: 10/13/2020

#### 1. Settlements

1. (CD 5) 1235 W Cambria Street – Side Yard
2. (CD 5) 614 W Allegheny Ave– Side Yard
3. (CD 5) 2301-07 Ridge Avenue – Development \$140,000
4. (CD 5) 614 W Allegheny Ave – Side Yard
5. (CD 5) Affordable Housing – PHA (60% AMI & below)
  - i. 2201 N 27<sup>th</sup> Street
  - ii. 2219-21 N 27<sup>th</sup> Street
  - iii. 2223 N 27<sup>th</sup> Street
  - iv. 2225 N 27<sup>th</sup> Street
6. (CD 7) 2410 N 3<sup>rd</sup> Street – Side Yard
7. (CD 7) 110 E Wishart Street– Side Yard
8. (CD 7) 1618 N Bodine Street – Side Yard
9. (CD 7) 1620 N Bodine Street – Side Yard
10. (CD 7) 1632 N Bodine Street – Side Yard
11. (CD 7) 3519 N Marshall Street – Side Yard
12. (CD 7) 2410 N 3<sup>rd</sup> Street – Side Yard
13. (CD 1) 1851 E Ontario Street– Side Yard

#### Notes:

- Fletcher Street Urban Riding Club-
  - With the settlement of the 27<sup>th</sup> Street properties to PHA, Land Management and the Council President's Office have been working with the Fletcher Street Urban Riding Club to find a temporary location for their programming & coral for their horses.
  - We have identified a City owned property for temporary use under a City Lease, one block away from their existing stables.
  - The Council President is working on a permanent home for the Club within Fairmount Park.
- Bodine Street –
  - 1634 N Bodine Street will settle on Friday 10/16/2020
  - 1622 N Bodine Street we are waiting for the Title company to agree to a date for settlement.

#### 2. City Council Resolutions Submitted:

1. (CD1) 2451-53 Frankford Ave – PRA \$200,000
2. (CD1) 2514 Coral Street – PRA \$50,000
3. (CD1) 2103 E Hagert Street – PRA \$60,000
4. (CD1) 1824 E Huntingdon Street – PRA \$50,000
5. (CD 2) Community Land Trust – PRA \$19.00
6. (CD 5) 1906 N 24<sup>th</sup> Street – PLB \$5,000

#### 3. Interagency Transfers:

- a. We are finalizing the transfer of approximately 110 properties from the Department of Public Property to the Land Bank

#### 4. LIHTC Projects:

- a. We are working on the following funded LIHTC Projects for land settlements; Totaling 249 units of affordable housing:
  - i. Gaudenzia West Mill Place (CD 3)
    1. 916-936 N. 51st
    2. 30 units of affordable;
    3. \$1,027,875 award
  - ii. Frankford House (CD 7)
    1. 1611-41 Ruan Street
    2. 42 Units of affordable;
    3. \$1,238,979 award
  - iii. Be a Gem Crossing (CD 5)
    1. 3226-58 Germantown Avenue
    2. 41 Units of affordable;
    3. \$1,250,000 award
  - iv. 8th and Berks Senior Living (CD 5)
    1. 1827-61 N. 8th; 1818-42 N. Franklin; 720-30 W. Berks Streets
    2. 44 units of affordable;
    3. \$1,250,000 award
  - v. 800 Vine Senior (CD 1)
    1. 800-30 Vine Street
    2. 51 Units of affordable;
    3. \$1,250,000 award
5. Requests for Proposals & Competitive Sales:
  - a. Competitive Sales (CD 1): Eleven (11) properties were posted 10/6/2020. Closing date for submissions is 11/6/2020 by 4 pm.
    1. 2612 S 9th Street
    2. 2318 E Boston Street
    3. 372 Cantrell Street
    4. 538 Dudley Street
    5. 314 Emily Street
    6. 2405 E Firth Street
    7. 3528 Frankford Avenue
    8. 3351 Kensington Avenue
    9. 2633 Martha Street
    10. 737 Tree Street
    11. 612 Wolf Street
  - b. Competitive Sales (CD 1): Four (4) properties were posted. Closing date for submissions is tomorrow 10/14/2020.
    1. 2205-2207 Blair Street
    2. 2478-2480 Emerald Street
  - c. Competitive Sales (CD 1): Six of the ten (10) properties received a submission. Threshold complete – sent to scoring committee.
    1. 1853 E. Ontario Street – No response
    2. 723 Mercy Street – 1 submission

3. 2077 E. Cambria Street – 1 submission
4. 2089 Somerset Street – No response
5. 2073 Elkhart Street – No response
6. 2549 S. 3rd Street – 1 submission
7. 2068 E. Monmouth Street – No response
8. 2215 S. 5th Street – 1 submission
9. 3347 Kensington Avenue – 1 submission
10. 3058 Joyce Street – 1 submission
11. 2214, 2215, 2217 E Harold St -- 2 submissions

**d. (CD 2) RFP for Point Breeze, Cross Street et Al.**

- i. One Submission – being reviewed and approved, we are issuing a PDA
- ii. The Philadelphia Land Bank ("Land Bank"), is soliciting proposals from developers to acquire and develop eighteen (18) parcels located in the Point Breeze neighborhood for affordable homeownership in accordance with this Request for Proposals ("RFP").
  - a. Not less than 70% of residential units produced shall be reserved for purchasers with household incomes not to exceed 80% of the area median income ("AMI") as determined by the United States Department of Housing and Urban Development

**6. Cesar Iglesias Garden Group-**

- a. Met on 8/25/2020.
- b. Placed 17 parcels on hold
- c. Provided the group applications for Gardens and Side Yards.
- d. Received submissions on 9/23/2020
  - i. Based upon a Threshold review we have asked them to re-submit their applications because they were incomplete.

## EXHIBIT B

### RESOLUTION NO. 2020 – 19

#### RESOLUTION AMENDING RESOLUTION 2018-29 AUTHORIZING AN AMENDED AND RESTATED MANAGEMENT CONTRACT BETWEEN THE PHILADELPHIA LAND BANK AND THE PHILADELPHIA HOUSING DEVELOPMENT CORPORATION

**WHEREAS**, on June 14, 2018, the Board of Directors of the Philadelphia Land Bank (the “**Board**”) adopted Resolution 2018-29 a copy of which is attached to this Resolution as Exhibit A.

**WHEREAS**, Resolution 2018-29 authorized the Philadelphia Land Bank (“**Land Bank**”) to enter the Amended and Restated Management Agreement with Philadelphia Housing Development Corporation (“**PHDC**”) substantially in the form attached Resolution 2018-29.

**WHEREAS**, Resolution 2018-29 authorizes the Executive Director with the advice of Senior Counsel to modify the Amended and Restated Management Agreement without further approval of the Board; provided, that any modifications are, in the opinion of Senior Counsel, not material.

**WHEREAS**, PHDC has requested a modification to the Amended and Restated Management Agreement which in the opinion of Senior Counsel is material and, as a result, requires approval of the Board.

**WHEREAS**, the Board has considered PHDC’s modification to the Amended and Restated Management Agreement and finds that the adoption of this Resolution is in the best interests of the Land Bank.

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

1. Section I.A.(1) of the Amended and Restated Management Agreement, as attached to Resolution 2018-29, is hereby amended to read as follows (strikethrough indicates a deletion, underline indicates an addition):

“Hire and/or appoint an individual to serve as, and dismiss, if necessary, the Land Bank's Executive Director (“Executive Director”) and the Land Bank's Senior Counsel (“Senior Counsel”) in consultation with the Land Bank Board of Directors (the “Land Bank Board”) and consistent with the Land Bank's approved budget for each respective year of employment for each such employee, as well as evaluate the performance of any such individuals; provided, however, PHDC further agrees that it shall not hire, ~~and/or~~ appoint, and/or dismiss any individual to serve as, ~~nor dismiss~~, the Executive Director or Senior Counsel if such hiring, appointment, and/or dismissal, as the case may be, is opposed by a majority of the Land Bank Board. Notwithstanding anything to the contrary herein, nothing herein shall prohibit PHDC from dismissing, terminating and or suspending the Executive Director and/or Senior Counsel without consultation with, or approval from, the Land Bank Board if such dismissal, termination or suspension is for "Cause". For purposes of this Contract, the term "Cause" shall mean (i) the willful commission of an act of fraud or dishonesty resulting in material economic or financial injury to PHDC or the Land Bank,

or (ii) non-disclosed self-dealing, embezzlement or misappropriation of funds or property or breach of trust in connection with the Executive Director's or Senior Counsel's services hereunder, or (iii) the conviction of (or plea of nolo contendere to) a crime constituting a felony, or (iv) habitual insobriety or use of controlled substances (other than under the supervision of a licensed physician) in the course and scope of employment; or (v) habitual absenteeism, or (vi) the violation of any of PHDC's policies against unlawful harassment, or (vii) failure to cooperate with a bona fide internal investigation or an investigation by regulatory or law enforcement authorities, after being instructed by PHDC to cooperate, or the willful destruction or failure to preserve documents or other materials known to be relevant to such investigation or the inducement of others to fail to cooperate or to produce documents or other materials in connection with such investigation. For purposes of clarification, this provision is for the benefit of the parties to this Contract only and is not intended to confer any third party rights or benefits on the Executive Director or Senior Counsel as those positions remain at-will positions under the laws of the Commonwealth of Pennsylvania. **In connection with any termination for Cause, PHDC shall provide the Land Bank Board Chair with prior notice and evidence substantiating such termination.**"

2. 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. The Executive Director or Senior Counsel will notify the Board of all modifications to this Resolution at the next Board meeting following the date of such modifications.
3. This Resolution shall take effect immediately upon adoption by the Board.

**ADOPTED 10/13/2020**

## **RESOLUTION NO. 2018 – 29**

### **RESOLUTION AUTHORIZING AN AMENDED AND RESTATED MANAGEMENT CONTRACT BETWEEN THE PHILADELPHIA LAND BANK AND THE PHILADELPHIA HOUSING DEVELOPMENT CORPORATION**

**WHEREAS**, the Philadelphia Housing Development Corporation ("**PHDC**") and the Philadelphia Land Bank ("**Land Bank**") entered into a Management Contract dated July 17, 2015 as amended by a First Amendment to Management Contract dated May 27, 2016 (collectively, "**Management Agreement**");

**WHEREAS**, PHDC and the Land Bank desire to amend and restate the Management Agreement by entering into the Amended and Restated Management Agreement attached to this Resolution; and

**WHEREAS**, the Board has considered the Amended and Restated Management Agreement and finds that its adoption is in the best interests of the Land Bank.

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

1. The Land Bank is hereby authorized to enter into the Amended and Restated Management Agreement with PHDC substantially in the form attached hereto.
2. The Executive Director with the advice of Senior Counsel may modify the Amended and Restated Management Agreement without further approval of the Board; provided, that any modifications are, in the opinion of Senior Counsel, not material.
3. Those Land Bank staff authorized to execute and deliver documents on behalf of the Land Bank pursuant to Resolution 2017-43 are hereby authorized to execute and deliver the Amended and Restated Management Agreement.
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.
5. This Resolution shall take effect immediately upon adoption by the Board.

**ADOPTED 6/14/2018**

**AMENDED AND RESTATED MANAGEMENT CONTRACT**

THIS AMENDED AND RESTATED MANAGEMENT CONTRACT (this "Contract"), entered into as of this \_\_\_\_ day of \_\_\_\_\_, 2018 by and between the PHILADELPHIA HOUSING DEVELOPMENT CORPORATION, a nonprofit corporation organized and existing under the laws of the Commonwealth of Pennsylvania, with offices at 1234 Market Street, 17<sup>th</sup> Floor, Philadelphia, Pennsylvania 19107 ("PHDC") and the PHILADELPHIA LAND BANK, a public body and a body corporate and politic established under the Pennsylvania Land Bank Legislation, Act 153 of 2012, with offices at 1234 Market Street, 16<sup>th</sup> Floor, Philadelphia, Pennsylvania 19107 (the "Land Bank").

**WITNESSETH:**

WHEREAS, in December 2012, the Commonwealth of Pennsylvania enacted the Pennsylvania Land Bank Legislation, Act 153 of 2012, authorizing, among other things, the creation of "land banks" by municipalities as tools to facilitate the return of vacant, abandoned and tax-delinquent properties to productive use; and

WHEREAS, in December 2013, the City of Philadelphia (the "City") enacted legislation creating the City's Land Bank, with its stated mission being "to return vacant property to productive status using a unified, predictable, and transparent process, thereby revitalizing neighborhoods, creating socially and economically diverse communities, and strengthening the City's tax base"; and

WHEREAS, the Land Bank and PHDC entered into a Management Contract dated July 17, 2015 as amended by a First Amendment to Management Contract dated May 27, 2016 (collectively, the "Agreements") and the Land Bank and PHDC desire to amend and restate the Agreements, as more specifically set forth in this Contract;

WHEREAS, the Land Bank desires to engage PHDC, and PHDC is willing to assume the duties, to manage, oversee, and operate certain business activities of the Land Bank, as more specifically set forth in this Contract.

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein, and intending to be legally bound hereby, the parties hereby agree as follows:

I. SCOPE OF SERVICES

A. Subject to compliance with all applicable statutes, codes, regulations and collective bargaining agreements, the Land Bank and PHDC agree that PHDC, acting by and through its employee hired and/or appointed as the Executive Director of the Land Bank (the "Executive Director") in accordance with Section I.A.(1), shall manage, oversee and operate the everyday activities of the Land Bank and have all requisite duties and exclusive authority to act on behalf of and for the benefit of the Land Bank to:

(1) Hire and/or appoint an individual to serve as, and dismiss, the Executive Director and the Land Bank's Senior Counsel ("Senior Counsel") in consultation with the Land Bank Board of Directors (the "Land Bank Board") and consistent with the Land Bank's approved budget for each respective year of employment for each such employee, as well as evaluate the performance of any such individuals; provided, however, PHDC further agrees that it shall not hire and/or appoint any individual to serve as, nor dismiss, the Executive Director or Senior Counsel if such hiring, appointment, or dismissal, as the case may be, is opposed by a majority of the Land Bank Board;

(2) Subject to Section I.A.(1), hire and/or appoint individuals, and dismiss any employees as is necessary to efficiently and effectively conduct the operations of the Land Bank consistent with the Land Bank's approved budget for each respective year of employment of each such employee, with notice thereof provided in progress reports presented by the Executive Director to the Land Bank Board during its meetings;

(3) Organize and reorganize the executive, financial, administrative, clerical and other activities of the Land Bank as necessary to efficiently and effectively conduct the operations of the Land Bank;

(4) Invest money of the Land Bank at the discretion of the Land Bank Board in instruments, obligations, securities or property determined proper by the Land Bank Board, as well as name and use depositories for the money of the Land Bank;

(5) Maintain fully correct and accurate financial books of account and records of the activities of the Land Bank in accordance with all applicable accounting regulations, and procedures;

(6) Pay all operational expenses and debts as required and deposit all receipts, in whatsoever form, from the operations of the Land Bank in the bank or other financial institution depository of the Land Bank;

(7) File reports, tax returns, and applicable tax applications with government authorities required or allowed by law, which have been signed or approved by the authorized employee(s), officer(s), and/or Board member(s) of the Land Bank, as required; and

(8) Make presentations to the Land Bank Board when requested.

B. Upon authorization of the Land Bank Board and subject to compliance with all applicable statutes, codes, regulations, and collective bargaining agreements, the Land Bank and PHDC agree that PHDC shall have all requisite duties and exclusive authority to act on behalf of and for the benefit of the Land Bank to:

(1) Enter into contracts and other instruments necessary, incidental, or convenient to the performance of the duties, and the exercise of the powers, of the Land Bank, including those for the management of, the collection of rent from or the sale of real property of the Land Bank, as authorized by the Land Bank Board;

(2) Establish policies and protocols, as well as determine hours of operation and fix the duties, powers and compensation of employees, contractors, agents and consultants, as required to manage, oversee and operate the Land Bank in a professional and efficient manner in compliance with all applicable laws, regulations, codes and rules;

(3) Enter into contracts and intergovernmental cooperation agreements with municipalities for the performance of functions by municipalities on behalf of the Land Bank or by the Land Bank on behalf of municipalities;

(4) Procure and maintain insurance against losses in connection with the real property, assets, staff, and activities of the Land Bank including, without limitation officers and directors insurance, and general liability insurance;

(5) Design, develop, construct, demolish, reconstruct, rehabilitate, renovate, relocate, and otherwise improve real property or rights or interests in real property;

(6) Fix, charge, and collect rents, fees, and charges for use of real property of the Land Bank and any services provided by the Land Bank;

(7) Grant or acquire licenses, easements, leases, or options with respect to the real property of the Land Bank;

(8) Initiate, defend against and otherwise participate in lawsuits and other legal, alternative dispute resolution, and administrative proceedings on behalf of the Land Bank to protect and advance its interests;

(9) Borrow from Federal government funds, the Commonwealth of Pennsylvania (the “Commonwealth”), private lenders or municipalities, as necessary, for the operation and work of the Land Bank;

(10) Issue negotiable revenue bonds and notes;

(11) Procure insurance or guarantees from the Federal government or the Commonwealth for the payment of debt incurred by the Land Bank and pay premiums in connection with any such insurance or guarantee; and

(12) Enter into partnerships, joint ventures and other collaborative relationships with municipalities and other public and private entities for the ownership, development, and disposition of real property.

C. PHDC shall perform such other and further duties that are authorized by the Land Bank Board and approved by the Board of Directors of PHDC, consistent with the effective and efficient management, oversight and operation of the business of the Land Bank, including, but not limited to, filing reports and making presentations with or to the Land Bank Board.

## II. TERM

The term of this Contract shall commence on July 1, 2018 (the "Effective Date") and shall continue through June 30, 2019 (the "Initial Term"). The Initial Term of this Contract shall renew automatically for four (4) additional consecutive one-year periods (each a "Renewal Period"), unless either party provides written notice to the other at the corresponding address set forth above that the party does not desire to renew, with such notice being served at least ninety (90) days in advance of the end of the Initial Term or any Renewal Period. Upon termination, neither party shall have any further obligations under this Contract, except for the obligations which by their terms survive this termination as noted in Section XVII below.

### III. COMPENSATION AND METHOD OF PAYMENT

A. As compensation for all services provided hereunder, the Land Bank shall pay PHDC, on a monthly basis the following:

(1) The product of (i) a fraction, the numerator of which is the total number of hours of work performed by PHDC employees for, or on behalf of the Land Bank, in the invoiced month and the denominator of which is the total number of hours of work performed by PHDC employees in the invoiced month (all hours must be documented in PHDC's labor-allocation sheets); multiplied by (ii) the actual, aggregate amount of those general and administrative expenses specifically identified on Exhibit A, attached hereto and incorporated by reference, incurred by PHDC for the benefit of either PHDC or the Land Bank in the invoiced month; and

(2) A proportionate share of the salary and fringe benefit expenses for each PHDC employee who performs work related to Land Bank activities in a given month (each "Affected Employee") calculated by multiplying (i) the monthly salary and fringe benefit expenses incurred by PHDC in the invoiced month for an Affected Employee; and (ii) a fraction, the numerator of which is the total number of hours of work performed by an Affected Employee for, or on behalf of, the Land Bank in the invoiced month and the denominator of which is the total number of hours of work performed by an Affected Employee in the invoiced month. All hours must be documented in PHDC's labor-allocation sheets.

B. The Land Bank shall pay PHDC, as reimbursement for any fees for insurance brokerage services and automobile liability insurance premiums benefitting and/or covering the Land Bank paid by PHDC, as follows:

(1) Fees for insurance brokerage services shall be paid pursuant to that certain Limited Power of Attorney Procurement of Insurance Brokerage Services and Insurance dated June 12, 2017, attached hereto and incorporated by reference as Exhibit B; and

(2) Premiums for automobile liability insurance: A proportionate share of all premiums paid annually by PHDC for automobile liability insurance covering PHDC and the Land Bank calculated by multiplying (i) the total number of premiums paid annually by PHDC for automobile liability insurance covering PHDC and the Land Bank; and (ii) a fraction, the numerator of which is the total number of vehicles owned by PHDC assigned exclusively for use by the Land Bank and the denominator of which is the total number of vehicles owned by PHDC.

Subject to Section III C, PHDC shall be paid, pursuant to Section III A and Section III B, after timely submission of invoices to the Land Bank, in the number, form, and content acceptable to the Land Bank, accompanied by such additional supporting information and documentation as the Land Bank may request. All payments to PHDC are contingent upon satisfactory performance of the terms and conditions of this Contract. PHDC shall submit its final invoice not more than sixty (60) days from the completion of the services provided hereunder.

C. The Land Bank reserves the right to withhold or offset against any funds payable to PHDC for any invoice for which the Land Bank asserts a discrepancy exists or for PHDC's failure to satisfactorily perform the terms of this Contract, as determined solely by the Land Bank.

D. PHDC shall, upon termination of this Contract, remit to the Land Bank an accounting of all funds received pursuant to this Contract and the Agreements. PHDC shall return to the Land Bank all funds provided hereunder which have not been expended for

legitimate expenses. Final statement must be submitted to the Land Bank within sixty (60) days of the termination date.

#### IV. LAND BANK RESPONSIBILITY

The Land Bank shall remain responsible for (i) the operation, management, oversight, and conduct of the Land Bank and (ii) the actions of PHDC, and its agents and employees, only to the extent they relate to the operation, management, oversight, and conduct of the operations of the Land Bank. The Land Bank shall not in any way assign or transfer to PHDC: (a) the Land Bank's liability for any contracts, real property (including, by way of example and not limitation, rental and lease agreements), wages, utility bills, taxes or other costs and expenses, either as required or that are incidental to the operation of the Land Bank; or (b) the Land Bank's obligation and duties that are necessary for the retention of the "incidents of ownership" of the assets and control of the Land Bank. In addition to the general and administrative expenses set forth in Section III A and Section III B hereof, the Land Bank shall remain responsible for all expenses, costs, utilities, insurance, wages, and benefits of the Land Bank's employees (if any), contracts with third parties, taxes, premises liability, and all other claims, contracts, liabilities, and financial responsibility associated with the Land Bank's operations. The Land Bank is merely contracting with PHDC to provide management services.

#### V. PHDC RESPONSIBILITY

A. PHDC shall remain responsible for (i) the operation, management, oversight, and conduct of PHDC and (ii) the actions of PHDC, and its agents and employees, only to the extent they relate to the operation, management, oversight, and conduct of the non-Land Bank-related operations of PHDC.

B. Notwithstanding anything to the contrary set forth in Section III A and Section III B hereof, PHDC shall remain responsible for all expenses, costs, utilities, insurance, wages and benefits of PHDC's employees, contracts between PHDC and third parties, taxes, premises liability, and all other claims, contracts, liabilities, and financial responsibility

associated with PHDC's business activities. PHDC is simply contracting with the Land Bank to provide management services.

C. Upon request by the Land Bank Board, PHDC shall make reports and presentations to the Land Bank Board relating to the management services provided under this Contract.

## VI. INDEMNIFICATIONS

A. The Land Bank shall defend, indemnify, and hold PHDC and all of its directors, officers, and employees harmless, including, without limitation, attorneys' fees, for any and all claims of the Land Bank's vendors, employees, directors, suppliers, contractors, agents, and representatives, and all other claims, suits, damages, and losses to the extent arising out of or related to the Land Bank, its business operations, its real property, or any and all acts or omissions of the Land Bank. Except for claims asserted by PHDC's employees as provided below in Section VI B below, PHDC shall be added as an additional insured on all liability insurance policies of the Land Bank on a primary and noncontributory basis, excluding its Workers' Compensation and Employers Liability insurance and Officers Liability insurance.

B. PHDC shall defend, indemnify, and hold the Land Bank and all of its directors, officers, and employees harmless, including, without limitation, attorneys' fees, for any and all claims of PHDC's non-Land Bank-related vendors, employees, directors, suppliers, contractors, agents, and representatives, and all other claims, suits, damages and losses to the extent arising out of or related to the non-Land Bank-related acts or omissions of PHDC. Further, to the extent covered by any such applicable insurance, PHDC shall defend, indemnify, and hold the Land Bank harmless for any and all claims of PHDC's employees. In addition, the Land Bank shall be added as an additional insured on all liability insurance policies of PHDC solely to cover any non-Land Bank-related claims or claims of PHDC's employees on a primary and noncontributory basis, excluding its Workers' Compensation and Employers Liability insurance and Officers Liability insurance.

## VII. INDEPENDENT CONTRACTOR

Notwithstanding anything contained herein to the contrary, all rights and duties hereby granted to and assumed by PHDC are those of an independent contractor only. Nothing contained herein shall create an employer/employee relationship between PHDC and the Land Bank, or their respective directors, officers, employees, agents, and representatives. The parties acknowledge and agree that it is their intention that PHDC and its directors, officers, employees, agents, and representatives shall be and remain independent contractors in connection with its relationship with the Land Bank and that this Contract shall not render PHDC, or its directors, officers, employees, agents, and representatives, an employee, partner, agent, or joint venturer of or with the Land Bank. The Land Bank shall not be responsible for withholding taxes with respect to compensation paid to PHDC, or its directors, officers, employees, agents, and representatives, hereunder or the compensation paid by PHDC to its directors, officers, employees, agents, and representatives. PHDC and its directors, officers, employees, agents, and representatives shall have no claim against the Land Bank hereunder or otherwise for, among other things, unpaid minimum wages, overtime premiums, vacation pay, sick leave, retirement benefits, social security, worker's compensation, health or disability benefits, unemployment insurance benefits or employee benefits of any kind.

#### VIII. LAND BANK RECORDS

A. PHDC acknowledges and agrees that all records, data, materials, programs, plans, marketing strategies, financial information, business plans, technologies, Land Bank employee personnel files and medical records (if any), Land Bank employee health and other insurance (if any), Land Bank employee pension and other retirement benefit plans (if any), Land Bank employee fringe benefits (if any) and other information received or created by PHDC in connection with its performance of management services under this Contract (collectively, "Records") shall be maintained separately from any other records or information under PHDC's custody, control or possession.

B. Upon request, PHDC shall provide to the Land Bank Board, the Executive Director, and their agents, representatives, and consultants reasonable access to all Records,

provided, PHDC takes all necessary and appropriate action required to comply or maintain compliance with all applicable laws, codes and regulations in providing any such access.

C. All Records shall at all times be and remain the exclusive property of the Land Bank and shall be returned to the Land Bank upon termination of this Contract.

D. All requests for Records, including, but not limited to, any governmental, judicial, or administrative orders, subpoenas, discovery requests, regulatory requests, or similar methods, shall be submitted to the general counsel and/or the individual appointed as the Right To Know Officer (the “RTKO”) of the Land Bank. The general counsel and/or the RTKO of the Land Bank shall be responsible for responding to all such Records requests. Notwithstanding anything contained herein to the contrary, the Land Bank shall defend, indemnify, and hold PHDC harmless, including, without limitation, attorneys’ fees, for any and all claims, suits, damages, and losses to the extent arising out of or related to any and all requests for Records, including, but not limited to, any responses, failures to respond and/or other acts, delays or omissions relating to any such requests.

E. Nothing in this Contract shall be deemed a waiver or release of, or supersede, modify or diminish, in any respect whatsoever, any of the Land Bank’s rights or defenses under the Right To Know Law (“RTKL”), all of which are expressly reserved.

#### IX. PHDC PROPRIETARY RIGHTS

A. Definitions. For purposes of this Contract, “Confidential Information” means any data or information that is received or created by PHDC in connection with its non-Land Bank-related business and activities, and therefore proprietary exclusively to PHDC, and not generally known to the public, whether in tangible or intangible form, whenever and however disclosed, including, but not limited to: (i) HR information, records and materials including methods, programs, employee personnel files and medical records, health and other insurance, pension and other retirement benefit plans, fringe benefits, policies, plans, processes, specifications, characteristics, raw data, databases, formulations, know-how, experience and proprietary information; (ii) any marketing strategies, plans, financial information, or projections, operations, sales estimates, business plans and performance results relating to the

past, present or future business activities of such party, its affiliates, subsidiaries and affiliated companies; (iii) plans for programs or services, and client or contractor lists; (iv) any scientific or technical information, invention, design, process, procedure, formula, improvement, technology or method; (v) any concepts, reports, data, know-how, works-in-progress, designs, development tools, specifications, computer software, source code, object code, flow charts, databases, inventions, information and trade secrets; and (vi) any other information that should reasonably be recognized as confidential information of PHDC, whether in writing or presented, stored or maintained in or by electronic, magnetic, digital, internet, computer or other means. Confidential Information need not be novel, unique, patentable, copyrightable or constitute a trade secret in order to be designated Confidential Information. The Land Bank acknowledges that the Confidential Information is proprietary to PHDC, has been developed and obtained through great efforts by PHDC and that PHDC regards all of its Confidential Information as trade secrets.

B. Exceptions to Confidential Information. Notwithstanding anything in the foregoing to the contrary, Confidential Information shall not include information which: (i) was known by the Land Bank prior to receiving the Confidential Information from PHDC; (ii) becomes rightfully known to the Land Bank from a third-party source not known (after diligent inquiry) by the Land Bank to be under an obligation to PHDC to maintain confidentiality; (iii) is or becomes publicly available through no fault of or failure to act by the Land Bank in breach of this Contract; (iv) is required to be disclosed in a judicial or administrative proceeding, or is otherwise required to be disclosed by law or regulation, although the requirements of this Section IX shall apply prior to any disclosure being made; and (v) is or has been independently developed by employees, contractors, consultants, or agents of the Land Bank without violation of the terms of this Contract or reference or access to any Confidential Information.

C. Non-Disclosure to Third Parties. From time to time, PHDC may disclose or may have disclosed Confidential Information to the Land Bank or the Land Bank may gain access to or receive Confidential Information in the course of PHDC performing the services required under this Contract. The Land Bank will: (a) limit disclosure of any Confidential Information to those employees who have a need to know such Confidential Information, and will share with senior management of the Land Bank and the Land Bank Board only on a “need to know” basis, in connection with the performance by PHDC of such services, and only for that purpose; (b) advise any such employees of the proprietary nature of the Confidential Information

and of the obligations set forth in this Contract and require such employees to keep the Confidential Information confidential; (c) shall keep all Confidential Information strictly confidential by using a reasonable degree of care, but not less than the degree of care used by it in safeguarding its own confidential information; and (d) not share or disclose any Confidential Information received by it to any third parties (except as otherwise provided for herein). The Land Bank shall be responsible for any breach of this Contract by any of its directors, officers, employees, agents, or representatives.

D. Use of Confidential Information. The Land Bank acknowledges and agrees to not use the Confidential Information for any purpose other than as authorized by this Contract without the prior written consent of an authorized representative of PHDC. No other right or license, whether expressed or implied, in the Confidential Information is granted to the Land Bank hereunder. Title to the Confidential Information will remain solely with PHDC. All use of Confidential Information by the Land Bank shall be for the benefit of PHDC and any modifications and improvements thereof by the Land Bank shall be the sole property of PHDC. Except as specifically permitted under this Contract, the Land Bank shall not, at any time now or in the future, directly or indirectly, use, publish, disseminate, or otherwise disclose any Confidential Information to any third party without the prior written consent of PHDC, which consent may be denied in each instance, and all of the same, together with publication rights, shall belong exclusively to PHDC.

E. Compelled Disclosure of Confidential Information. Notwithstanding anything in the foregoing to the contrary, the Land Bank may disclose Confidential Information pursuant to any governmental, judicial, or administrative order, subpoena, discovery request, regulatory request, or similar method, provided that the Land Bank promptly notifies, to the extent practicable, PHDC in writing of such demand for disclosure so that PHDC, at its sole expense, may seek to make such disclosure subject to a protective order or other appropriate remedy to preserve the confidentiality of the Confidential Information; provided in the case of a broad regulatory request with respect to the Land Bank's business (not targeted at PHDC), the Land Bank may promptly comply with such request provided the Land Bank gives (if permitted by such regulator) PHDC prompt notice of such disclosure. The Land Bank agrees that it shall not oppose and shall cooperate with efforts by, to the extent practicable, PHDC with respect to any such request for a protective order or other relief. Notwithstanding the foregoing, if PHDC is unable to obtain or does not seek a protective order and the Land Bank is legally required to

disclose such Confidential Information, disclosure of such Confidential Information may be made without liability.

F. Documents, etc. All documents, internet and electronic records, diskettes, tapes, procedural manuals, guides, specifications, plans, drawings, designs, and similar materials, lists of present, past or prospective HR information, records and materials including methods, programs, employee personnel files and medical records, health and other insurance, pension and other retirement benefit plans, fringe benefits, clients, contractors, contractor proposals, invitations to submit proposals, price lists and data relating to the pricing of PHDC's programs and services, records, notebooks and all other materials containing Confidential Information (including all copies and reproductions thereof), that come into the Land Bank's possession or control, whether prepared by the Land Bank or others: (a) are the property of PHDC, (b) will not be used by the Land Bank in any way, (c) will not be provided or shown to any third party by the Land Bank, (d) will not be removed from the Land Bank's or PHDC's premises, and (e) at the termination (for whatever reason), of PHDC's relationship with the Land Bank, will be left with, or forthwith returned by the Land Bank to PHDC.

G. RTKL Exemption Reservation.

Nothing in this Contract shall be deemed a waiver or release of, or supersede, modify or diminish, in any respect whatsoever, PHDC's exemptions from, or rights or defenses under, RTKL, all of which are expressly reserved.

X. WAIVER

Any waiver by either party of a breach of any provision of this Contract shall not operate or be construed as a waiver of any subsequent breach of the same or any other provision hereof. All waivers by either party shall be in writing.

XI. SEVERABILITY; REFORMATION

In case any one or more of the provisions or parts of a provision contained in this Contract shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision or part of a provision of this Contract; and this Contract shall, to the fullest extent lawful, be reformed and construed as if such invalid or illegal or unenforceable provision, or part of a provision, had never been contained herein, and such provision or part reformed so that it would be valid, legal and

enforceable to the maximum extent possible. Without limiting the foregoing, if any provision (or part of provision) contained in this Contract shall for any reason be held to be excessively broad as to duration, activity or subject, it shall be construed by limiting and reducing it, so as to be enforceable to the fullest extent compatible with then existing applicable law.

## XII. HEADINGS

Headings and subheadings are for convenience only and shall not be deemed to be a part of this Contract.

## XIII. AMENDMENTS

This Contract may be amended or modified, in whole or in part, only by an instrument in writing signed by all parties hereto.

## XIV. NOTICES

Any notices or other communications required hereunder shall be in writing and shall be deemed given when delivered in person or when mailed, by certified or registered first class mail, postage prepaid, return receipt requested, addressed to the parties at their addresses specified in the preamble to this Contract.

## XV. COUNTERPARTS

This Contract may be executed in two or more counterparts, each of which shall constitute an original and all of which shall be deemed a single agreement.

## XVI. GOVERNING LAW

This Contract shall be construed in accordance with and governed for all purposes by the laws of Pennsylvania applicable to contracts executed and wholly performed within such jurisdiction. Any dispute arising hereunder shall be referred to and heard in only a federal or state court located in Philadelphia, Pennsylvania.

## XVII. SURVIVAL

The provisions of Sections III to VI, VIII to XI, and XV to XVII of this Contract shall survive the expiration of the Term or the termination of this Contract. This Contract supersedes all prior agreements, written or oral, between PHDC and the Land Bank relating to the subject matter of this Contract.

#### **XVIII. NO THIRD PARTIES**

The parties agree that: (a) this Contract is for the benefit of the parties to this Contract and is not intended to confer any rights or benefits on any third party, except as set forth in Section VI; and (b) there are no third-party beneficiaries to this Contract or any specific term of this Contract, except as set forth in Section VI.

**REMANIDER OF PAGE BLANK**

**EXECUTED**, under seal, effective as of the Effective Date.

**PHILADELPHIA HOUSING  
DEVELOPMENT CORPORATION**

**PHILADELPHIA LAND  
BANK**

By: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Angel Rodriguez  
Executive Director

## **EXHIBIT A**

PHDC's general and administrative expenses, to be allocated to the Land Bank pursuant to Section IIIA(1) are as follows:

- Fidelity Insurance
- Payroll Services
- Phone system (landlines)
- Unemployment compensation
- Prescription costs for PHDC employees.

## **EXHIBIT B**

**THE FOLLOWING PERTAINS TO ITEMS 4 AND 5  
ON THE NOVEMBER 10, 2020 AGENDA**

**RESOLUTION NO. 2020 – \_\_\_\_\_**

**RESOLUTION RESCINDING RESOLUTION 2020-10 AND AUTHORIZING CONVEYANCE  
OF 5334, 5336, 5338, 5340, 5342, 5344 MARKET STREET TO KAEDE HOLDINGS, LLC**

**WHEREAS**, Bill No. 190606-AA03 (as amended from the floor 10/24/2019) was signed by the Mayor on November 12, 2019 and became effective on January 1, 2020 (the “**Legislation**”).

**WHEREAS**, the Legislation amended Chapter 16-400 and 16-700 of the Philadelphia Code (“**Code**”).

**WHEREAS**, on October 22, 2019, the Land Bank posted a Request for Proposal for 5334, 5336, 5338, 5340, 5342, and 5344 Market Street (collectively, the “**Property**”) which Request for Proposal was issued and evaluated pursuant to the Code, as it read on December 31, 2019, and the 2017 Disposition Policy.

**WHEREAS**, Section 16-707 of the Code, as it read on December 31, 2019, authorizes the 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.

**WHEREAS**, the Board of Directors of the Philadelphia Land Bank (the “**Board of Directors**”) previously approved the conveyance of the Property to Kaede Holdings, LLC for Sixty Thousand Dollars (\$60,000) pursuant to Resolution 2020-10 on March 10, 2020.

**WHEREAS**, the Board of Directors desires to rescind Resolution 2020-10 in order to correct the purchase price from Sixty Thousand Dollars (\$60,000) to Thirty Thousand Dollars (\$30,000).

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

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

1. The conveyance of the Property to Kaede Holdings, LLC for Thirty Thousand Dollars (\$30,000) 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 Code as it read on December 31, 2019.
3. Subject to the terms of this Resolution, the Executive Director and Senior Counsel are each hereby authorized, in the name of and on behalf of the Land Bank, to negotiate, 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 (collectively, the “**Transaction Documents**”) and, from time to time and at any time, amend, supplement, and modify the Transaction Documents, or any of them, as may be necessary or desirable. The Transaction Documents and any amendments, supplements, and modifications thereto shall contain such terms and conditions as the Executive Director and Senior Counsel shall deem necessary or desirable subject to the terms of this Resolution, and, when so executed and delivered by the Land Bank, shall constitute the valid and binding obligations of the Land Bank.
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. The Executive Director or Senior Counsel

will notify the Board of all modifications to this Resolution at the next Board meeting following the date of such modifications.

5. This Resolution shall take effect immediately upon adoption by the Board.

1. **ADDRESS:** 5334, 5336, 5338, 5340, 5342, 5344 Market Street

2. **PROPERTY INFORMATION**

<b>Zip Code:</b> 19139	<b>Census Tract:</b> 008500	<b>Council District:</b> 3
<b>Zoning:</b> CMX-4	<b>Lot Area:</b> 6,647 sq ft	
<b>OPA Value:</b> \$67,300	<b>Appraised Value:</b> \$300,000	
<b>Redevelopment Area:</b> N/A	<b>Urban Renewal Area:</b> N/A	

3. **APPLICANT INFORMATION**

<b>Applicant Name:</b> Kaede Holdings LLC	<b>Type:</b> Business / Legal Entity
<b>Entity Owners:</b> Leonard Chang	
<b>Mailing Address:</b> P.O. Box 21, Wynnewood, PA 19096	
<b>Authorized Contact:</b> Leonard Chang	
<b>Application Date:</b> 11/15/2019	

4. **PROJECT INFORMATION**

<b>Disposition Type:</b> RFP	<b>Strategic Plan Goal (Land Bank Only):</b> Housing - Workforce (61%-120% AMI)
<b>Price:</b> \$30,000	<b>Proposed Use:</b> Mixed Use
<b>Development Type:</b> New Construction	<b>No. of Buildings:</b> 1
<b>Units:</b> 24 - Residential / 1 - Commercial	<b>End User:</b> Lease to Tenant
<b>Gross Floor Area (sq. ft.):</b> Insert Gross Floor Area (sq. ft.)	<b>Construction Cost / sq. ft.:</b> \$Insert Const. Cost per sq. ft.
<b>Construction Costs:</b> \$2,920,200	<b>Project Funding Available:</b> Acceptable Plan Verified - Applicant has provided documentation of reasonable ability to obtain necessary funds in an amount no less than total project costs.
<b>Total Project Costs:</b> \$3,001,039.88	

5. **APPROVALS, DEADLINES, EOP**

<b>Agreement Executed:</b> TBD	<b>Economic Opportunity Plan Goals:</b> 35% MBE/WBE
<b>Land Bank Board Approval:</b> 3/10/2020	<b>PRA Board Approval:</b> N/A
<b>Construction Commencement Deadline:</b> 3 months after settlement	<b>Construction Completion Deadline:</b> 18 months after settlement

## 6. DEVELOPMENT SUMMARY

**How was title acquired?** Title was acquired from City of Philadelphia in December 2019.

**Project Summary:**

The applicant, Kaede Holdings LLC, intends to develop 24 units of rental housing with ground floor commercial space. Unit mix includes 4 efficiency units, 14 one-bedroom units, and 6 two-bedrooms. 60% of residential units will be made affordable to tenants earning at or below 60% of area media income. The property was awarded to Kaede Holdings LLC by way of an RFP process at a bid price of \$60,000. Pursuant to the applicant's Economic Opportunity Plan, the applicant intends to achieve 35% MBE participation. They were selected through an RFP process in which they were the only applicant.

**Summary of Restrictions or Covenants:** This transaction is subject to the following only if the box is checked:

☒ Irrevocable Power of Attorney

☐ Right of Re-entry/Reverter

*If neither box above is checked, explain why here. The legislation requires these items "to the extent feasible in the context of the particular transaction". If boxes are checked, delete these instructions*

1. An irrevocable power of attorney, appointing the Land Bank as attorney-in-fact for the grantee to enter into and take possession of the property in the event of a failure by the developer to comply with any term or condition established in connection with the sale of the property.
2. A requirement to maintain the property and improvements in such condition as to remove and keep out the elements of blight and enforce adequate safeguards for the proper maintenance of all parts of the property and improvements.
3. A covenant against discrimination so that no person is deprived of the right to live on the property because of race, creed, color, national origin, gender, sexual orientation, or disability.
4. A requirement that no material change may be made without prior approval (i.e., change in number of units by more than 15%; change in building square footage by more than 15%; or modification of project use.
5. Restrictions that would prohibit the developer, or any person or other legal entity owning 10% or more of developer, from assigning or transferring any interest in the developer or the agreement; changing the ownership of developer; or selling, mortgaging, or leasing the property.
6. A restriction that, for a period of 30 years, not less than 60% of the residential units are reserved for renters with household incomes not exceeding 80% of the area median income (as determined by HUD). The units subject to this affordability requirement will be "floating" meaning that the affordability requirement is not attached to a specific unit. Instead, as units rented to affordable households become vacant or an existing tenant's household income increases above the affordability requirement, any vacancies must be filled with tenants meeting the affordability requirement regardless of the location of the unit.

## 7. STAFF RECOMMENDATION

PHDC recommends the disposition of the subject properties to Kaede Holdings LLC for development as affordable rental housing with a ground floor commercial space.

**Prepared by:** Brad Vassallo – Senior Development Specialist

**Reviewed by:** Angel Rodriguez – Senior Vice President of Land Services

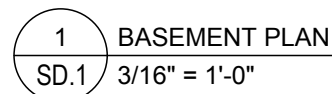
**Attachments - If box below is checked, the item is attached.**

- ☒ Property photos
- ☒ Site Plan
- ☒ Floor Plans
- ☒ Sources and Uses (Excel spreadsheet)
- ☒ Appraisal Summary Page

*If any box above is not checked, explain why here. If all boxes are checked, delete these instructions*



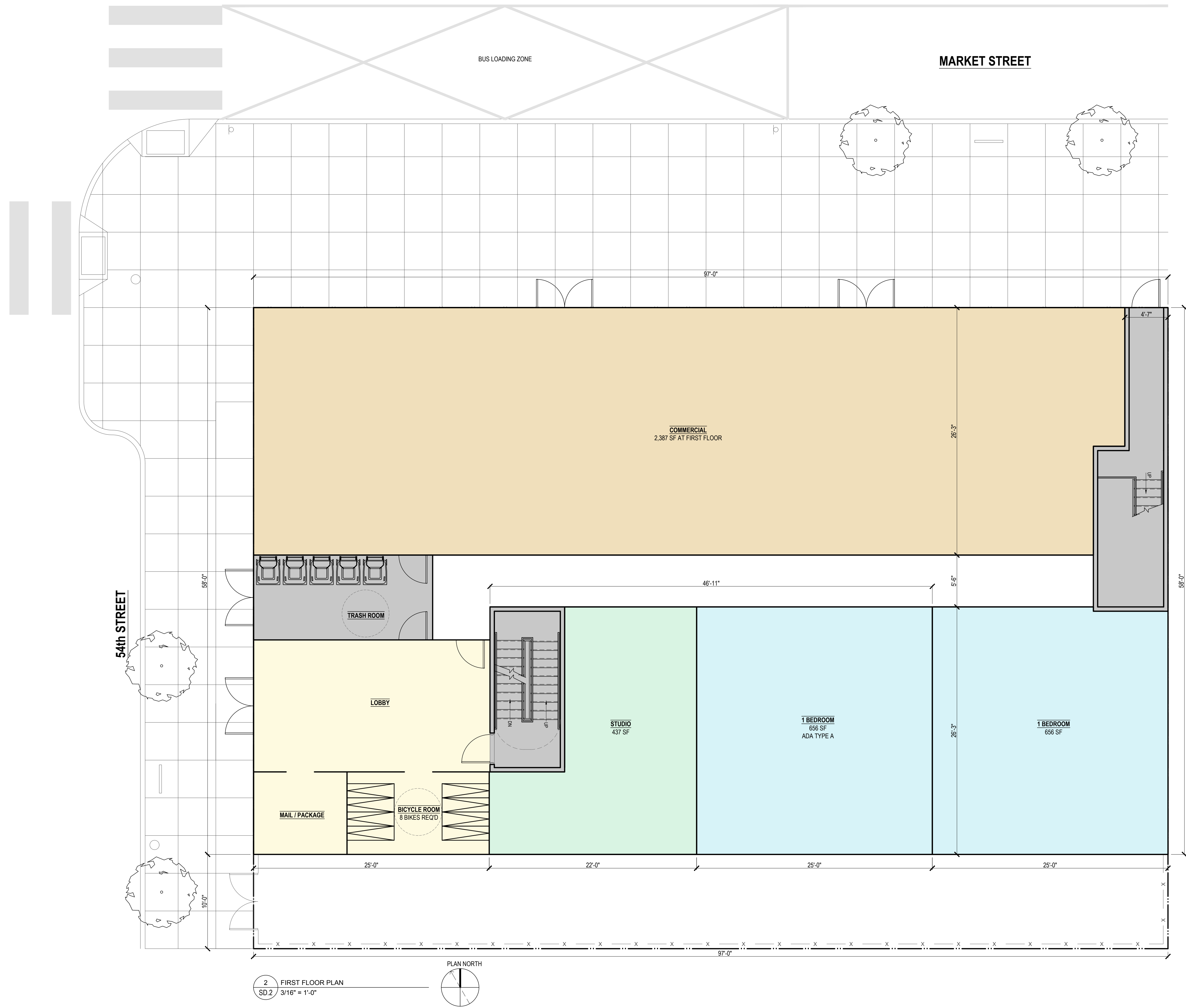




## SD.1

### BASEMENT PLAN

5334-44 Market Street

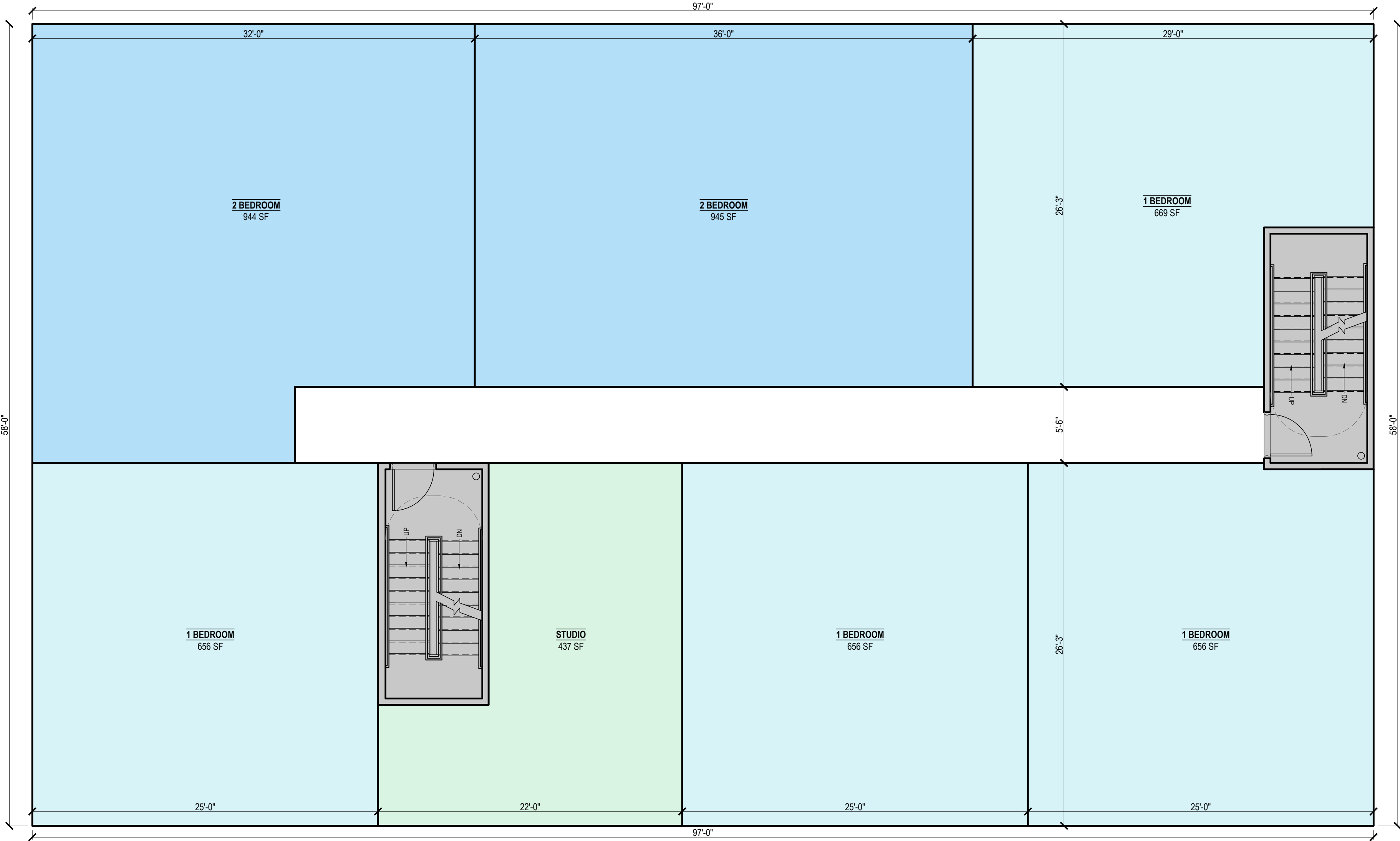


**COLOR LEGEND**

SUPPORT SPACES (CIRCULATION, UTILITIES, TRASH)	RESIDENTIAL LOBBY / AMENITIES	COMMERCIAL SPACE
STUDIO	1-BED (INCLUDING JUNIOR AND 1 BED-DEN)	2-BED

PROJECT SUMMARY: 5334-44 MARKET STREET					
6,566 SF SITE AREA					
4 STORY					
5,626 SF PER FLOOR					
22,504 SF TOTAL GFA					
TOTAL DWELLING UNITS: 24					
STUDIO	1ST FLR	2ND FLR	3RD FLR	4TH FLR	TOTAL
1 BEDROOM	1	1	1	1	4
2 BEDROOM	2	4	4	4	14
	2	2	2	2	6
	3	7	7	7	24

#	DATE	ISSUE / REVISION	DRAWN BY:	REVIEWED BY:
1	9/17/2019	RFP	GW	JW/RO



COLOR LEGEND

SUPPORT SPACES  
(CIRCULATION,  
UTILITIES, TRASH)

RESIDENTIAL  
LOBBY / AMENITIES

COMMERCIAL  
SPACE

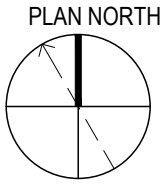
STUDIO

1-BED (INCLUDING  
JUNIOR AND  
1 BED+DEN)

2-BED

PROJECT SUMMARY: 5334-44 MARKET STREET					
6,596 SF SITE AREA					
4 STORY					
5,626 SF PER FLOOR					
22,504 SF TOTAL GFA					
TOTAL DWELLING UNITS: 24					
	1ST FLR	2ND FLR	3RD FLR	4TH FLR	TOTAL
STUDIO	1	1	1	1	4
1 BEDROOM	2	4	4	4	14
2 BEDROOM	2	2	2	2	6
	3	7	7	7	24

1 SECOND-FOURTH FLOOR PLANS  
SD 3 3/16" = 1'-0"



5334-44 Market Street

Philadelphia, PA

#	DATE	ISSUE / REVISION	DRAWN BY:	REVIEWED BY:
1	9/17/2019	RFP	GW	JW/RO

SD.3

SECOND-FOURTH FLOORS

5334-44 Market Street



## DEVELOPMENT BUDGET/ SOURCES AND USES OF FUNDS

Please insert data only in the unshaded (white) cells. Please confirm that total sources of funds and total uses of funds are equal.

**Applicant:** Kaede Holdings LLC  
**Property Address:** 5334-44 Market Street

### SOURCE OF FUNDS

Committed (Y/N)	Source	% Total	Indicate Source and, if applicable, describe
	\$0.00	0%	
	\$2,500,000.00	83%	Fannie Mae loan to Lux 8 Invesments LLC - same ownership
	\$505,780.48	17%	Additional Developer Equity
	\$0.00	0%	
	\$0.00	0%	
<b>TOTAL SOURCE OF FUNDS</b>	<b>\$3,005,780.48</b>	<b>100%</b>	

### USE OF FUNDS

#### HARD COSTS

ACQUISITION	Cost	% Total	
Property Acquisition	\$60,000.00	2.00%	
Closing Costs	\$3,000.00	0.10%	
Other - describe in space to the right		0.00%	
<b>UNIT CONSTRUCTION</b>	<b>\$0.00</b>	<b>0.00%</b>	
Complete the table below			
<b>OTHER CONSTRUCTION</b>			
Landscaping		0.00%	
Permits	\$45,000.00	1.50%	
Clearance and Demolition	\$10,000.00	0.33%	
Utility Connections & Tap Fees	\$120,000.00	4.00%	
<b>INFRASTRUCTURE</b>			
Streets and Sidewalks	\$125,000.00	4.17%	
Water and Sewer	\$65,000.00	2.17%	
Stormwater & Drainage	\$15,000.00	0.50%	
Impact Fees		0.00%	
<b>OTHER HARD COSTS</b>			
Hard Cost Contingency	\$225,200.00	7.50%	
Other - describe in space to the right	\$2,252,000.00	75.04%	See breakdown on Sheet 2
Other - describe in space to the right		0.00%	
Other - describe in space to the right		0.00%	
<b>TOTAL HARD COSTS</b>	<b>\$2,920,200.00</b>	<b>97.31%</b>	

#### SOFT COSTS

<b>PROFESSIONAL FEES</b>			
Site Planning	\$10,000.00	0.33%	
Architecture & Engineering	\$40,000.00	1.33%	
Legal	\$10,000.00	0.33%	
Consultant		0.00%	
Survey		0.00%	
Market Study		0.00%	
Environmental	\$10,000.00	0.33%	
Organization Expense		0.00%	
Other Consultants		0.00%	
<b>FINANCE COSTS</b>			
Construction Loan Interest		0.00%	
Construction Origination		0.00%	
Appraisal		0.00%	
Construction Insurance		0.00%	
Property Taxes	\$839.88	0.03%	
<b>OTHER SOFT COSTS</b>			
Holding Costs	\$10,000.00	0.33%	
Soft Cost Contingency		0.00%	
Developer Fee, if applicable		0.00%	
Other - describe in space to the right		0.00%	
Other - describe in space to the right		0.00%	
Other - describe in space to the right		0.00%	
<b>TOTAL SOFT COSTS</b>	<b>\$80,839.88</b>	<b>2.69%</b>	
<b>TOTAL DEVELOPMENT COST</b>	<b>\$3,001,039.88</b>	<b>100.00%</b>	

#### Construction/Rehab. Costs

Unit Description	Unit Sq. Ft.	Cost/Sq. Ft.	Unit Cost	# Units	Total Const. Cost	Total Sq. Ft.	Total Sq. Ft. %
1	0	\$0.00	\$0.00	0	\$0.00	0	
2	0	\$0.00	\$0.00	0	\$0.00	0	
3	0	\$0.00	\$0.00	0	\$0.00	0	
4	0	\$0.00	\$0.00	0	\$0.00	0	
5	0	\$0.00	\$0.00	0	\$0.00	0	
6	0	\$0.00	\$0.00	0	\$0.00	0	
7	0	\$0.00	\$0.00	0	\$0.00	0	
8	0	\$0.00	\$0.00	0	\$0.00	0	
9	0	\$0.00	\$0.00	0	\$0.00	0	
10	0	\$0.00	\$0.00	0	\$0.00	0	
11	0	\$0.00	\$0.00	0	\$0.00	0	
<b>TOTALS</b>			<b>\$0.00</b>	<b>0</b>	<b>\$0.00</b>	<b>0</b>	<b>0.00%</b>

Rev. Jan. 2019

<u>Item</u>	<u>Total Cost</u>	<u>Per Unit Cost (24)</u>
Excavation	\$ 150,000	\$ 6,250
Foundation	\$ 125,000	\$ 5,208
Roof	\$ 20,000	\$ 833
Masonry	\$ 225,000	\$ 9,375
Carpentry	\$ 170,000	\$ 7,083
HVAC	\$ 192,000	\$ 8,000
Plumbing	\$ 430,000	\$ 17,917
Sprinkler	\$ 120,000	\$ 5,000
Electrical	\$ 200,000	\$ 8,333
Insulation	\$ 50,000	\$ 2,083
Drywall	\$ 285,000	\$ 11,875
Painting	\$ 165,000	\$ 6,875
Finishes	\$ 120,000	\$ 5,000
Sub-total	\$ 2,252,000	
Contingency (10%)	\$ 225,200	
Total	\$ 2,477,200	

## SUMMARY OF SALIENT FACTS

<b>MARKET VALUATION SUMMARY</b> <b>5334-5344 Market Street</b> <b>Philadelphia, Pennsylvania 19139</b>			
Property Summary			
Property Type:	Vacant Land	Land Area:	6,596± SF
Owning Entity:	City of Philadelphia	or	0.15± Acres
Tax ID:	885607940, 885608280, 885609060, 885609340, 885609420 & 885609880	Zoning:	CMX4
Neighborhood:	Haddington	Improvement Area:	n/a
Market Period:	6 to 12 months	Exposure Period:	6 to 12 months
Land Sales			
<u>Comparable Land Sales Range</u>			
Before Adjustments:		\$29.67 to \$47.95	
After Adjustments:		\$31.36 to \$49.21	
Concluded Price Per SF			\$45.00
Land Value			\$296,820
<b>"As Is" Market Value (RD)</b>			<b>\$300,000</b>
Market Value Conclusion			
<b>"As Is" Market Value</b>			<b>\$300,000</b>

ASSUMPTIONS	
Extraordinary Assumptions	
1. None.	
Hypothetical Condition	
1. None.	

**RESOLUTION NO. 2020 – \_\_\_\_**

**RESOLUTION AUTHORIZING CONVEYANCE OF 2338 N. 31ST ST., 2340 N. 31ST ST., 2408 N. 31ST ST., 2410 N. 31ST ST., 2412 N. 31ST ST., 2500 N. 31ST ST., 2401 N. 32ND ST., 2549 ½ N. 32ND ST. (A/K/A 2551 N. 32ND ST.), 2401 N. 33RD ST., 3010 W. YORK ST., 3012 W. YORK ST., 3014 W. YORK ST., 3013 W. YORK ST., 3015 W. YORK ST., 3108 W. YORK ST., 3110 W. YORK ST., 3112 W. YORK ST., 3200 W. YORK ST., 3202 W. YORK ST., 3204 W. YORK ST., 3206 W. YORK ST., 3214 W. YORK ST. 3222 W. YORK ST. TO THE PHILADELPHIA HOUSING AUTHORITY**

**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 in the form and by the method determined to be in the best interests of the Land Bank.

**WHEREAS**, the Board of Directors has determined that it is in the best interest of the Land Bank to convey 2338 N. 31st St., 2340 N. 31st St., 2408 N. 31st St., 2410 N. 31st St., 2412 N. 31st St., 2500 N. 31st St., 2401 N. 32nd St., 2549 ½ N. 32nd St. (a/k/a 2551 N. 32nd St.), 2401 N. 33rd St., 3010 W. York St., 3012 W. York St., 3014 W. York St., 3013 W. York St., 3015 W. York St., 3108 W. York St., 3110 W. York St., 3112 W. York St., 3200 W. York St., 3202 W. York St., 3204 W. York St., 3206 W. York St., 3214 W. York St. 3222 W. York St. (collectively, the “**Property**”) to the Philadelphia Housing Authority (the “**Purchaser**”).

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

1. The conveyance of the Property to the Purchaser for Fourteen Dollars (\$14.00) is in the best interests of the Land Bank and is hereby approved.
2. Subject to the terms of this Resolution, the Executive Director 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 (collectively, the “**Transaction Documents**”) and, from time to time and at any time, amend, supplement, and modify the Transaction Documents, or any of them, as may be necessary or desirable. The Transaction Documents and any amendments, supplements, and modifications thereto shall contain such terms and conditions as the Executive Director and Senior Counsel shall deem necessary or appropriate subject to the terms of this Resolution and, when so executed and delivered by the Land Bank, shall constitute the valid and binding obligations of the Land Bank.
3. 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. The Executive Director or Senior Counsel will notify the Board of all modifications to this Resolution at the next Board meeting following the date of such modifications.
4. This Resolution shall take effect immediately upon adoption by the Board.

**1. ADDRESS:**

2338 N. 31st Street, 2340 N. 31st Street, 2408 N. 31st Street, 2410 N. 31st Street, 2412 N. 31st Street, 2500 N. 31st Street, 2401 N. 32nd Street, 2549 ½ N. 32nd Street AKA 2551 N. 32nd Street, 2401 N. 33rd Street, 3010 W. York Street, 3012 W. York Street, 3014 W. York Street, 3013 W. York Street, 3015 W. York Street, 3108 W. York Street, 3110 W. York Street, 3112 W. York Street, 3200 W. York Street, 3202 W. York Street, 3204 W. York Street, 3206 W. York Street, 3214 W. York Street 3222 W. York Street

**2. PROPERTY INFORMATION**

<b>Zip Code:</b> 19132	<b>Census Tract:</b> 16902	<b>Council District:</b> 5
<b>Zoning:</b> RSA-5	<b>Lot Area:</b> 44,413 sq. ft.	
<b>OPA Value:</b> \$71,700	<b>Appraised Value:</b> \$425,000	
<b>Redevelopment Area:</b> North Philadelphia	<b>Urban Renewal Area:</b> Model Cities	

**3. APPLICANT INFORMATION**

<b>Applicant Name:</b> Philadelphia Housing Authority	<b>Type:</b> Business / Legal Entity
<b>Entity Owners:</b> Pennrose	
<b>Mailing Address:</b> 1301 N. 31 <sup>st</sup> Street, Philadelphia, PA 19121	
<b>Authorized Contact:</b> Lindsey Samsi	
<b>Application Date:</b> N/A	

**4. PROJECT INFORMATION**

<b>Disposition Type:</b> Non-Comp: 51% of Site as Affordable, Workforce, or Mixed Income Housing	<b>Strategic Plan Goal (Land Bank Only):</b> Housing - Affordable (31%-60% AMI)
<b>Price:</b> Nominal	<b>Proposed Use:</b> Residential
<b>Development Type:</b> New Construction	<b>No. of Buildings:</b> 49 which include 1 – 21 unit, 3 story multifamily building and 48 townhomes/flats
<b>Units:</b> 69 units - Residential	<b>End User:</b> Lease to Tenant
<b>Gross Floor Area (sq. ft.):</b> 84,149	<b>Construction Cost / sq. ft.:</b> \$265.
<b>Construction Costs:</b> \$22,865,738	<b>Project Funding Available:</b> Acceptable Plan Verified - Applicant has provided documentation of reasonable ability to obtain necessary funds in an amount no less than total project costs.
<b>Total Project Costs:</b> \$29,419,120	

**5. APPROVALS, DEADLINES, EOP**

<b>Agreement Executed:</b> TBD	<b>Economic Opportunity Plan Goals:</b> Will apply
<b>Land Bank Board Approval:</b> Expected November 10, 2020	<b>PRA Board Approval:</b> Expected November 3, 2020

<b>Construction Commencement Deadline:</b> 3 months after settlement	<b>Construction Completion Deadline:</b> 18 months after settlement
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## 6. DEVELOPMENT SUMMARY

**How was title acquired?** All but one of the City properties were acquired through Sheriff sale in the 80's or 90's. The one that was deeded to the City was acquired in 1983. The two Land Bank properties were deeded over in January 2019. As for the properties owned by the PRA, they were condemned in 1968.

### **Project Summary:**

Strawberry Mansion Village will consist of the new construction of 69 affordable rental units located on 10 different sites. 100% of the units will be affordable, set at or below 60% of the Area Median Income (AMI).

- 10% of the units (7) will be restricted to 20%AMI or below— and set aside for formerly homeless,
- 41%of the units (28) will be restricted to 50% AMI or below, and
- The remaining 49% of the units (34) will be restricted to 60% AMI or below.

10 sites are currently owned by the Philadelphia Redevelopment Authority (PRA) and are in the process of being transferred to the Philadelphia Land Bank, at which point they will be conveyed to the Philadelphia Housing Authority (PHA). The Philadelphia Housing Authority will then ground lease them to the owner entity of the project (Pennrose) through a 99-year ground lease.

This income mix allows the project to meet financing requirements of the City of Philadelphia HOME funds and PHFA PHARE funds.

A multi-family building on Site 1 will contain a community room for the Village, as well as the management office and supportive services suite. An additional community room/center has been designed on Site 9 to allow for additional programming and activation across the scattered site development. A full-time Pennrose Management Company Supportive Service Coordinator will be on-site and will serve the entire 69-unit population, providing robust supportive services, and hosting events and activities for the seniors, individuals, and families of the Village.

The financing for the Strawberry Mansion Village will consist of 4% Low-Income Housing Tax Credits and Tax Exempt bonds, City of Philadelphia Home funds, PHFA PHARE RTT funds, and PHA gap financing. 50% of the units (or 35 units) will have Project-Based Vouchers, set at FMR.

**Summary of Restrictions or Covenants:** This transaction is subject to the following only if the box is checked:

<input checked="" type="checkbox"/> Irrevocable Power of Attorney	<input type="checkbox"/> Right of Re-entry/Reverter
<i>If neither box above is checked, explain why here. The legislation requires these items "to the extent feasible in the context of the particular transaction". If boxes are checked, delete these instructions</i>	

There will be a Declaration or Restrictive Covenants restricting these units to be affordable.

## 7. STAFF RECOMMENDATION

Staff recommends that these properties be transferred to the Land Bank to be conveyed for an affordable housing project.

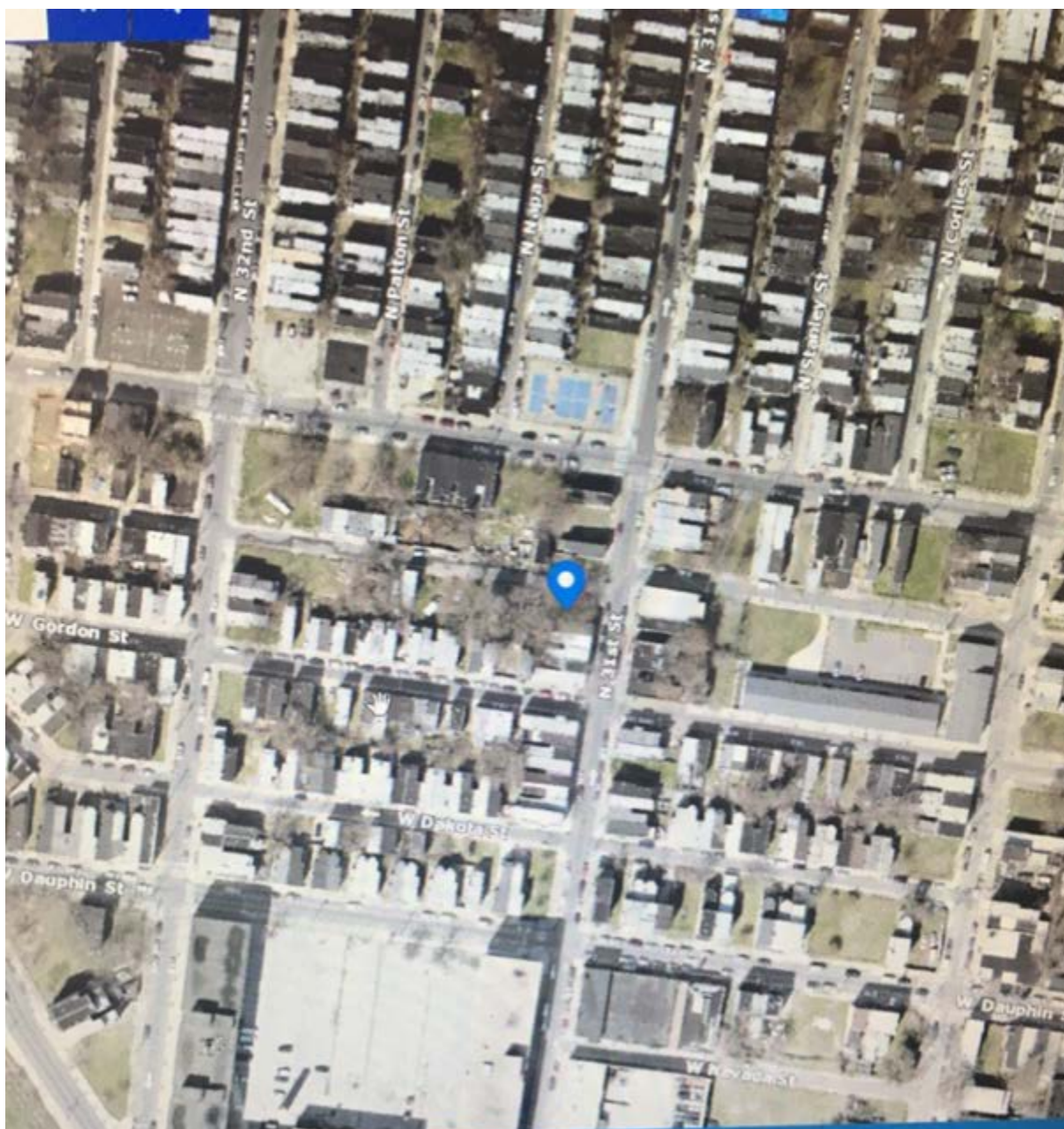
**Prepared by:** Brian Romano – Project Manager

**Reviewed by:** Angel Rodriguez – Executive Director

**Attachments - If box below is checked, the item is attached.**

- ☐ Property photos
- ☒ Site Plan
- ☐ Floor Plans
- ☐ Sources and Uses (Excel spreadsheet)
- ☐ Appraisal Summary Page

*If any box above is not checked, explain why here. If all boxes are checked, delete these instructions*



**RESOLUTION NO. 2020 - \_\_\_\_\_**

**RESOLUTION ACCEPTING PHILADELPHIA LAND BANK  
AUDITED FINANCIAL STATEMENTS FOR YEAR ENDING JUNE 30, 2020**

**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 2020;

**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, 2020 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.
3. This Resolution shall take effect immediately upon adoption by the Board.

**PHILADELPHIA LAND BANK**  
(A Component Unit of the City of Philadelphia,  
Commonwealth of Pennsylvania)  
Financial Statements  
and  
Supplementary Information

June 30, 2020

# PHILADELPHIA LAND BANK

(A Component Unit of the City of Philadelphia, Commonwealth of Pennsylvania)

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June 30, 2020

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## **PHILADELPHIA LAND BANK**

(A Component Unit of the City of Philadelphia, Commonwealth of Pennsylvania)

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

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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, 2020 and 2019. 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 management's 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 supplementary information as required by the City of Philadelphia, Commonwealth of Pennsylvania (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 statements 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 conforms 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 changes in net position present information on how the Land Bank's net position at June 30, 2020 and 2019, 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 12 through 14.

## PHILADELPHIA LAND BANK

(A Component Unit of the City of Philadelphia, Commonwealth of Pennsylvania)

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

#### **Assets**

The Land Bank's total assets as of June 30, 2020, 2019 and 2018, consisted of the following:

	2020	2019	2018	% Change
<u>Current</u>				
Cash	\$ 4,243,039	\$ 943,530	\$ 2,437,517	350%
Accounts Receivable	714,358	808,366	864,026	-12%
<u>Non-Current</u>				
Property Held for Development or Sale	28,958,012	28,796,333	25,590,211	1%
Capital Assets	17,967	12,544	23,959	43%
<b>Total Assets</b>	<b>\$ 33,933,376</b>	<b>\$ 30,560,773</b>	<b>\$ 28,915,713</b>	<b>11%</b>

#### **2020**

Total assets at June 30, 2020, reflected a net increase of approximately \$3.3 million from the prior year. The Land Bank acquired 119 properties during the fiscal year from Sheriff Sales – tax foreclosure, totaling a book value of approximately \$2 million. Property held for development or sale accounts for approximately 85% of total assets with a valuation of approximately \$29 million. The Land Bank sold forty-seven (47) properties during the fiscal year. The Land Bank continues to utilize the City's Office of Property Assessment pricing model to determine the valuation "pricing" of its properties. This methodology will be reassessed in 2021; the Land Bank did establish an impairment allowance to adjust the values of properties valued at \$10,000 or less, for which transfer of ownership may be prohibitive, to reflect changing/current market conditions beyond the pricing model.

Total properties acquired and the entity of origin as of June 30, 2020, 2019 and 2018, consisted of the following:

	2020	2019	2018	TOTAL
<u>Properties Acquired</u>				
PRA	-	12	7	19
City of Philadelphia (Public Properties)	-	4	1	5
Sheriff Sales	119	378	35	532
<b>Total Properties</b>	<b>119</b>	<b>394</b>	<b>43</b>	<b>556</b>

Cash on hand increased by approximately 350% from June 30, 2019, to approximately \$4,243,000. Accounts receivable accounted for approximately 2% of total assets.

The receivable balance of approximately \$714,000 includes \$599,400 pertaining to 76 VPRC ("Vacant Property Review Committee") purchase money mortgages.

## PHILADELPHIA LAND BANK

(A Component Unit of the City of Philadelphia, Commonwealth of Pennsylvania)

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

---

#### Assets (Continued)

##### **2019**

Total assets at June 30, 2019, reflected a net increase of approximately \$1.6 million from the prior year. The Land Bank acquired 394 properties during the fiscal year from the City's Department of Public Property (4), from the Philadelphia Redevelopment Authority ("PRA") (12), from Sheriff Sales – tax foreclosure (378), totaling a book value of approximately \$8 million. Property held for development or sale accounts for approximately 94% of total assets with a valuation of approximately \$29 million. The Land Bank sold forty-seven (47) properties during the fiscal year. The Land Bank continues to utilize the City's Office of Property Assessment pricing model to determine the valuation "pricing" of its properties. This methodology will be reassessed in 2020; the Land Bank did establish an impairment allowance to adjust the values of properties valued at \$10,000 or less, for which transfer of ownership may be prohibitive, to reflect changing/current market conditions beyond the pricing model.

Cash on hand decreased by approximately 61% from June 30, 2018, to approximately \$944,000. Accounts receivable accounted for approximately 3% of total assets.

The receivable balance of approximately \$808,000 includes \$672,000 pertaining to 72 VPRC purchase money mortgages. Two purchase money mortgages were issued during the fiscal year totaling approximately \$136,000 with the expectation that minimal proceeds will be received as these mortgages are self-amortizing over a ten-year period.

#### Liabilities

The Land Bank's total liabilities as of June 30, 2020, 2019 and 2018, consisted of the following:

	2020	2019	2018	% Change
<u>Current</u>				
Accounts Payable	\$ 581,377	\$ 92,472	\$ 2,136	529%
Escrows Payable	106,541	42,291	31,611	152%
Accrued Liabilities	119,591	301,959	390,860	-60%
Compensated Absences	101,660	70,681	58,036	44%
Unearned Revenue	2,031,212	-	1,578,353	100%
<b>Total Liabilities</b>	<b>\$ 2,940,381</b>	<b>\$ 507,403</b>	<b>\$ 2,060,996</b>	<b>479%</b>

## **PHILADELPHIA LAND BANK**

(A Component Unit of the City of Philadelphia, Commonwealth of Pennsylvania)

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

---

#### **Liabilities (Continued)**

##### **2020**

At June 30, 2020, total liabilities increased by approximately \$2.4 million (479%) to approximately \$2,940,000, primarily consisting of:

- Accounts payable obligations of approximately \$581,000 which is primarily timing differences from recording of deed payments.
- Escrow payables increased by approximately \$106,000. Land Bank received eight security escrow deposits totaling \$67,000 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, 2020, were approximately \$120,000. Comprised of \$93,000 in payroll costs which include Land Bank's direct payroll accrual, PRA fringe and PHDC salary direct and indirect costs.
- Compensated absences increased by approximately 44% to \$102,000 as the Land Bank's staff increased by three full-time employees and existing staff accrued additional time.
- In Fiscal Year 2020, the Land Bank generated an unearned revenue balance of \$2,031,212, from the City. This unearned revenue will be rolled forward to become part of the funding for the FY 2021 approved budget.

##### **2019**

At June 30, 2019, total liabilities decreased by approximately \$1.6 million (75%) to approximately \$507,000, primarily consisting of:

- Accounts payable obligations of approximately \$92,000 which is primarily timing difference from recording of deeds payments.
- Escrow payables increased by approximately \$11,000. Land Bank received twenty-three security escrow deposits totaling \$19,000 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, 2019, for approximately \$302,000. Comprised of \$114,000 in payroll costs which include Land Bank's direct payroll accrual, PRA fringe and PHDC salary direct and indirect costs, \$68,000 legal and appraisal fees, and \$120,000 due to the Department of Housing and Community Development ("DHCD") for reimbursable operating expenses.
- Compensated absences increased by approximately 22% to \$71,000 as the Land Bank's staff increased by four full-time employees and existing staff accrued additional time.

## PHILADELPHIA LAND BANK

(A Component Unit of the City of Philadelphia, Commonwealth of Pennsylvania)

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

#### **Revenues**

The Land Bank's total revenues for the years ended June 30, 2020, 2019 and 2018, consisted of the following:

	2020	2019	2018	% Change
Revenues applicable to:				
City of Philadelphia	\$ 4,318,787	\$ 3,326,733	\$ 850,000	30%
Philadelphia Redevelopment Authority	-	2,091,564	2,300,192	-100%
<b>Total Operating Revenues</b>	<b>\$ 4,318,787</b>	<b>\$ 5,418,297</b>	<b>\$ 3,150,192</b>	<b>-20%</b>

#### **2020**

In Fiscal Year 2020, the Land Bank generated revenue of \$4,318,787 all from the City in general funds and had an unearned revenue balance of \$2,031,212. This unearned revenue will be rolled forward to become part of the funding for the FY 2021 approved budget.

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 2020, forty-eight (48) properties were sold below market value with and/or without subsidy generating net sales proceeds of approximately \$0.7 million, the book value of these properties was approximately \$0.6 million so an annual non-operating gain of approximately \$0.1 million associated with these dispositions is reported through a netting of revenues recorded for transferred properties.

#### **2019**

In Fiscal Year 2019, the Land Bank generated revenue of \$5,418,247, \$3,326,733 from the City in general funds and expended \$2,091,514 of deferred revenue from the PRA. As of June 30, 2019, the Land Bank recorded \$5,418,247 in total revenue and had an unearned revenue balance of \$0.

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 2019, forty-seven (47) properties were sold below market value with and/or without subsidy generating net sales proceeds of approximately \$0.5 million, the book value of these properties was approximately \$2.2 million so an annual non-operating loss of approximately \$1.7 million associated with these dispositions is reported through a netting of revenues recorded for transferred properties.

## PHILADELPHIA LAND BANK

(A Component Unit of the City of Philadelphia, Commonwealth of Pennsylvania)

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

#### **Expenses**

The Land Bank's total expenses for the years ended June 30, 2020, 2019 and 2018, consisted of the following:

	2020	2019	2018	% Change
Personnel	\$ 2,091,556	\$ 1,495,703	\$ 1,431,211	40%
Office Rental	55,476	52,153	38,229	6%
Outside service fees	2,084,286	4,991,303	2,655,951	-58%
Depreciation and amortization	93,670	94,922	15,840	-1%
<b>Total Operating Expenses</b>	<b>\$ 4,324,988</b>	<b>\$ 6,634,081</b>	<b>\$ 4,141,231</b>	<b>-35%</b>

#### **2020**

Total operating expenses decreased by approximately \$2.3 million (35%) driven primarily by outside service fees. For fiscal year 2020, 48% of total expenses incurred pertained to outside contracts and service fees which include primarily tax lien acquisitions \$1.2 million, legal fees \$174,000, insurance \$314,000, and \$323,000 for other administrative and technology expenses. Personnel expenses increased by 40% to \$2.1 million. Personnel at June 30, 2020, includes twenty-one (21) full-time assigned staff compared to (18) in Fiscal Year 2019. An indirect allocation of support staff expenses from PHDC as approved by the inter-agency memorandum of understanding continues to be applied.

Office rental increased by approximately 6% to \$55,476. This can be attributed to payment to PRA based on square footage utilized as opposed 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.

#### **2019**

Total operating expenses increased by approximately \$2.5 million (60%) driven primarily by outside service fees. For fiscal year 2019, 75% of total expenses incurred pertained to outside contracts and service fees which include primarily tax lien acquisitions \$3.7 million, legal fees \$274,000, insurance \$265,000, stormwater charges \$51,000, and \$956,000 for other administrative and technology expenses. Personnel expenses increased by 5% to \$1.5 million. Personnel at June 30, 2019, includes eighteen (18) full-time assigned staff compared to (14) in fiscal year 2018 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 \$52,153. This can be attributed to payment to PRA based on square footage utilized as opposed 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.

## **PHILADELPHIA LAND BANK**

(A Component Unit of the City of Philadelphia, Commonwealth of Pennsylvania)

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

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#### **Expenses (Continued)**

An inter-agency memorandum of understanding also exists with DHCD. For fiscal year 2019, approximately \$240,000 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 2020 by the difference between revenue and expense. Through June 30, 2020, the Land Bank's net position of \$30,992,995 represents approximately (107%) of revenue generated as a result of the Land Bank recording the ownership of 2,474 properties (\$28,958,012) and primarily the net gain of \$130,070 on FY 2020 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 land disposition policy.

The Land Bank's net position is derived for FY 2019 by the difference between revenue and expense. Through June 30, 2019, the Land Bank's net position of \$30,053,369 represents approximately (104%) of revenue generated as a result of the Land Bank recording the ownership of 2,403 properties (\$28,801,333) and primarily the net loss of \$1,667,577 on FY 2019 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 land disposition policy.

#### **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 operations since its 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 the Land Bank will continue to strive to reduce the financial dependency on the City.

#### **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.

#### **Issues That May Have a Significant Impact**

For FY 2020 and the opening of FY 2021 several events occurred that will have a significant impact on the operations of the Land Bank.

First, was the consolidation of Land Management functions and services of the Land Bank, PRA and PHDC. As of the writing of this letter the City Administration has been successful in consolidating the agencies.

Second, in January 2020, City Council passed Bill 190606-AA which significantly changed the policies and procedures in disposing of land. This change further enabled the consolidation of the agencies, also met some of the recommendations from community advocates, and streamlined the disposition process and making it more predictable. As a result of Bill 190606-AA, the Land Bank will manage the disposition of all surplus properties currently held by the Department of Public Property, as the VPRC has been eliminated.

## PHILADELPHIA LAND BANK

(A Component Unit of the City of Philadelphia, Commonwealth of Pennsylvania)

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

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#### Issues That May Have a Significant Impact (Continued)

Third, disposition activity has increased as well, from 18 properties conveyed in FY 2017 to 78 conveyed in FY 2018. Through FY 2019, we disposed of 145 properties, bringing in \$2.08 million in revenue. In FY 2019, we acquired 623 properties, spending more than \$4.9 million on acquisitions and returning over \$3.8 million to the City in back-owed Real Estate Taxes, of which \$2.1 million (55%) were paid to the Philadelphia School District. Through FY 2019, we executed Individual Garden Agreements for 39 different lots. We formalized the process for executing license agreements, which grant temporary access.

Fourth, the COVID-19 pandemic has created operational challenges. Due to obvious safety concerns the last quarter of the Land Bank's FY 2020 disposition and acquisition activities were disrupted. Sheriff Sales were suspended, City Council was not voting on resolutions for land dispositions, and the Land Bank Board needed to transition to a virtual format. For staff and management, we had to quickly pivot to a virtual format outfitting staff with the appropriate technology to carry out routine duties. Currently, we are operating with a hybrid schedule of working from home and the office. This has impacted productivity.

Finally, due to the pandemic the City has been adversely impacted financially. The City Controller's Office estimates a combined tax revenue shortfall in fiscal years 2020 and 2021 ranging from \$344M to \$647M. Because of this negative impact the Land Bank did not receive a general fund allotment for FY 2021. We have been operating on residual funds carried over from FY 2019. The Land Bank will not be acquiring property from Sheriff Sales in FY 2021 and will focus on dispositions. Many of these dispositions will be nominal, not bringing in substantial revenue.

Sincerely,



Angel Rodriguez  
Executive Director



Darren Williams  
Director of Finance

## **INDEPENDENT AUDITORS' REPORT**

## **INDEPENDENT AUDITORS' REPORT**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Philadelphia Land Bank (the "Land Bank"), a Component Unit of the City of Philadelphia, Commonwealth of Pennsylvania (the "City"), as of and for the years ended June 30, 2020 and 2019, 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, 2020 and 2019, 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 eight 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.

#### *Supplementary 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 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 22, 2020, 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 solely 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 the effectiveness of the Land Bank's 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.

*Mercadieu, P.C.*

*Certified Public Accountants*

October 22, 2020

## **BASIC FINANCIAL STATEMENTS**

**PHILADELPHIA LAND BANK**

(A Component Unit of the City of Philadelphia, Commonwealth of Pennsylvania)

**STATEMENTS OF NET POSITION**

June 30, 2020 and 2019

	2020	2019
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 4,243,039	\$ 943,530
Accounts receivable, net of allowance for doubtful accounts	714,358	808,366
<b>Total Current Assets</b>	<u>4,957,397</u>	<u>1,751,896</u>
<b>Noncurrent Assets</b>		
Property held for development or sale, net of reserve	28,958,012	28,796,333
Capital assets, net of accumulated depreciation	17,967	12,544
<b>Total Noncurrent Assets</b>	<u>28,975,979</u>	<u>28,808,877</u>
<b>Total Assets</b>	<u>\$ 33,933,376</u>	<u>\$ 30,560,773</u>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 581,377	\$ 92,472
Escrows payable	106,541	42,291
Accrued liabilities	119,591	301,959
Compensated absences	101,660	70,681
Unearned revenue	2,031,212	-
<b>Total Current Liabilities</b>	<u>2,940,381</u>	<u>507,403</u>
<b>Total Liabilities</b>	<u>2,940,381</u>	<u>507,403</u>
<b>Net Position</b>		
Net investment in capital assets	28,978,555	28,808,877
Unrestricted	2,014,440	1,244,492
<b>Total Net Position</b>	<u>30,992,995</u>	<u>30,053,369</u>
<b>Total Liabilities and Net Position</b>	<u>\$ 33,933,376</u>	<u>\$ 30,560,773</u>

See notes to financial statements.

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**PHILADELPHIA LAND BANK**

(A Component Unit of the City of Philadelphia, Commonwealth of Pennsylvania)

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

Years Ended June 30, 2020 and 2019

	2020	2019
<b>Operating Revenues</b>		
Revenues applicable to:		
City of Philadelphia	\$ 4,318,787	\$ 3,326,733
Philadelphia Redevelopment Authority	-	2,091,514
<b>Total Operating Revenues</b>	<u>4,318,787</u>	<u>5,418,247</u>
<b>Operating Expenses</b>		
Personnel	2,091,556	1,495,703
Office rental	55,476	52,153
Outside services fees	2,084,286	4,991,303
Depreciation and amortization	93,670	94,922
<b>Total Operating Expenses</b>	<u>4,324,988</u>	<u>6,634,081</u>
<b>Operating Loss</b>	<u>(6,201)</u>	<u>(1,215,834)</u>
Net Gain on sales and transfers of land	908,165	3,560,043
Miscellaneous fees	37,662	37,321
Capital contributions	-	817,122
<b>Total Non-Operating Revenues</b>	<u>945,827</u>	<u>4,414,486</u>
<b>Changes in Net Position</b>	939,626	3,198,652
<b>Net Position, Beginning of year</b>	<u>30,053,369</u>	<u>26,854,717</u>
<b>Net Position, End of year</b>	<u><u>\$ 30,992,995</u></u>	<u><u>\$ 30,053,369</u></u>

See notes to financial statements.

**PHILADELPHIA LAND BANK**

(A Component Unit of the City of Philadelphia, Commonwealth of Pennsylvania)

**STATEMENTS OF CASH FLOWS**

Years Ended June 30, 2020 and 2019

	2020	2019
<b>Cash Flows From Operating Activities</b>		
Receipts from contracts with the City of Philadelphia and other agencies	\$ 8,732,558	\$ 4,044,916
Payments to employees for wages and benefits	(1,205,537)	(1,268,151)
Payments to suppliers for other costs	(4,912,565)	(5,406,290)
Net cash provided by operating activities	<u>2,614,455</u>	<u>(2,629,525)</u>
<b>Cash Flows From Non-Capital and Related Financing Activities</b>		
Proceeds from sale of property held for development or sale	<u>685,055</u>	<u>1,135,538</u>
Net cash provided by investing activities	<u>685,055</u>	<u>1,135,538</u>
<b>Net Increase/(Decrease) in Cash</b>	3,299,509	(1,493,987)
<b>Cash, Beginning of year</b>	<u>943,530</u>	<u>2,437,517</u>
<b>Cash, End of year</b>	<u><u>\$ 4,243,039</u></u>	<u><u>\$ 943,530</u></u>
<b>Reconciliation of Operating Loss Income to Net Cash</b>		
Provided by Operating Activities		
Operating loss	\$ (6,201)	\$ (1,215,834)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization	93,670	94,922
Changes in operating assets and liabilities:		
Accounts receivable	94,008	55,660
Escrow payable		
Accounts payable	488,905	90,336
Accrued liabilities	(182,368)	(88,901)
Unearned revenue	2,031,212	(1,578,353)
Escrow payable	64,250	
Compensated absences	30,979	12,645
<b>Net Cash Provided by Operating Activities</b>	<u><u>\$ 2,614,455</u></u>	<u><u>\$ (2,629,525)</u></u>

See notes to financial statements.

Board of Directors Meeting Package for November 10, 2020

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## **PHILADELPHIA LAND BANK**

(A Component Unit of the City of Philadelphia, Commonwealth of Pennsylvania)

### **NOTES TO FINANCIAL STATEMENTS**

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#### **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’s mission is to return vacant and tax delinquent property to productive reuse. The Land Bank consolidates many of the land acquisition and disposition processes of the City of Philadelphia, Commonwealth of Pennsylvania (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 enable it to help return derelict properties to productive use. The Land Bank:

- Acquires tax-delinquent properties through tax foreclosure.
- With the City’s consent, clears the title to those properties so that new owners are not burdened by old liens.
- Consolidates properties owned by multiple public agencies into single ownership to speed property transfers to new private owners.
- Assists 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 eleventh appointed by the other ten board members. All board members’ terms end with the end of the administration and Council’s term in January 2024, although they will serve until they are replaced. Members serve at the pleasure of their appointing authority.

##### **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 Board (“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.

## PHILADELPHIA LAND BANK

(A Component Unit of the City of Philadelphia, Commonwealth of Pennsylvania)

### NOTES TO FINANCIAL STATEMENTS

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#### 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 are also responsible for maintaining accurate financial records, facilitating the payment of operational expenses and debts, and all external financial reporting.

##### **Component Unit**

The City considers the Land Bank as a component unit of the City, with its annual financial information being consolidated into the City's Comprehensive Annual Financial Report ("CAFR").

##### **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, Federal Accounting Standards Advisory Board, International Public Sector Accounting Standards Board, and International Accounting Standards Board, and AICPA literature not cleared by the GASB;

## **PHILADELPHIA LAND BANK**

(A Component Unit of the City of Philadelphia, Commonwealth of Pennsylvania)

### **NOTES TO FINANCIAL STATEMENTS**

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

##### **Measurement Focus and Basis of Accounting (Continued)**

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.

##### **Cash**

For purposes of the statements of cash flows, the Land Bank considers short-term investments that have original maturities of ninety days or less to be cash.

##### **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, 2020. 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, 2019, the Land Bank owned 2,403 total properties, 700 acquired from PHDC, 1,094 acquired from the City's Department of Public Property, 181 acquired from the PRA, 427 from sheriff sale. As of June 30, 2020, the Land Bank owned 2,474 total properties, 685 acquired from PHDC, 1,080 acquired from the City's Department of Public Property, 177 acquired from the PRA, 532 from sheriff sale, and one private acquisition. The Land Bank utilized the City'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 2021, coupled with consideration for adjusting the impairment allowance, if the Land Bank maintains ownership of these properties for an extended period of time.

## PHILADELPHIA LAND BANK

(A Component Unit of the City of Philadelphia, Commonwealth of Pennsylvania)

### NOTES TO FINANCIAL STATEMENTS

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

##### **Inventory (Property) Impairment Reserve Account**

The Land Bank utilizes the City's Office of Property Assessment pricing model to determine the valuation "pricing" of its properties as the equivalent of the cost of acquisition. Prior to the current fiscal year, the Land Bank has not attempted to adjust its property valuation to reflect changing/current market conditions. A large tranche of properties the Land Bank maintains interest in are in economically and geographically challenged locations, sometimes prohibiting the easy transfer of ownership. Accordingly, the valuations of these properties are unlikely to appreciate thus inflating the Land Bank's balance sheet. Effective July 1, 2018, the following methodology was adopted to more accurately account for potential property value impairment. A fifteen (15) percent contra asset impairment account reserve was set up by the Land Bank (as a provision for the potential future loss of market value of its property inventory portfolio at the end of the reporting period). This methodology was applied to all properties in the inventory with a book value of \$10,000 or less. A corresponding reduction in current year revenue was recorded in the Land Bank's income statement.

##### **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, 2017, 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, 2020 and 2019. 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 with an outstanding balance of \$0 and \$1,121 for the years ended June 30, 2020 and 2019, respectively. The second lease was entered into in June 2017, for a total of \$14,138 with an outstanding balance of \$0 and \$3,556 for the years ended June 30, 2020 and 2019, respectively.

##### **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 of each year, up to 525 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.

## PHILADELPHIA LAND BANK

(A Component Unit of the City of Philadelphia, Commonwealth of Pennsylvania)

### NOTES TO FINANCIAL STATEMENTS

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

##### Other Post-employment Benefits

On behalf of Land Bank, PHDC accounts for other post-employment benefits under GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment 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 into the plan annually. The cumulative difference between amounts expensed and paid creates a liability (asset) similar to net pension obligations. For the years ended June 30, 2020 and 2019, the Land Bank did not incur costs for other post-employment benefits.

##### 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.

##### Accounting Pronouncements Issued, Not Yet Implemented

The GASB has issued a pronouncement that has an effective date that may impact future financial presentations.

##### *GASB Statement No. 87, Leases*

This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

## PHILADELPHIA LAND BANK

(A Component Unit of the City of Philadelphia, Commonwealth of Pennsylvania)

### NOTES TO FINANCIAL STATEMENTS

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#### B. BUDGETARY INFORMATION

Annual budgets are adopted based upon approved funding commitments with outside grantor(s) (The City, 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 of each year, the Land Bank prepares a subsequent year budget and submits it to the City for consideration. The Mayor and Council decide 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 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 (GNMA) securities and other collateral eligible under the U.S. Treasury Tax and Loan Program as in effect on the effective date of Act 72.

#### D. ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2020 and 2019, are as follows:

	2020	2019
Private Developers	\$ 115,000	\$ 115,000
Purchase Money Mortgages	599,358	693,366
	<u>\$ 714,358</u>	<u>\$ 808,366</u>

**PHILADELPHIA LAND BANK**

(A Component Unit of the City of Philadelphia, Commonwealth of Pennsylvania)

## NOTES TO FINANCIAL STATEMENTS

**D. ACCOUNTS RECEIVABLE (CONTINUED)**

The VPRC ("Vacant Property Review Committee") program is administered directly by Land Bank staff coordinating the disposition of City-owned properties. Effective April 2018, the Land Bank processes all VPRC sales and directly collects the sales proceeds. Previously, PRA would administer the process and the Land Bank would receive the net sales proceeds. The purchase money mortgages ("PMM") receivable will likely be unrealized and the expense is being amortized over the life of the mortgage. Amortization expense was \$82,007 and \$83,507 for the years ended June 30, 2020 and 2019, respectively. In January 2020, the City Council eliminated VPRC.

**E. CAPITAL ASSETS**

Capital assets activity as of June 30, 2020 and 2019, was:

	2020	2019
Computers and equipment	\$ 72,722	\$ 55,637
Furniture and equipment	2,871	2,870
Total Capital Assets	75,593	58,507
Less - accumulated depreciation	(57,626)	(45,963)
<b>Total Capital Assets</b>	<b>\$ 17,967</b>	<b>\$ 12,544</b>

Depreciation expenses for capital assets were \$11,663 and \$11,414 for the years ended June 30, 2020 and 2019, respectively.

**F. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accounts payable and accrued liabilities at June 30, 2020 and 2019, consist of the following:

	2020	2019
Accounts Payable	\$ 581,377	\$ 92,472
Escrows payable	106,541	42,291
Accrued Administrative Expenses	119,591	301,959
Compensated Absences	101,660	70,681
	<b>\$ 909,169</b>	<b>\$ 507,403</b>

**G. RELATED-PARTY TRANSACTIONS**

Related parties of the Land Bank include the City, PHDC and the PRA. Net accounts payable to PRA are \$55,476 and \$48,155, net amounts receivable from PHDC are \$0 and \$24,131, and net accounts payable to the City are \$0 and \$120,644 as of June 30, 2020 and 2019, respectively. Substantially all assets, liabilities, revenues and expenses as of and for the years ended June 30, 2020 and 2019, are included under and dependent upon contracts and management agreements with the City and its agencies. These are included in the accounts payable and accounts receivable line items in the statements of net position.

## PHILADELPHIA LAND BANK

(A Component Unit of the City of Philadelphia, Commonwealth of Pennsylvania)

### NOTES TO FINANCIAL STATEMENTS

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#### H. PENSION PLAN

##### Plan Description

Land Bank staff can participate in the City Municipal Public Employee Retirement System, a cost-sharing, multiple-employer Public Employees Retirement System ("PERS"). The City 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. 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 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%.

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.

## **PHILADELPHIA LAND BANK**

(A Component Unit of the City of Philadelphia, Commonwealth of Pennsylvania)

### **NOTES TO FINANCIAL STATEMENTS**

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#### **H. PENSION PLAN (CONTINUED)**

##### **Contributions Required and Made**

Employees of PHDC were required to pay 3.49% (4.49% if hired after September 9, 2014), 4.25% (5.25% if hired after September 9, 2014), 4.04% (4.53% if non-represented) and 2.33% (2.75% if non-represented) of their gross earnings to the pension plan for the Y Plan, Y5 Plan, S16 Plan and 10 Plan, respectively, for 2020: 4.75%, 3.08% (4.08% if hired after November 14, 2014), 3.63% and 3.87% of their gross earnings to the pension plan for the J Plan, Y Plan, Y5 Plan and Y10 Plan, respectively, for 2019. Employees of the higher DC-33 Plan pay based on a tiered system.

PHDC was required to contribute at actuarially determined rates, which were 294.31% and 294.31% of covered payroll for the J Plan for 2020 and 2019, respectively, and 12.62% and 10.86% of covered payroll for the Y Plan for 2020 and 2019, respectively. PHDC contributed 2.56% and 3.24% of covered payroll for Plan 10 for 2020 and 2019, respectively. PHDC makes quarterly payments to the City PERS within 30 days of the end of each quarter. The Land Bank reimbursed PHDC for \$95,739 and \$64,065 in pension related expenses for the years ended June 30, 2020 and 2019, respectively. There were no eligible J Plan employees in 2020.

#### **I. 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. The Land Bank is not currently a named defendant in any pending lawsuits.

#### **J. PURCHASE MONEY MORTGAGES**

The Land Bank has the authority to enter into 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. Amortization expense was \$82,007 and \$83,507 for the years ended June 30, 2020 and 2019, respectively. 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. The Land Bank recorded PMM receivables of \$0 and \$120,644 as of June 30, 2020 and 2019, respectively.

#### **K. IMPACT OF COVID-19**

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Land Bank operates. Due to the impact of statewide stay-at-home practices and closure of all non-essential retail businesses, it is reasonably possible that revenues will decline significantly. It is unknown how long these conditions will last and what the complete financial effect will be to the Land Bank.

**PHILADELPHIA LAND BANK**

(A Component Unit of the City of Philadelphia, Commonwealth of Pennsylvania)

**NOTES TO FINANCIAL STATEMENTS**

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**L. SUBSEQUENT EVENTS**

On July 24, 2020 PHDC applied for and received \$3,235,985 in the Paycheck Protection Program ("PPP") funding to assist with financing needs during this unprecedented COVID-19 Pandemic.

With the enactment of the PPP Flexibility Act on June 5, 2020, PHDC has 24 weeks to spend PPP funds on payroll and other eligible expenses and may apply for loan forgiveness after expending all its PPP funds. There is no requirement to wait for the 24-week covered period to elapse before applying for loan forgiveness; however, the application for loan forgiveness has to be made within 10 months from the expiration of the 8- or 24-week covered period. It is anticipated that PHDC will apply for loan forgiveness in November 2020 with the hope of notification of forgiveness from the SBA by the end of the calendar year.

As PHDC employees, the Land Bank will benefit its pro rata share of the PPP proceeds, which will be applied to salary and fringe benefits for the first three months of the fiscal year prior to any deferred funding being applied.

## **SUPPLEMENTARY INFORMATION**

**PHILADELPHIA LAND BANK**

(A Component Unit of the City of Philadelphia, Commonwealth of Pennsylvania)

**SCHEDULE OF PAYMENTS TO OTHER CITY AGENCIES**

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**Philadelphia Housing Development Corporation (PHDC)**

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**FY 2020 fringe benefits****\$ 220,573**

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**Other payment reimbursements**

Vehicle Insurance

6,910

Other

2,092

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9,002

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**Total reimbursed PHDC expenses****\$ 229,575****Philadelphia Redevelopment Authority (PRA)**

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**Labor and reimbursable expenses**

PRA maintenance work on PLB properties for FY 20

\$ 31,292

Annual Rent

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55,476

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**Total PRA expenses****\$ 86,768****City of Philadelphia - Survey District**

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Survey Fee (Norris St)

\$ 680

Survey Fee (Emerald St)

710

Survey Fee (Cumberland St)

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599

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**Total City of Philadelphia expenses****\$ 680**

(A Component Unit of the City of Philadelphia, Commonwealth of Pennsylvania)

As of June 30, 2020

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**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, Commonwealth 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, Commonwealth of Pennsylvania, as of and for the year ended June 30, 2020, 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 22, 2020.

**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.

*Mercadieu, P.C.*  
*Certified Public Accountants*

October 22, 2020

**PHILADELPHIA LAND BANK**

(A Component Unit of the City of Philadelphia, Commonwealth of Pennsylvania)

**SCHEDULE OF CURRENT YEAR FINDINGS AND RECOMMENDATIONS**

Year Ended June 30, 2020

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None reported.

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**

Year Ended June 30, 2020

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None reported.