COUNCIL OF THE CITY OF PHILADELPHIA
COMMITTEE ON HOUSING, NEIGHBORHOOD
DEVELOPMENT AND THE HOMELESS

Room 400, City Hall
Philadelphia, Pennsylvania
Thursday, February 17, 2011
1:10 p.m.

PRESENT:
COUNCILWOMAN JANNIE BLACKWELL, CHAIR
COUNCILMAN FRANK DiCICCO
COUNCILMAN WILLIAM K. GREENLEE
COUNCILMAN CURTIS JONES, JR.
COUNCILWOMAN DONNA REED MILLER
COUNCILMAN BRIAN J. O'NEILL
COUNCILWOMAN MARIA D. QUINONES-SANCHEZ

RESOLUTION 100880 - Resolution authorizing Council's committee on Housing, Neighborhood Development, and Homelessness to hold hearings on the consequences of mass foreclosure in the Kensington and Port Richmond neighborhoods of rental properties owned by Landvest, LLP and related companies associated with Robert N. Coyle, Sr.

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COUNCILWOMAN BLACKWELL: Good afternoon. We are ready to convene the hearing for Resolution No. 10080 -- 880. That's 100880, and we're going to ask the Clerk to read the title of the resolution.

THE CLERK: Resolution 100880, authorizing Council's Committee on Housing, Neighborhood Development and the Homeless to hold hearings on the consequences of mass foreclosure in the Kensington and Port Richmond neighborhoods of rental properties owned by Landvest, LLP and related companies associated with Robert N. Coyle, Sr.

COUNCILWOMAN BLACKWELL: Thank you very much.

The Chair notes to my right the bill sponsor, Councilwoman Maria Sanchez-Quinones -- Quinones-Sanchez. I just unmarried her and remarried her and all that. Maria D. Quinones-Sanchez. To her right, Councilman Frank DiCicco. To my left, Vice-Chair of the Committee,

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William K. Greenlee. To his left, Councilman Brian O'Neill.

So having said that, we will ask the bill sponsor if she would like to make opening comments and anyone else who would like to comment before we bring our first panel forward.

COUNCILWOMAN SANCHEZ: Thank you, Madam Chair, and thank everyone for coming out this afternoon.

Councilman DiCicco and I called this hearing because of our concern over the massive blight risk posed by the mass foreclosure of the Landvest rental properties in the 1st and 7th Councilmanic Districts in Kensington. Neighbors and community groups in Kensington and Port Richmond have long known Robert Coyle, Sr. and his Landvest companies for buying, renting hundreds of properties in these two neighborhoods. These properties were often in poor condition to start with, and they weren't well maintained. With several Coyle

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properties often clustered on a single block, stable areas became vulnerable and vulnerable areas spiraled towards abandonment and crime.

However, in autumn of 2009, the Daily News broke the story that revealed the depth of the problems with Coyle's businesses and its impact on people living in the area.

I want to take a moment to recognize the great investigative reporting of Barbara Laker and Wendy Ruderman, and later Isaiah Thompson of the City Paper. Before these articles, few knew that around 400 rental properties owned by Coyle had been heavily mortgaged. The mortgages were out of proportion with the values of the properties. In part, this reflected the inflated housing market of the mid 2000's. However, there also seemed to be evidence of lending irregularities, including some banks issuing loans using appraisals done by Coyle's own title

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company. Coyle's title reports inflated the home values and in some cases ignored mounting municipal debt. By 2009, the mass mortgages were heavily in default, and several banks had started court proceedings against Coyle and Landvest.

Among those shocked by the defaulted mortgages were Coyle's tenants, a number which believe they, not Coyle, owned their homes. Coyle had long offered a variety of rent-to-own deals to prospective tenants, sometimes taking significant down payments and giving amortized schedules. These tenants were treated as owners and were left responsible for many of the necessary repairs in their properties. Other tenants knew they were renting, but still found themselves heavily investing in repairs just to keep their homes habitable.

Volunteer lawmakers working through Community Legal Services and VIP are fighting to protect these residents' legal claims using limited resources. Almost a half -- a year and a half later after the Daily News story broke, little progress has been made, and there's a looming threat of a concentrated blight if nothing is done.

One bank, East River, has provided mortgages and offered some residents the opportunity to purchase their homes, although at a price not perfectly reflecting the reality of these properties and the work that the residents have put into them.

Two banks, Nova and First Republic, are still involved in pending sheriff's sales, leaving ownership of the properties in limbo. As Coyle has no equity stake, he is no longer caring for the almost 200 properties that remain in his name while the banks stall. Court-appointed receivers have begun to resign or fail to complete repairs given the little money to be had in managing the troubled portfolios. Meanwhile, the properties decay.

Neighborhood developers interested in saving the properties have hit a wall. The banks panicked at having to register the lost cause by their massive bad loans, are looking for bulk buyers for entire portfolios of 60 or 100-plus properties. Moreover, the banks' sale prices appear based on drive-by appraisals that ignore neighborhood quality and the interior condition of these properties. The only real market that would purchase -- would purchase at these terms is up to out-of-town investors and speculators. Rumors spread of possible sales to New York-based LLCs. There is a real risk of replacing one slumlord with another.

We have called this hearing to explore the above obstacles but, above all, to focus on the opportunities to constructively attack this crisis. Unrealized opportunities exist to preserve the Landvest properties. Banks must be pressed to keep residents in their homes when possible, to give title to those who have paid on the rent-to-own agreements and to also help those homeowners who are able to purchase their homes at a fair price.

The City must support strategic redevelopment of these properties, which could provide job stimulus, increase access to affordable homeownership.

Finally, L&I and the courts must work together to aggressively enforce code violations when landlords fail in their duty to provide tenants with habitable homes.

Although the Landvest crisis is concentrated in the 1st and 7th Councilmanic Districts, the risk posed by neglectful and absentee landlords is much broader. Without our intervention and some systematic change, this pattern will hit another vulnerable area next, and we will still lack the tools to prevent or limit its consequences.

I want to take this opportunity to thank all of our partners, Community Legal Services, VIP, the City departments, the Pennsylvania Association of CDCs and all the folks who up to now we have been reacting, reacting to a situation that is unlike anything that the City has done. RDA, the Office of Housing and Community Development, our CDCs on the ground, we want to work in a collaborative spirit to take advantage of this opportunity to ensure that those neighborhoods don't continue to be blighted and that we keep people in their homes.

Thank you, Madam Chair.

COUNCILWOMAN BLACKWELL: Thank you very much.

If there are no other comments, we're going to go right into our panels. First we want to call the Honorable Brad K. Moss, Municipal Court Judge.

We want to thank him. I was just with him on Saturday in the courts at CJC with some student groups from various schools who were trying cases in court. It was quite great. A school from my area, Boys of Latin, his son's school and many others.

Thank you, Judge.

(Witness approached witness table.)

JUDGE MOSS: Thank you, Councilwoman, and thank all of you. I'm going to try to be brief, because I got to get back to court.

I have regards from my President Judge, Marsha Neifield, and I just wanted to say thank you to City Council.

My interest in this affair has to do with the fact that our Landlord-Tenant Court, in order to get into Landlord-Tenant Court, you need to have a license, and we found out -- and there's a book in front of the Councilwoman there. We found out that there may be as many as 300 instances in which the people that City Council is investigating got into our court and took action in Landlord-Tenant Court without that license, and what was submitted to us -- and we're trying to find that out -- may have been fraudulent licenses.

So with the assistance of City Council, what we're trying to do next is to find out whether those licenses were in fact fraudulent, with the assistance of the Department of Licenses and Inspection. And then it is -- I already have issued a Rule to Show Cause on the responsible parties, because from the court's standpoint, we have an interest in making sure that people do not commit fraud on the courts. And hopefully when we hear back from the Department of Licenses and Inspections either confirming or not confirming whether these licenses were in effect and appropriate, it is my court's intention to reconvene those hearings that we started and to take appropriate action,

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which, at a minimum, would be if someone got a money judgment against a tenant and they should not have because of a fraud in the court, it would be my intention to vacate those money judgments, and there may be other remedies that the court would take.

So, again, I want to thank City Council for its cooperation with the courts, and we, of course, will always be ready to report to City Council and in any way assist City Council with your investigation.

If there are any questions, I'd be happy to answer them.

COUNCILWOMAN BLACKWELL: Judge Moss, I want to thank you for your commitment. This is quite a binder, and I said to Maria, Is this citywide?

She said, No, that's just this neighborhood.

So we certainly want to thank you for your commitment and certainly Councilwoman Sanchez and Councilman

DiCicco who have brought this to light, because although it exists in your area, you know, Angela Davis said if they come for me in the morning, they'll come for you at night.

I have a problem that I've been fighting with some eight years in my own district. So this certainly helps us all.

Thank you, Your Honor.

Councilwoman Sanchez.

COUNCILWOMAN SANCHEZ: Thank you.

What is it -- you gave me this binder. How many cases do you think came before you that may be questionable now?

JUDGE MOSS: We have a computer system, and the way we took a look, tried to determine what cases were there was by putting into the computer system the various names of the entities associated with the people that you're investigating. That computer system goes back not to the beginning of time, but goes back, I think it's, eight or ten years. So there may have been others before that, we don't know, and there may be names that we don't know about. But that's how we put it together, and I believe there were 313 cases in that binder. We did get a count on that and I provided it to your assistant, Ms. Kates, who has been of great assistance as well, if I can point that out.

COUNCILWOMAN SANCHEZ: Well, we thank you, both you and President Judge Neifield, for your cooperation in working with us on this matter. Ultimately you are the judge and you have a lot more power sometimes than the legislative branch. So we thank you.

JUDGE MOSS: Well, I appreciate you saying that. I hope that's true.

COUNCILWOMAN BLACKWELL: Thank you, and please give Judge Neifield our best. She's absolutely a great judge as well.

JUDGE MOSS: Well, it's nice of

you to say that, and I will do that.

COUNCILWOMAN BLACKWELL: Thank you.

The next panel we'll ask to come forward -- if a chair is not close, just pull a chair over from the gate -- Charles Rowe with -- the resident panel, Charles Rowe with Charles Promer, Hangley Aronchick; Victor and Ana Reyes with Michael Hayes, Montgomery McCracken; and Stephen Kennedy.

(Witnesses approached witness table.)

COUNCILWOMAN BLACKWELL: So please come forward, and you may begin your panel in any order that you choose.

MR. PROMER: Hi. Good afternoon. My name is Alan Promer. I'm an attorney at Hangley Aronchick Segal and Pudlin. I'm representing Charles Rowe on a pro bono basis in connection with the issues that you're addressing today regarding a foreclosure and sheriff's sale that occurred on his property.

I'm going to leave the rest to Mr. Rowe and let him tell you his story.

MR. ROWE: Good afternoon.

COUNCILWOMAN BLACKWELL: Good afternoon.

MR. ROWE: My name is Charles Rowe, and I want to thank City Council for giving me the opportunity to come here today to tell you a little bit about my frustration I have been experiencing the last couple of years.

Let me start by telling you a little bit about myself. I'm married to my wife, Sheila Rowe. We've lived for the last 11 years at 3009 Aramingo Avenue. I work as a contractor. My wife works as a supervisor at a non-profit organization for the mentally challenged.

Around early 2000, I was looking for a place to live with my wife, Sheila, and our then teenage daughter. I met with Mr. Robert Coyle, and we talked about my renting the property on Aramingo

Avenue. He told me that he would arrange it so that I would eventually own the property if I did make the payments.

We entered into a written lease with an option to purchase. The payment was 300 per month, and in addition, as part of the arrangement as set forth in the lease, I paid up front an additional 1,700 for the option to purchase. I made the payment every month, eventually paying approximately $24,000 to satisfy the terms of the purchase price. As a result, the house was mine.

I knew when I entered the lease that the property was not fit for living. The property had been vacant for nine years. It was a shell, with exposed floor joists, ceiling beams, it had no kitchen, no bathroom fixtures, the roof was damaged severely. There was no heating system and it had a damaged electrical system. There was issues with the hot water and sewer lines. The place had to be gutted. I put my own money and sweat into the property because I believed I would eventually make all the payments and own it.

I spent a few months working on it until it was suitable for my family to move in. We moved in, and I've lived there with my wife ever since. My daughter has grown and moved out and now lives in Frankford. My wife and I have continued to put work into the house.

What I did not know, that Mr. Coyle had mortgaged the property, along with many others, apparently without disclosing my ownership interest in the property. He then defaulted on that mortgage and the bank foreclosed on my house. The bank bought it at a sheriff's sale. I have brought a lawsuit that has been proceeding for over a year, and I hope I will prevail and clear the title back to me and my wife.

One thing I learned that really irked me was the bank apparently was shown a piece of paper that was supposed to be a lease. It's not. It has no option to purchase terms. So that's one way I know. The other way I know is that the lease is supposedly signed by my wife, but it's not her signature. Someone faked her signature on the document. Her name isn't even spelled properly, and it's not hard to spell Sheila.

Meanwhile, I don't even know if the house I live in is mine, even though it ought to be. Just over the Christmas season, my hot water heater failed. I replaced it with my own money, but for all I know, I just bought it for the bank.

Repair -- I did many repairs since that time that the bank foreclosed and bought the house at the sheriff's sale. I need to get this situation straightened out so that I can move on. This house is obviously my biggest asset. I need to be sure that I own it. I truly have put my own sweat into this house.

Now that our daughter has gone and moved away, my wife and I have considered selling the property and moving somewhere else, but until this situation is resolved, we cannot do anything.

I didn't come here today looking for any kind of handout or any miracle, but I do hope that coming here today, you can get a sense of the kind of people who have been victimized by this mortgage scheme, that you will take appropriate action informed by common sense and your sense of justice.

Thank you.

COUNCILWOMAN BLACKWELL: Thank you very much. That's terrible.

The Chair notes that Councilwoman Donna Reed Miller is present as well.

Questions? Councilwoman Sanchez and then Councilman Bill Greenlee.

COUNCILWOMAN SANCHEZ: Thank

you.

I want to acknowledge the pro bono attorneys who have been working on these cases. We really do thank the law firms for their support in this. I'm sure that CLS and VIP would echo that they couldn't do this by themselves, with all their well intentions. So thank you very much.

To the gentleman, when you entered into your rent-to-own piece, did you come before a notary when you settled up with Mr. Coyle?

MR. ROWE: Everything was done at his office.

COUNCILWOMAN SANCHEZ: Everything was done in his office. So you never went to a lawyer's office, no one else?

MR. ROWE: No.

COUNCILWOMAN SANCHEZ: Okay. Thank you. Thank you so much, and we're very sorry for your situation and we're going to work hard to get some justice.

MR. ROWE: Thank you so much, and thank you for allowing me to be here today.

COUNCILWOMAN SANCHEZ: Thank you for coming.

COUNCILMAN GREENLEE: Hold on. Thank you, Madam Chair.

Good afternoon, Mr. Rowe. I just had a question similar to the Councilwoman's as far as the agreement you had. In your statement, you said after paying approximately $24,000 to satisfy the term of the purchase option, the result was the house was mine.

Now, did you do anything to try to attempt to get it in your name?

MR. ROWE: Yes. Yes, sir, I have. Numerous occasions we have made appointments for me and Bob to get together and straighten it all out legally, and every time I did it, when I got to his office for this appointment, he couldn't make it that day, something came up. It was always something.

Several times I went, their office was shut down. So it was just he was avoiding. Now I see why he was avoiding me.

COUNCILMAN GREENLEE: Yeah. And how long did this go on? Like how long were you attempting to reach him?

MR. ROWE: Maybe the last eight or nine months, before all this came to a head.

COUNCILMAN GREENLEE: Wow. Thank you.

Thank you, Madam Chair.

COUNCILWOMAN BLACKWELL: Thank you very much.

Are there further questions?

(No response.)

COUNCILWOMAN BLACKWELL: Thank you. Thank you so much.

MR. ROWE: Thank you.

COUNCILWOMAN BLACKWELL: Victor and Ana Reyes with Michael Hayes, Montgomery McCracken.

(Witnesses approached witness

table.)

MR. HAYES: Councilpersons, thank you for having us here today. Standing to my left is Leslie Reyes. She is Victor Reyes and Ana Aponte's daughter, and we have written testimony that Leslie would like to read on behalf of her parents.

COUNCILWOMAN BLACKWELL: Thank you.

Good afternoon. Welcome, and feel free to begin your testimony.

MS. REYES: Yes. Hi. My name is Leslie Reyes.

COUNCILWOMAN BLACKWELL: Would you pull the mike closer. It's hard to hear.

MS. REYES: Sorry.

COUNCILWOMAN BLACKWELL: That's all right.

MS. REYES: Hi. I want -- my name is Leslie Reyes. I want to thank City Council for giving me an opportunity to come here today to tell a little bit about the frustration that we had experienced over the last couple years --

(Witness in tears.)

MS. REYES: I'm sorry.

-- (continued) regarding my house, my parents' house and my sister house. A year ago, we was looking for a house to purchase to respond for rental opportunity through Robert Coyle like the one on Cambria we have. We bought these houses off like shelters from him, and my dad and my mom, they bought it for us, and I seen the hard work they have done to purchase these houses. And I've been living in one, and it's hard for us -- for people to come to our house and knocking on our door and telling us that these are not our house. And we been paying rent on time, rental on time.

I have kids that I live with, my own kids. I'm a single mom, and it's hard for me every day that people come to our houses and telling us that we don't live here or foreclosure is going to take the house away from us. And it's hard for us to do. My mom and dad just bought these houses for us and for my other sister, and they've been struggling through all of this. It's hard for us, because they've been working hard for these houses for us, and now I'm working for these houses for my kids, and it's hard for me to struggle now. Every time I think -- we bought these houses of like shelter. They didn't have no windows, no roof, no walls or nothing, and I've been working hard day and night just to put everything into the house that I want as mine. And I know it's mine to the end, because I'm gonna still work hard till the end for this house to be mine.

Like it's hard for us and everybody that is working hard for these properties that Coyle just told us rent to own. We have the papers and everything, but it's hard for us. Now people banks are coming to our house. People are coming knocking on our door trying to check in, and it's hard for us.

So I just want to thank you to give me an opportunity to come here.

COUNCILWOMAN SANCHEZ: Thank you so much. We know this is very hard.

I want to acknowledge Esther Lopez.

You were going to translate for the other parents?

MS. LOPEZ: Yes.

COUNCILWOMAN SANCHEZ: For the parents for coming here today.

The reason we're having these hearings and bringing this to the attention is because you are the victims in this, and we are committed to working through our City departments and with CLS and hopefully with these banks to do right by you and the work that your parents have done to purchase these homes.

MS. REYES: Thank you.

COUNCILWOMAN BLACKWELL: Councilman Bill Greenlee.

COUNCILMAN GREENLEE: Thank you, Madam Chair.

Maybe Councilwoman Sanchez can answer this. I'm just trying to see, some of these agreements, are they on record? Do we have copies of those?

MR. HAYES: Councilman, we'd be happy to provide them. Similar to the case that you just heard testimony on, Robert Coyle and his Landvest entities presented a forged lease agreement to the bank in this case -- in this case it was East River Bank -- that was dated four years before and clearly forged.

COUNCILMAN GREENLEE: No. I'd like to see that, but also like just the original lease-purchase agreements, I'd like to see how they were worded, if we could.

MR. HAYES: We'd be happy to provide those to Council.

COUNCILWOMAN BLACKWELL: Thank you. If you submit them to the Chair or to Councilwoman Sanchez, she'll make sure

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everyone gets them.

We certainly sympathize and empathize with you, and we're very, very sorry. But we're glad that you're here and that all of this has come out to be made public so that maybe we can do something about it. We're going to do our best, we promise you that.

COUNCILWOMAN SANCHEZ: (Councilwoman Sanchez speaking in Spanish.)

COUNCILWOMAN BLACKWELL: Question, Councilwoman Miller.

COUNCILWOMAN MILLER: Hi. How are you? This is just -- I heard a part of the testimony of the person prior to you and I hear some of yours. Is this person being charged criminally, this Robert Coyle?

MR. HAYES: I'm not at liberty to disclose any inquiries that have been made by law enforcement authorities to our office, but I have heard in the media and I guess I can say on that side that there is a criminal investigation that's ongoing into Mr. Coyle.

COUNCILWOMAN MILLER: Okay. Thank you.

COUNCILWOMAN SANCHEZ: I don't want to put Esther on the spot, but I know you were one of the people that kind of uncovered this. Is there something that you want to add?

She uncovered most of this, so we want to acknowledge her now.

MS. LOPEZ: The way this got started with our first client, I mean, it's sad that she's not here, but it was so heart-wrecking to know that someone was taking advantage of the community. I mean, these people -- it's everyone's dream to own a home, and to see most of these people come through our office, some of them didn't understand, like they didn't understand what the letter was stating, and to find out that someone is taking the house from them after they invested so much money, I mean, I don't think I would have left any of our lawyers in the office relaxed until, I mean, their voices were heard.

So I feel that anything that Council can do for everyone that's here is great, and the opportunity that you have given them to come before you, Maria, thank you so much for allowing us to come.

COUNCILWOMAN SANCHEZ: Thank you for the work you do at CLS. Thank you.

COUNCILWOMAN BLACKWELL: Thank you very much. Thank you.

Mr. Stephen Kennedy?

(Witness approached witness table.)

COUNCILWOMAN BLACKWELL: Good afternoon. Please identify yourself for the record and begin your testimony.

MR. KENNEDY: Good afternoon. My name is Stephen Kennedy. Thank you for letting me share my story here today. I live at 615 East Wensley Street in the

Frankford section of Philadelphia. I live in a two-bedroom house with my son, 7-year-old King Shakka Kennedy, who lives with me. We've lived there for the past three years.

Before moving to Wensley Street, my son and I lived in a friend's basement. I knew I needed to get someplace better for my son to live, so Landvest told me that they help people in binds. They said that they would work with me to help me get a good deal on this property. They said they would give me a chance to own the home or be a homeowner. They told me that they would rent the property -- if I would rent the property for a year, they would give me a chance to buy the property, which they called it a rent-to-own lease. This is what they told me I was getting.

The house was basically clean, but it needed a lot of repairs. I moved in, and I did most of the repairs myself, because they told me that if I did that,

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I wouldn't have to give them a security deposit. Landvest told me since I was buying the house, that I had to do the repairs on the property myself.

My rent was only $450. They stated to getting -- that letting for the different places telling me -- I started getting letters from different realtors telling me that I didn't need to pay Landvest anymore, I needed to pay them. And this went on for a few months, and finally Sherman Toppin came to me, and they demanded that I either pay them the rent or they was going to put me in the street. You know, and like I had been paying rent all the time. And they just started to tell me they were going to collect the rent or I was going to be put in the street. When this happened, I went to CLS.

The people at CLS have been very great in helping me with keeping this place as long as I could, you know. They've been able to slow down sheriff's sales and -- not really slow them down, but through the process, they showed me how to work so that I could keep this place.

They explained to me unfortunately that I have no rights for real ownership of this place, that the Landvest made all these promises to me, they were just vogue enough to prevent from being legally binding. This meant that I was just a renter. All the extra time and money I put into the house was for nothing. I have no rights to buy the house. I am merely -- I am at the mercy of the mortgage companies and whoever buys the house from the sheriff's sale.

Then the work that still needs to be done on the house, Sherman Toppin is still collecting rent, but they told me that they no longer can afford to do these repairs, and that basically if I got the repairs done myself, that I could deduct it from the rent.

I went down and paid my rent

today, and like they tell me that maybe if I pay a couple of more payments, they could do repairs.

I have a front window that's out. I put up the plastic sheet to keep the wind out. My front door has holes in it. I got them filled up with duct tape. There's holes and things in the wall that need to be repaired, which basically I could do it myself, but if I'm taking my money doing this this week, you come to me next week and tell me you're putting me in the street, you know, it's kind of hard.

(Witness in tears.)

MR. KENNEDY: The deception by the landlord is heart-breaking. This was my chance to take the next step forward in building my life. I want to be a homeowner. Everything I've done in this past has been with the goal of buying this house. I still want to buy the house, and I showed proper responsibilities that I would be able to pay these bills on a mortgage. I have a stable income and I still show the ability to pay affordable -- excuse me.

(Witness in tears.)

COUNCILWOMAN BLACKWELL: Thank you very much. We are so sorry.

Councilman Greenlee.

COUNCILMAN GREENLEE: Thank you, Madam Chair.

Maybe the question -- I assume this is the attorney?

MS. SCHULTZ: Yes. My name is Jennifer Schultz. I'm with Community Legal Services and we represent Mr. Kennedy, among others.

COUNCILMAN GREENLEE: Just so I'm clear on this, Sherman Toppin, Mr. Kennedy says that in his statement, they said they were court appointed to collect the rent.

MS. SCHULTZ: Yes.

COUNCILMAN GREENLEE: Who did they represent? Are they the owners? I'm lost a little bit.

MS. SCHULTZ: It's a receivership.

COUNCILWOMAN SANCHEZ: You've got to talk into the microphone.

COUNCILMAN GREENLEE: Yes, please.

MS. SCHULTZ: Yes. Sherman Toppin is a receivership situation. Sherman Toppin Real Estate is a realty company, and they've been appointed by the court to manage these properties until the other matters and litigation are resolved. So their job is to conduct themselves like the landlord and collect the rents, perform repairs, and then any extra money would be distributed as the court instructs.

COUNCILMAN GREENLEE: Now, when you said "perform repairs," the gentleman is saying that they're refusing to do that. Are they any different from any other owners? Shouldn't they be then cited for not maintaining the property? I mean, if I'm a landlord and I don't take care of his property, I get cited, right, or I should be?

MS. SCHULTZ: I'm not aware of the legal intricacies of whether or not they would be responsible for citations, but --

COUNCILMAN GREENLEE: I mean, you said receivership.

MS. SCHULTZ: Yes. Right. They're not a legal owner. Their job is just to conduct themselves and manage those properties until the litigation is resolved.

COUNCILMAN GREENLEE: I'm getting pointed. Maybe somebody else knows something about this. I'm not real -- Councilwoman.

COUNCILWOMAN SANCHEZ: Councilman, once we take some of the testimony, we can have a discussion about what L&I has done and what they can do as we move forward in this process, because I think that's one of the strategies around are we citing them and appropriately liening these properties to help facilitate potential future disposition.

COUNCILMAN GREENLEE: Because I would think someone is supposed to be responsible for the maintenance of the property, whether the gentleman is in the house or not.

COUNCILWOMAN SANCHEZ: Well, I think some of the concerns around this and the reason why these hearings are important is, we don't want L&I doing code enforcement and then displacing people either.

COUNCILMAN GREENLEE: Right.

COUNCILWOMAN SANCHEZ: So it's a double-edged sword around how we do this.

COUNCILMAN GREENLEE: Okay. Got you. Thank you.

MS. SCHULTZ: Thank you.

COUNCILWOMAN BLACKWELL: Further questions?

COUNCILWOMAN MILLER: Yes. I

have one.

COUNCILWOMAN BLACKWELL:
Councilwoman Miller, then Councilman Jones.

COUNCILWOMAN MILLER:
Mr. Kennedy, in your testimony, you state that you heard that Chris is in jail. Is he actually -- do you know whether that's a fact or not?

MR. KENNEDY: What happened was, I went to pay my rent one month. When I got there, the place was closed. It was boarded up, closed up. And I have a stepdaughter that introduced me to Chris, and she had told me that she had to move because they were -- that he was being locked up. At the time that she went to pay her rent, she found out that he was being locked up. So she avoided the foreclosure long before they could foreclose on her. She just moved.

COUNCILWOMAN MILLER: Okay. All right. Thank you.

COUNCILWOMAN BLACKWELL:

Councilman Jones.

COUNCILMAN JONES: Thank you, Madam Chair.

I think after consulting with my colleague, it may be more appropriate for us -- I'll wait until the City question, because my question becomes have these properties been inspected, are they in fact up to standard, and, if not, are we in a position to do the work, lien the property, then hold the owners of record, not the stewards of the property, indeed responsible for those repairs. So I'll hold my question until that time, Madam Chair.

COUNCILWOMAN BLACKWELL: Thank you, Councilman.

Thank you very, very much, Mr. Kennedy. God bless you, and we'll be getting back in touch with you. Thank you, sir. Thank you both.

The resident lawyers, Jennifer Schultz, CLS; Stephanie Seldin, VIP.

(Witnesses approached witness

table.)

COUNCILWOMAN BLACKWELL: Thank you very much for being here. Would you introduce yourself to the record and begin your testimony.

MS. SCHULTZ: Good afternoon. I want to start by thanking City Council for taking on the challenges that this problem presents. My name is Jennifer Schultz. I am an attorney with Community Legal Services. CLS represents many of Robert Coyle's victims, and I think you can see behind me many of those people have come here today to show that they are still interested and are still looking for help.

CLS, in conjunction with several other legal services organizations, including Volunteers for the Indigent Program, Senior Law Center and Philadelphia Legal Services, has been working with the victims of the Landvest problem for nearly two years now.

Our representation of clients

has focused to two goals: home preservation and home purchase. Last winter, we coordinated a major outreach effort with the help of the Mayor's Office of Community Services, New Kensington CDC and Norris Square. Letters were mailed to 275 properties involved in these foreclosures. Then outreach workers went door to door to follow up with the clients. This massive endeavor resulted in CLS advising about 130 people.

In this process, we've identified three distinct groups of people: those who have ownership rights, those who thought they were buying the house but do not have legally enforceable ownership rights, and pure tenants. All of these groups have been harmed by this mortgage default.

First, we undertook to slow down the foreclosure process while we tried to work out a resolution. Thanks to the Residential Mortgage Foreclosure

Diversion Program and the strong leadership of Judge Rizzo, we have been able to go through the conciliation conference process. East River Bank and its successor-in-interest, Realty Capital Management, offered a creative solution during the conciliation conferences. East River gave renters mortgages, which they could use to buy the house. Although this did not address every client's needs, it did provide a solution for some people.

The conciliation conferences have their limits. In many instances, the parties are too far apart on the numbers. Too often we are finding the banks' valuations do not fully account for the condition and location of the properties.

We also believe that Republic Bank and Pennsylvania Business Bank plan to divest themselves of the failed mortgages by sales to private investors. Presumably, an investor will attempt to maximize profit in the transaction. Unfortunately, one economically rational strategy would be to milk the properties; that is, to collect rent without making improvement to them. This is an all-too-often tactic when, in situations like Landvest, the sale value of the property is low but the income stream from the property may be much higher.

We have tried to access existing City programs. Our biggest hurdle is that the programs are often tailored for renters or homeowners. They lack any provisions for rent-to-own situations where the person is in a quasi-legal status of being partly a tenant and partly a homeowner. The programs simply don't provide for this group of people, and we are still waiting to see whether accommodations can be made.

Although initially delays in the foreclosure process provided time to negotiate on behalf of our clients, there

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are consequences with this continued insecurity. The receiver, Sherman Toppin Real Estate, is not collecting enough rent to cover the expenses. The result is that it does not have any money to pay for further repairs. The receivership for Republic Bank has been dissolved, and we're not sure what's happening right now with that. We are concerned what measures the bank is taking to provide for repairs of those properties.

Right now, the neighborhoods are benefiting from the people living in the properties. These are homes filled with committed, devoted people trying to better themselves and their community. They have put their time, money and dreams into these properties. They want to stay, and they have demonstrated an ability to afford the property and that they have the resources to improve those properties. What they lack is access to the traditional mortgage financing because they have poor credit. That's why they fell victim to Landvest in the first place.

There are some damages that cannot be fixed. There is the emotional toll of these victims that they continue to suffer, the shame and the embarrassment of trusting someone and learning that they've been betrayed. There is the stress that comes from this fear and uncertainty of not knowing what will happen to their home. As one client told me yesterday, They broke us down, tore us apart.

Let's do something to protect them from being victims a second time. Let's keep people in the homes. To do this, we need partners. We need partners in the banks that are willing to come to the table and offer creative solutions, financing, write-down on sales price, responsible maintenance of the properties and a desire to benefit the community, not just maximize profits at the expense of everything else.

We need partners in the government and to find ways to give our clients access to programs and to waive or reduce the crippling government liens on the properties.

Thank you.

(Applause.)

COUNCILWOMAN BLACKWELL: Thank you.

Councilman Greenlee.

COUNCILMAN GREENLEE: Thank you, Madam Chair.

Good afternoon again. Early in your testimony, you talked about the three different kind of problems, ownership, thought they had ownership, and renters. When you say "ownership," could you define that a little bit? I mean, what do they have?

MS. SCHULTZ: Generally when we refer to ownership, we're referring to people like Mr. Rowe and the Reyes' who had rent-to-own agreements that give -- that confer with them ownership rights that they can enforce in court. And they're in litigation now, trying to protect those rights that they have.

COUNCILMAN GREENLEE: Okay. Just so I understand, like Mr. Rowe, when he explained that he paid what, according to the agreement, he had to pay --

MS. SCHULTZ: Yes.

COUNCILMAN GREENLEE: -- what had to be the next step to do? Did he have to get an agreement with Mr. Coyle? Like was Mr. Coyle supposed to sign off on something?

MS. SCHULTZ: Right.

COUNCILMAN GREENLEE: I mean, if he reached the agreement, why couldn't he just have gone ahead?

MS. SCHULTZ: Because -- I mean, I think the simple answer -- this is the problem with any rent-to-own transaction, that the conferring of title ownership, which is the deed, doesn't happen until the end of the transaction, but what's supposed to happen, when you do a lease-purchase agreement, you have rights to purchase the property. They can't -- the seller is not supposed to be able to back out of the deal as long as the buyer fulfills their obligation. The seller then has a duty to execute that deed, and when they don't execute -- and I think that's what Mr. Rowe is speaking about, that he was trying to get that last step completed, but there was a breach of the contract by Mr. Coyle. So at that point, he has the right to go to court and say to a judge, Hey, he's refusing to sign the paper, so give me a court order saying that I'm the owner. And that's generally done through a quiet title action.

COUNCILMAN GREENLEE: I got you. And then the second part when you said about believing they were the owner, what does that mean?

MS. SCHULTZ: It seems that the sales pitch changed over time, and years ago there were these very expressed rent-to-own agreements in writing that were done with people. What happened to people like Mr. Kennedy, the newer victims, was they were given these vague promises. They were told, Hi, you're buying this house, you're responsible for repairs, but you're going to be a renter for a year, then we'll work out the sales details.

COUNCILMAN GREENLEE: So it's verbal rather than anything written?

MS. SCHULTZ: Well, verbal alone could still be enforceable. We have some people in that group, but for these people, we don't believe that they had the clear terms of the agreement worked out. They were put in this limbo of rent for a year, then we'll do the --

COUNCILMAN GREENLEE: We'll talk about it kind of thing?

MS. SCHULTZ: Exactly.

COUNCILMAN GREENLEE: And last thing, just one more time on Sherman Toppin. You said in your statement they're not collecting enough rent to be able to maintain. How was that rent determined?

MS. SCHULTZ: They are still abiding by the lease terms that were in existence by Coyle. So whatever amounts were there.

COUNCILMAN GREENLEE: So they just kind of picked up that agreement, if you will?

MS. SCHULTZ: Correct. Yes. Part of why they're not collecting enough rent is, when all this mess started, the banks started sending out notices and the sheriff's sale notices started appearing, and some people, like Mr. Kennedy's stepdaughter, they cut and ran and they just said, I'm out of here, I don't want to go through this. The people who were staying are the ones who were more invested in the houses, and they're the people who really would benefit the community to be able to stay.

COUNCILMAN GREENLEE: Sure. I

understand. Because they care about it.

MS. SCHULTZ: Absolutely.

COUNCILMAN GREENLEE: Makes sense. Thank you.

MS. SCHULTZ: Thank you.

COUNCILWOMAN BLACKWELL: Thank you.

Stephanie Seldin.

MS. SELDIN: Good afternoon. My name is Stephanie Seldin and I am Managing Attorney of Philadelphia VIP. I don't have very much to add to Jennifer Schultz's testimony, although she talked about partners, and I do want to talk a little bit about that.

Our first partners in this endeavor are our clients, and I want to applaud Mr. Rowe and Ms. Aponte and the Reyes' for having the courage to come here today and tell their story.

Philadelphia VIP became involved in this case with the outreach of Community Legal Services, because Philadelphia VIP provides free legal services through pro bono attorneys, and you met two of them today, Alan Promer and Mike Hayes. They have spent tens of thousands of dollars of free legal services to try and resolve these cases, and I wanted to thank them and thank the Councilwoman for recognizing them. In addition to them, Leonard Busby and Ryan Anderson and Leona John from Montgomery McCracken Walker and Rhoads, and it was Alan Promer and his associate, Dylan Steinberg from Hangley Aronchick Segal and Pudlin. So we're ever grateful to our volunteers, as it takes a lot of partners to manage the quantity of folks who really need help. And the manager, the true manager of all this, was Jennifer Schultz, and we applauded her before, but I want to applaud her again for the tremendous amount of work that she's done.

Another partner in this is -- and I think Councilman Greenlee asked his question -- is the law enforcement. We do know that there's investigations going on and they're hard at work, but some of the folks here we're not going to be able to help. They don't have a legal cause of action, and at least for partial justice, we're looking to the U.S. Attorney's Office and to the District Attorney's Office to make this case a priority so that Mr. Coyle is no longer walking the street and able to victimize even more and more people. So it's been a couple years, and we just hope that we're getting closer up on their priority list to have an indictment come down.

You had asked earlier about L&I, and I really think that's an extraordinarily good question. The license ordinance allows L&I the discretion not to give a license when there are open violations, but they routinely don't, and I think that's an excellent question to ask of L&I. They also can revoke a rental license when there are violations.

I'm wondering if you all would like to have George Gould come up from Community Legal Services and talk about the receiver questions, because he is the expert in that if you had more questions about that. But thank you again. A shout-out also to Jennifer Kates, who has been fabulous.

(Witness approached witness table.)

COUNCILWOMAN SANCHEZ: That's my Jennifer from the Council office.

MS. SELDIN: It takes a quantity of Jennifers to get this done.

COUNCILWOMAN BLACKWELL: Thank you.

MR. GOULD: Good afternoon. My name is George Gould. I'm a Managing Attorney at the Housing Unit at Community Legal Services.

I just wanted to briefly comment on the question you raised, Councilman Greenlee, about the receiver. It's our position that if a receiver collects rent for the bank, they are responsible for repairs. It's really that simple. The law in Pennsylvania is that the payment of rent is contingent upon the person collecting the rent providing a fit and habitable unit, and if the bank has decided to collect the rent with or without a receiver, it's our position that they in fact have to make the repairs, and it's totally irresponsible for a bank and the banks involved here, including First Republic, to be collecting this money and taking the position that they don't have to do anything to the properties.

COUNCILWOMAN BLACKWELL: Councilwoman Sanchez.

COUNCILWOMAN SANCHEZ: Thank you.

Jennifer, while I have you up there, I think to put it in context, we're talking about how many properties with how many banks? Because right now our focus obviously is on the banks who have been more aggressive and have publicly stated that they intend to take this to sale as soon as our Sheriff's Office is able to do so, but I think it's important for my colleagues that we put this in the broader context of the universe we're dealing with.

MS. SCHULTZ: Sure. We have identified five different banks that have been involved in different -- at different levels, for a total of 275 properties that are dealing with this particular problem. There may be other properties that had other relationships with Coyle, but they are not going through the foreclosures that these banks are. So it's 275 houses. Republic Bank has 117 of those properties. Pennsylvania Business Bank has 65 properties. There's East River Bank, which is also Realty Capital Management. They had a portfolio of 65 properties, although at this point we've reached resolution and they completed the sheriff's sale process and I believe have divested themselves of whatever properties were left, somewhere around 50, and they're still being made available to rentals for the people who are living there.

I'm sorry. There is one house that's still in litigation with that bank.

Then there's Earthstar Bank. They have 22 properties, and there were five individual mortgages with IndyMac Bank, and those have also all gone through the sheriff's sale process and to resolution.

COUNCILWOMAN SANCHEZ: It's important to note in the East River case, can you speak a little bit to how some of those folks were able to realize their mortgage? And I want to preface that by saying that not the most ideal, but definitely a step in the right direction. I don't want by any means for anybody to think that's the model we want to follow.

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I think we want to get better, but I think it was a better solution than the others.

MS. SCHULTZ: Right. The bank came prepared to finance the people in these situations, and they did not look at credit scores. They understood the people in these homes were not going to meet a traditional test for credit worthiness. So instead, they used the proxy of history of payments on the rental property. And so they looked at the period that the bank was collecting the mortgage -- the rental amounts, and if people had a good history of that and could demonstrate that they still had income by submission of benefit statements or pay stubs, then they would qualify the person to get one of these mortgages directly through East River. And then what we did in representing the clients is try to negotiate sale prices.

As you said, it may not have been ideal, but what we focused on in those negotiations was monthly payments being close to the rental payments so that it would remain affordable for the clients going forward.

COUNCILWOMAN SANCHEZ: In doing those transactions with the bank, in some cases it's been six or eight months, maybe even a year now. Are the folks still in those homes and are they making their payments?

MS. SCHULTZ: Yes. I have many happy people in that group who when they closed with the bank, they have a deed in their name recorded with the county recorder's office. They are the legal owners of that property. They're making the rent payments -- or the mortgage payments. The mortgage payments include the taxes and insurance. They have a fixed interest rate, so it's not like some predatory loan that's going to blow up on them in the future. And as far as I'm aware, everything is going smoothly and very well with those individuals.

COUNCILWOMAN SANCHEZ: I want to send a message to the banks: They are paying their mortgages, like they were paying their rent. And ultimately if they're in the business of their bottom line, they have to work with us, because we can make a lot more homeowners in this process.

MS. SCHULTZ: Yes.

COUNCILWOMAN SANCHEZ: So thank you.

Any other questions?

(No response.)

COUNCILWOMAN SANCHEZ: Thank you guys so much. I'm going to ask you guys to stick around in case we have some additional questions we may need to refer back to George, who has all of the knowledge on this matter.

Our next panel, since our Chair has stepped away, is our CDC panel, which is Sandy Salzman from New Kensington CDC, Bill Salas from HACE and Steve Culbertson from Impact Services and Jeffrey

Allegretti, Innova.

And as they walk up, again, I want to -- I know I said so in the beginning. I want to thank the CDCs again. When we started dealing with this situation, with the support of Deborah McColloch at OHCD, we were able to utilize your troops on the ground to help us get to folks so that they wouldn't leave their houses in the midst of all of this stuff, so I want to publicly thank you for that.

(Witnesses approached witness table.)

COUNCILWOMAN SANCHEZ: Do you want to start, Sandy?

MS. SALZMAN: Sure. Good afternoon, and thank you very much for giving us this opportunity to talk about the blighting influence in our community.

New Kensington CDC has been working to improve our neighborhood for over 25 years. We have been a witness to and a catalyst for change in our area.

We have worked with the community to renovate houses, educate residents about the responsibilities of homeownership and have been there when they are in danger of losing their most precious asset, their home, to foreclosure. However, none of the work we have done around housing issues could prepare us for the devastation that was inflicted on our community by Mr. Bob Coyle and his company, Landvest. In fact, we learned of Mr. Coyle only because residents came to us not understanding how they could be in foreclosure.

As you all know, there are many obstacles in community development - dirty streets and lots, drugs, crime and poverty. However, we feel that we do a good job of finding creative ways to overcome some of them. There are some obstacles that are so great that we cannot find creative ways to fix. In fact, so big that it doesn't just impact our community, but it impacts the entire

City. That is when unscrupulous people take advantage of markets, purchase properties they can't or won't maintain, refuse to pay taxes and, in the end, just walk away from the property and the debt that they owe. Oh, and along the way, they defraud people by letting them think they are purchasing their dream home, only to find out that the property is mortgaged to the hilt and is in foreclosure. It was never theirs to begin with.

This is just the problem we are facing in our community. Mr. Coyle purchased 380 properties, properties that he mortgaged and mortgaged again, properties he offered as lease-purchase to the unsuspecting inhabitants of some of these homes, residents who found out they were not really purchasing the property only when the Sheriff's Office showed up to serve foreclosure papers. The devastation that one man has been able to inflict on a community is incomprehensible. Mr. Coyle has left entire blocks in ruin.

And I just want to point out some of the pictures over there. These pictures are pictures of houses that are owned by Landvest and were taken this week. So it's not something that's been sitting around. These were taken just yesterday and on Tuesday. And it's really a problem.

He has left gaping holes of vacancy on decent blocks where people are striving for better but can't overcome the blight left by Landvest. People who could get out, did, which has only added to the problem.

Of course, Mr. Coyle is not the only person to cause this type of destruction. There are many like him, people who are greedy, looking to make a quick buck and able to walk away from debt and destroy communities. There must be some safeguards that can be put into place so this doesn't happen again.

Perhaps having a stronger Tenant Court -- and I was very happy to hear that Tenant Court is getting involved in this, because I think they're going to have to be the holder of keeping these kind of things from happening in the future.

Or another way is to have Licenses and Inspections be more vigilant in giving out licenses. And also maybe there could be a mechanism put in place to make sure that people who own multiple properties are paying their taxes. And I recognize that one of the problems that we have with people like Mr. Coyle is that he has these in numerous names. So it's not just Landvest; he had lots of different names.

However, right now we have a major problem that needs some creative solutions. New Kensington CDC is willing to work with the City to try to find some, but we can't do it alone. The other CDCs in this area are also willing to work to help. We recognize that funds are tight, the City of Philadelphia doesn't own these properties and neither do the CDCs, but that has never stopped us before, and I hope it doesn't stop us now. We need to make a concentrated effort to make some positive change in this neighborhood. Together, I know we can make that difference.

Thank you.

COUNCILWOMAN BLACKWELL: Thank you very much.

Any questions?

(No response.)

COUNCILWOMAN BLACKWELL: Bill Salas, HACE.

MR. SALAS: Good afternoon, members of City Council. My name is Guillermo Salas, Jr. I'm the President of HACE, Hispanic Association of Contractors and Enterprises, a local non-profit in Eastern North Philadelphia for the last 25-plus years. I'm here today with many of my colleagues to plead for your support in avoiding what we consider a major catastrophe in our neighborhoods and which will have a major impact in the City of Philadelphia.

The potential foreclosure and business as usual of hundreds of properties located within a defined geographical area would cause further economic hardship to our neighborhoods that, after nearly 50 years of devastation, are making a comeback. The economic hardship will further impact thousands of families that reside in these neighborhoods through vacant properties, crime and homelessness. The impact to the City will be in the millions of dollars if we do not take control of this horrible situation today.

In retrospect, the financial crisis in America is symbolic of the problems that we are facing here today with bank loans made to overvalued properties, among other factors, with an added component of fraud caused by Landvest. Believe it or not, Landvest and many of its other companies have been doing this for the last since the early 1980s. They just have not been caught.

In the midst of this financial crisis in America, Philadelphia has been a leader in designing and implementing programs that address housing counseling and foreclosure services through thousands and thousands of families. We now have an opportunity to make an investment to avoid the foreclosure of hundreds of properties and the displacement of hundreds of families, which will undoubtedly increase the incidence of homelessness in Philadelphia. Your support will further protect the millions and millions of public and private investment made in these neighborhoods by many -- some of the CDCs here before you. For us in particular, within a two-block area, called the Caribe Zone, we've made a total of $36 million in public and private investment, and yet many of these properties are adjacent to this Caribe Zone.

The non-profit organization located in these neighborhoods, as we spoke earlier and other community stakeholders, including various City departments, OHCD, RDA and PHDC, are ready and willing and able to tackle this problem. Our team has offered a plan to acquire, rehabilitate and sell these properties to income-eligible families in our neighborhoods. We already have programs in place such as the HRP, NSP or THPP programs that non-profits and for-profit developers have used for many years to rehabilitate vacant and foreclosed properties and put them back into service and made available to homeownership for first-time homeowners and families. In order for such a program to be successful, however, we need the complete cooperation of the lenders. They simply cannot expect to fully recover their investment at the expense of the families that are victims to Landvest. If they will not cooperate, then we as this committee and the Committee must take the leadership and exercise the powers to protect these families and avoid the foreclosures in assuring the continued stability of these neighborhoods.

Thank you very much.

COUNCILWOMAN BLACKWELL: Thank you very much.

Questions for Mr. Salas?

(No response.)

COUNCILWOMAN BLACKWELL: Thank you.

My friend Steve Culbertson, pleasure to see you.

MR. CULBERTSON: My name is Steve Culbertson. I'm the Director of Housing Development at Impact Services. It's a pleasure to see you as well, Councilwoman.

COUNCILWOMAN BLACKWELL: Thank you.

MR. CULBERTSON: I'm going to depart from my written testimony, and it will go into the record. The points have been made about Landvest and Bob Coyle related to all of these fine folks behind me. I think I really want to make three points.

One, the blocks that existed prior to Landvest doing its thing were stable blocks where there was primarily homeowners that lived on the blocks. Mr. Coyle came in to those blocks, purchased houses from people who passed away or who were elderly and were selling their homes and converted them to what you see before you, those homes. So he bought from people who were vulnerable or who had passed away. He invested nothing in the houses, which you've heard from the folks that were renting and leasing, and basically destroyed whole blocks in and around Kensington and Allegheny into Port Richmond. So that's point number one. So it's not just a tragedy of the individuals. Our heart goes out to everyone, but it's also a tragedy for the neighborhood as a whole. This is a bad man.

Number two, we at Impact were approached about two years ago by one of the banks that's involved in this to perhaps purchase all of the properties that were owned by this particular bank.

And I should preface this by saying these comments are my opinion. Okay?

So the bank approached us. We worked with the bank for a year. Last year, we put into the Neighborhood Stabilization Program at the Redevelopment Authority, NSP-1, nine properties and were basically tentatively approved to get NSP money to improve the properties. Went back to the bank and said, Hey, we need to get appraisals, because that's the way the program works, fair-market value, and the appraisals came in somewhere around $20,000 a house.

They were on the books of the bank, loans, for $80,000. So in order for the bank to sell us the properties, they could only sell it at 20. There was a $60,000 difference. I'm talking average. The bank walked away from the deal, and there was nothing we could do about it. So we had a deal, we had City money potentially appropriated, and the bank walked away.

And so my opinion is that the banks are complicit in the activities of Mr. Coyle. They made a lot of money on these loans, and then they have to pay the piper. They took and put these loans on their books for very high values based on Mr. Coyle's own appraisals, and then the market went bad. So now they've got to chip in. They've got to write down the prices and they've got to be able to sell these properties.

I'm sure that a lot of the deals that they've worked out with the folks behind me are at a much higher appraisal, and people have been willing to pay that because they've already got equity, their own sweat and their own money, put into the houses, so they're willing to take that deal. But they shouldn't have to take that deal, because the properties are not worth what they're listed with the banks. That's point number two.

Point number three is that Impact, with my other community partners, is willing to step up to the table and work with the City of Philadelphia. We were just with the Mayor this morning. We understand that CDBG is going to get cut. It's going to get cut at the federal level. Then we're going to see cuts at the state level. Then we're going to see an overall drop in the amount of money that's available to the neighborhoods. So we're not going to sit here and act like, Oh, yeah, there's millions of dollars out there to throw at this problem. There are not millions of dollars. However, there are programs that already exist within the City of Philadelphia that we can use to renovate these properties, and we stand willing to come to the table and figure that out with you, with our partners in the Administration to make it work.

Thank you.

COUNCILWOMAN BLACKWELL: Thank you very much, Mr. Culbertson.

Any questions?

Thank you all very much.

Councilwoman Sanchez.

COUNCILWOMAN SANCHEZ: I was not unaware of the initial attempt to try to get a proposal from the bank. Have any of the banks approached anybody since they've been aware that their portfolio is not worth their inflated value? Has anybody had a conversation with them?

MS. SALZMAN: No.

COUNCILWOMAN SANCHEZ: I agree with you, Steve. I think that they made their money already on this loan, so we want this off their portfolio too. And while I understand that we have a shortage of funding, but this will be our problem on the front end or it's going to be our problem on the back end. And so while there is not an endless pool of money for this, whether it's through L&I and having to clean and seal or the Police Department who is going to have to police these vacant properties, ultimately the City owns this problem. So we have to make this a priority. But we're encouraged by your willingness to work with us and kind of think outside the box about how we're a little bit more proactive since we know what the problem is.

So thank you again for your work on the ground. We really appreciate it.

COUNCILWOMAN BLACKWELL: Thank you again, all of you. Thank you very much.

Good to see you, Steve.

Is Jeffrey Allegretti here?

MR. CULBERTSON: Mr. Allegretti is not here today. I actually incorporated his testimony into what I submitted.

COUNCILWOMAN BLACKWELL: Thank you. Thank you, Steve.

Bank panel, Mark Poliski, Nova Bank; Harry Madonna, Republic Bank. Well, we have his testimony. I have Mr. Madonna's testimony, which we will make part of our record.

(Witnesses approached witness table.)

COUNCILWOMAN BLACKWELL: Thank you very much. Good afternoon.

(Good afternoon.)

COUNCILWOMAN BLACKWELL: Please introduce yourself and begin your testimony.

MR. POLISKI: My name is Mark Poliski. I'm with Nova Bank.

MS. McKENNA: My name is Lauren McKenna. I'm counsel to Nova Bank.

MR. POLISKI: I believe the Committee members have a copy. We did provide copies of my statement. I believe that will answer hopefully a number of your questions, but certainly we'll be able to answer any questions you may have following my statement.

I appreciate the opportunity to address the Committee today. As I mentioned, I'm Senior Vice-President and Chief Credit Officer at Nova Bank, and I'm familiar with the actions of Robert Coyle and his companies. On behalf of Nova Bank, we thank the Committee for including us in this hearing and for allowing Nova to address the issues created by Coyle and his various companies.

I understand that Nova Bank is only one of many banks that were affected by Coyle. I cannot speak for the other banks, but I can say that Nova Bank has taken a proactive approach to dealing with tenants and others affected by

Coyle. Mr. Coyle victimized Nova Bank much like he did to many of the people of Kensington and Port Richmond, and Nova Bank has worked diligently to resolve the mess created by Coyle and to work with the tenants and the City with respect to these issues.

By way of background, Nova Bank inherited a substantial loss on a $3,375,000 loan to Coyle's companies. The loan was made and underwritten by Pennsylvania Business Bank in September 2008. Pennsylvania Business Bank merged with Nova Bank in June of 2009. From what Nova Bank knows, the loan application was approved through normal standard underwriting processes. Coyle gave a personal guaranty and the loan was secured by a mortgage which was ultimately assigned through the merger to Nova Bank. The mortgage encumbered 65 properties which were provided by Coyle and his entities to secure the mortgage loan. The loan went into default a few months after it closed.

As a result of the non-payment of the sums due under the loan, Nova Bank obtained a judgment against Coyle and his companies in March 2009. Nova Bank also filed a lawsuit against the appraiser that valued the properties in Kensington and Port Richmond that were security for the loan. The appraiser, who had a business relationship with Coyle, grossly overvalued the properties, and Nova Bank understands that Pennsylvania Business Bank relied on those values in approving the loan.

On March 31, 2009, Nova Bank petitioned the court to appoint a receiver to secure and manage the 65 properties that were security for the loan. Nova Bank believed that the oversight of the properties was necessary in part because many of the properties were in various stages of disrepair. Since then, the receiver has collected rent from the property tenants and maintained the properties. To date, the receiver has invested over $96,000 in repairs and upkeep to the properties. I must note that some tenants of fully habitable properties have simply not paid rent. As a result, the amount of rent received from the properties has not been sufficient to maintain them. Nova Bank has spent over $28,000 beyond the rent proceeds to keep the properties in habitable condition.

In addition, many of the properties have outstanding municipal liens for unpaid taxes or utility bills. Nova Bank and the receiver have worked with the City to address these issues, and continue to do so. We have encountered some difficulty in retrieving payoff figures for the water, sewer and tax liens on the properties, as this information resides with multiple sources, including law firms hired by the City and the Water Department.

A handful of tenants have

claimed to have ownership interests in the properties. In those situations, Nova Bank sought from the tenants evidence of their ownership interest such as a lease-purchase agreement with Coyle's companies and evidence of payments. Nova Bank's attorneys have worked with both Community Legal Services and other attorneys representing various tenants on these issues. We have also met with Councilwoman Quinones-Sanchez and her staff multiple times in an effort to find solutions that worked for everyone involved.

Nova Bank recognizes that placing tenants in ownership positions benefits both the bank and the local community. For this reason, Nova Bank has engaged in discussions to release its mortgage from and/or ultimately sell properties to tenants where the tenants have produced evidence of ownership interests or interest in buying the properties outright.

With the exception of situations where tenants have substantiated ownership interests and compliance with lease-purchase agreements, Nova Bank has taken steps to foreclose on the properties. Nova Bank has discovered that many of the properties have title issues in addition to the municipal liens. Foreclosure is the only effective way to obtain clear title to the properties. While Nova Bank began the foreclosure process in November 2010, its efforts to foreclose have been delayed due to the well-publicized situation with the Sheriff's Office. At the present time, Nova Bank is targeting the April 5th sheriff's sale, but it's unclear whether the sale will proceed on that date. Where reasonable agreements can be reached, Nova Bank is committed to selling the properties to interested buyers. However, only a handful of occupants have expressed interest in buying the properties.

I may not be able to answer all of your questions as completely as you would like, because we do have a lawsuit underway, but with that understanding, I will take any questions you have at this time.

COUNCILWOMAN BLACKWELL: Thank you very much.

Councilman Greenlee.

COUNCILMAN GREENLEE: Thank you, Madam Chair.

Good afternoon, sir. In your statement you say that the receiver has collected rent from property tenants and maintained the properties. You heard statements earlier -- I don't know if they were properties that your bank was involved with -- that the receiver has basically said the rent doesn't cover the cost of repairs and they're not making repairs.

Are you aware -- before today have you heard that statement or are you aware of that?

MR. POLISKI: No. My understanding is that the receiver, being responsible for the maintenance of the properties, my understanding is that the receiver is adhering to the order.

COUNCILMAN GREENLEE: Because obviously you heard earlier a statement was made to the contrary.

When you talk about reasonable agreements can be reached, and I know you can't -- I'm not asking you to make specific numbers here, but have you tried -- in talking to people -- how many people have you -- owners -- I'm sorry; occupants of the properties, let's call them, have you talked to on this?

MR. POLISKI: Our interaction has been primarily through the receiver who is managing the properties. So they've actually been handling the outreach to the tenants, to the occupants.

COUNCILMAN GREENLEE: And I'm sorry. How many -- maybe you said it in here and I missed it -- properties do you have of the Landvest, of the Coyle properties?

MR. POLISKI: There were originally 65. There are now 64 properties.

COUNCILMAN GREENLEE: And I mean as Councilwoman Sanchez said a little earlier, probably people are not going to be able to pay what originally you might expect them. Are you sort of operating under the assumption that you can take those prices down some to try to work with these people?

MR. POLISKI: We will look at -- as you mentioned, that each situation is different. We will look at it and be realistic given the circumstances in the market today.

COUNCILMAN GREENLEE: And, again, to say what Councilwoman said, there are people here paying rent, so they could pay a mortgage obviously if it's something that's reasonable that can be worked out.

All right. Thank you. Thank you, sir.

Thank you, Madam Chair.

COUNCILWOMAN BLACKWELL: Thank you.

Councilwoman Sanchez, then Councilman DiCicco.

COUNCILWOMAN SANCHEZ: Go ahead first.

COUNCILMAN DiCICCO: Thank you.

Just one question, sir. Has there been any discussion between your bank and any of the CDCs in the community?

MR. POLISKI: There was -- we did have discussion and it was over a year ago with a CDC, and I don't recall which CDC it was. Certainly none of the CDCs that were represented today, we've not had any interaction with them.

COUNCILMAN DiCICCO: The reason I bring this up, I understand there are a number of properties you would like not to have in your portfolio. How it got there and all that, we're going to hear testimony. We've been hearing it and we'll continue to hear it. But the CDCs I think are -- it would be a viable option to talk to, because that's what they do. They take properties, they rehabilitate properties, they find suitable tenants.

So my point is, I don't think you have to really look too far but in the immediate community to talk to those folks and begin to at least have that conversation, not knowing what the end result will be, but at least begin that conversation, because this I see as going to be a very long, time-consuming process for everyone, and I think -- I'm not being too overly optimistic -- there may be a way of reducing your portfolio more quickly if you can come to some agreements with the CDCs, whether it's you continue to hold title until the property has been rehabbed and they get the tenant and put all those other things in place, again, because that's what they do and they do it quite well. I think that for the other bankers as well, that's something you all might want to sit down and discuss.

The Councilwoman has been way out more in front of this than I have been, but we'll work together on it and we can help you arrange those meetings or whatever. I'm sure Councilwoman and I would be more than happy to help you.

MR. POLISKI: Thank you.

COUNCILMAN DiCICCO: You have an aegis, you have an outlet there I think that can get this thing moving a lot more quickly.

Thank you.

COUNCILWOMAN BLACKWELL: We certainly received information from one of our colleagues who said you were willing, your bank, with whom he has a lot of experience, and you're really willing to work with this community, and we have no reason not to believe him, and we're going to count on you to do that.

Councilwoman Sanchez.

COUNCILWOMAN SANCHEZ: Thank you. And I want to thank you, because as you mentioned, we have met and we've talked a little bit about your portfolio. You talked about there were some title issues that also prompted you to be aggressive on this foreclosure. Can you say for the record what those issues are?

MR. POLISKI: There are a number of issues outside of municipal and utility liens, and I can't say with specifics what they are, but it's safe to say that there are significant title issues. And I think it's an important point to make that I know that the word "foreclosure" has such a negative connotation. In this case, because of the extent of those liens, foreclosure is really the only route we can take to pass clear title, and that includes passing title to current occupants of the properties. We would not be able to pass clear title and I don't think any of the occupants would want to, quote/unquote, own a property that has these title issues. So the foreclosure process here is really a necessity to pass clear title to whomever.

COUNCILWOMAN SANCHEZ: I'm going to be a little bit more aggressive than my colleague Greenlee in getting a public commitment from you, because we had talked about this before when you came to meet with me and we talked about East River working with us to try to create some sort of model outside their normal criteria to convert some of these tenants into homeowners, particularly those who thought they were going to become homeowners.

You've seen what we've done with some of the cases. How far are you willing to say you're actually willing to work with us in terms of creating homeownership, real homeownership opportunities with your 65 -- there's 64 that are in your portfolios, or are you also looking like some of the other banks is, which is to sell these in bulk?

MR. POLISKI: We're going to look at whatever options make sense for us, but I think to directly answer your question, we understand that we can't use a cookie-cutter residential mortgage program in cases like this, and I think where -- I think it was mentioned earlier, if there is a history of consistent rent payments being made on time and the opportunity to document income, the bank would look at that and would not have to -- and would look to consider those applicants for mortgage financing.

COUNCILWOMAN SANCHEZ: How many of your 64 are currently occupied by folks who believe they have title or were on a path to homeownership?

MR. POLISKI: There are two claims that are asserted at this point.

There's been discussion on a number of others, but I don't know -- the number two that we know of for sure.

COUNCILWOMAN SANCHEZ: How many are occupied?

MR. POLISKI: Approximately 25, between 25 and 30.

COUNCILWOMAN SANCHEZ: Has anyone from the bank attempted to talk to those tenants currently there? Is there communication?

MR. POLISKI: Communication is --

COUNCILWOMAN SANCHEZ: Other than collecting their rents.

MR. POLISKI: The communication is through the rent receiver.

COUNCILWOMAN SANCHEZ: So the bank has not gone through a formal process of engaging their tenants for any discussions of potential homeownership for the 25 that are occupied?

MR. POLISKI: The bank -- the tough part here is, the bank doesn't own the properties, and that's -- we're one step removed from that. So the bank doesn't own the properties, but certainly if information was provided to the bank that there was interest in owning the properties, certainly we would consider that.

COUNCILWOMAN SANCHEZ: What criteria would you use? One of the issues we had in the first batch was the value of the properties that the bank insisted on giving for those that became homeowners in some cases exceeding the actual fair-market value of the property. How is Nova going to look at that?

MR. POLISKI: We would look at current value of the property.

COUNCILWOMAN SANCHEZ: Would any considerations be given for the sweat equity or any history of the tenants that were in the properties? You have some cases and we heard Mr. Kennedy say he paid $24,000 before he thought he was going to settle up. Is the bank going to make any consideration for those?

MR. POLISKI: The short answer to that is yes. I think that's part of as much the qualitative consideration to how committed the occupant or the tenant would be toward the property.

COUNCILWOMAN SANCHEZ: So you would do -- and I hate to say this this way. You would do a current appraisal, not a drive-by appraisal, not a -- as we've been debating, these tabletop appraisals. A real appraisal for the current value of the property?

MR. POLISKI: We would look at a full appraisal of the property.

COUNCILWOMAN SANCHEZ: Okay. Going back to the point my colleague Frank DiCicco made, I think that there are some opportunities for the bank to release some of these properties off of their portfolio through the Community Reinvestment Act, so that if you're not going to recoup your full value, which clearly I think after today's testimony and based on the history, that's not going to happen, but there are other ways for you to capture some of those losses through Community Reinvestment Act, through the work of the CDCs. So I strongly encourage you.

You mention that you're having some difficulties in obtaining some payoff numbers from the City. We will work with you with those with the City. And I understand since we've just come off an amnesty program, we have several different entities engaged in that, but our office will commit to facilitate some real payoff numbers for you for those properties, and we'll start off with the two where there's an explicit interest in a homeownership.

As I expressed to you and I've expressed to any of the banks who have listened to us, I think the City is committed to use its lien position on some of these where there's a homeownership opportunity to work with the banks, but clearly, we're not going to wipe off debt for the banks to recoup their money. We will if you're working with us on creating a homeownership opportunity, but not for your bottom line. So, I mean, I think we're willing to continue and are willing to do that. But our office will facilitate some of those payoffs for you.

MR. POLISKI: Thank you.

COUNCILWOMAN SANCHEZ: Thank you.

COUNCILWOMAN BLACKWELL: Any further questions?

(No response.)

COUNCILWOMAN BLACKWELL: Thank you both very much.

(Thank you.)

COUNCILWOMAN BLACKWELL: Thank you.

Our final panel, Administration panel, Bridget Greenwald, Managing Director's Office; Deb McColloch, OHCD; Michael Koonce, RDA; Otis Haigler, L&I.

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I see John Carpenter here. Thank you. We're happy to have you all, and certainly we invite you to come forward, introduce yourself for the record and then begin your testimony.

Thank you very much.

(Witnesses approached witness table.)

MS. McCOLLOCH: Good afternoon. I'm Deborah McColloch, Director of Housing.

I do not have prepared testimony for you today. We're really here to try to answer questions and have a dialogue about how we can help folks here. Clearly, I'm very sympathetic to everything we've heard here today. I have been working with the Councilwoman and her staff on this knotty problem for over a year now, and it's very difficult to see the path through which we can move to try to assist folks beyond some of the things we've already done, which have been mentioned here before in terms of

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providing housing counseling services, working with the CDCs to reach out to folks so that we can try to assess what's the situation with each of the individual properties.

This is fundamentally a private-market transaction that we're trying to figure out where's the appropriate intersection between that and the resources that we have, which are existing programs. As Steve Culbertson testified, we attempted to do that in one case. That didn't work because the bank was unwilling to accept the appraised value for the property, so we couldn't pay more than that. As Sandy Salzman testified, we've been working to providing housing counseling services through our housing counseling agencies.

So we're trying to provide the assistance that we have and work with you to figure out what would be the appropriate next steps.

COUNCILWOMAN BLACKWELL: We'll

take all your testimony first. Is there any other testimony you'd like to make?

MR. HAIGLER: I'm Otis Haigler, Jr., Director of Legislative Affairs for the Department of Licenses and Inspections.

I don't have any prepared testimony as well. I'm here to answer any questions. I've been listening to the testimony that's been given earlier, and we'll try our best to answer whatever questions we can.

COUNCILWOMAN BLACKWELL: Thank you very much.

Mr. Carpenter.

MR. CARPENTER: My name is John Carpenter. I'm the Deputy Executive Director of the Redevelopment Authority of Philadelphia.

I do not have prepared comments either, but I'm here -- I've been part of some conversations about this over the last year and a half. It seems like a very difficult problem. We have tried to find a way to work with this through the Neighborhood Stabilization Program. Like Deborah said and Steve said, we haven't found an effective way to engage that program in this effort, but we're happy to engage in the conversation today.

COUNCILWOMAN BLACKWELL: Thank you very much.

Councilwoman Sanchez.

COUNCILWOMAN SANCHEZ: Thank you.

One of the issues for L&I, for Otis, that was brought up by Judge Moss was the issue of the potential verification of the worksheets and the renter's license. Is this a reasonable request for us to be able to ask L&I to work through these and verify these for the courts?

MR. HAIGLER: Absolutely. I don't see that there's a problem there. An issue with license and falsifying documents, that's a serious issue, and we need to look into that, and I don't see a problem for L&I to work through and look through their records to make sure that those licenses are in fact either valid or if they're not valid, we bring it to the attention of the appropriate authority.

COUNCILWOMAN SANCHEZ: So there's 215 in question right here. What is a reasonable time period in light of the fact that some people may be facing eviction, and as the Judge alluded to, we want to make sure that no one is improperly being evicted from their homes. So what's a reasonable timeframe for you to verify these? There's 215 of them in here.

MR. HAIGLER: Two hundred and fifteen. It's a computerized process, a computerized generated license process. I don't see a lengthy time period. I can't really -- because I'm here, and I don't know what the resources are of the unit that would have to look into this. I will bring it back to the Commissioner, and I would suspect that this will be looked into expediently.

COUNCILWOMAN SANCHEZ: Before I get to that one, because we do want to be able to report back, one of the things that concerns us -- and it came up, I think, at one of the attorney's testimony -- was the level of discretion L&I has around issuing some of these licenses where we're suspecting some of the issues with these licenses.

MR. HAIGLER: Well, from what I understand, there were some issues as far as whether or not the validity of those licenses. There's questions about the validity. So I don't even know if L&I was even involved in any way --

COUNCILWOMAN SANCHEZ: How about in terms of -- when we issue a renter's license, the inspection is conducted prior. L&I has to conduct inspections of when it issues some of these renters' licenses.

MR. HAIGLER: No, we don't.

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Licenses, when we issue a license, that is an inferred or implied agreement that you have with the City as the landlord that you will abide by whatever the code requirements are. We don't inspect every single -- there's 60,000 rental properties out there. We can't possibly inspect every single rental property prior to the issuance of a license. When we get complaints, we go out and investigate the complaints on a particular property, and we would cite the property owner accordingly in accordance with whatever violation of the code there is. We have to work that through the court process. If in fact the violations were so egregious, we would seek to revoke or suspend that license.

But, as you know, even with the taking of a license doesn't mean that it will stay taken. The person would afford themselves the right to appeal that situation to either an administrative board or they could appeal directly to the Common Pleas Court, in which case if there's a court order or an injunction, then we would have to abide by the court order or injunction.

COUNCILWOMAN SANCHEZ: Because there were so many of these renters' licenses in a particular name, when you have massive complaints with a particular person who has a renter's license, at what point do you say, Wait a minute, there's a pattern?

MR. HAIGLER: If we receive a complaint, especially if it's a systemic complaint about a particular person who owns several properties, we would institute whatever necessary procedure that we have in place to bring that person in. We have to conduct an administrative hearing first prior to taking that license. So, again, because once you take the license, the person can further go with whatever proceedings they have to go through to get that license back. So we have to make sure that we do everything, cross our T's and dot our I's, because, again, there has to be a record as to what steps we took prior to taking that license. We would go through the administrative hearing process. If we find that the case is warranted, we would suspend, revoke the license. And, again, if the person afforded themselves the right to appeal that, we would wait for the judgment of either the courts or the board that will hear that appeal.

COUNCILWOMAN SANCHEZ: And what triggers that? One of the things that we've been talking about today, there's been so many of these, and when we look at the cases, is that by policy? Who makes the determination that we have a bad landlord out there?

MR. HAIGLER: Well, in this case, like I said, there's -- like I said, I've listened to all the testimony, and there seems to be some questionable issues related to whether or not there's a landlord-tenant relationship here, there's an ownership relationship here. There's a lot of murkiness about whether or not there's really any -- a lot of these things have even come to our attention as part of a rental property issue as opposed to some other issue. There's a lot of questionable issues about who owns these properties and whether or not persons who thought they might have owned the property might have complained to us.

COUNCILWOMAN BLACKWELL: Excuse me one moment.

Rob Hess, who was head of our Office of Housing and Supportive Services, our homeless services, is certainly here. He's sneaking around in this hall, and we have to acknowledge him. He went to New York to head their Welfare Department, and now he's with Ready, Willing and Able.

Always a pleasure to see you.

MR. HESS: Thank you,

Councilwoman.

COUNCILWOMAN BLACKWELL: Thank you. Thank you.

Excuse me.

MR. HAIGLER: So, like I said, if the issues are brought to our attention, then we would address it immediately. We have a policy to inspect properties within a certain timeframe. It's not that long. It's within a week. We would cite the property owner for whatever the violations are. Then we would have to give them a reasonable time period to correct those violations. If they don't correct it, then we have another policy that we would do a reinspection. At the end of the final inspection that we would do on the property, if the property still hasn't been corrected after the third inspection, then we would send that case to court for prosecution.

COUNCILWOMAN SANCHEZ: No, no. I'm aware of your process. I'm just thinking from a policy perspective, at what point in L&I does something trigger there's a pattern here, if we have the capacity to do that? So, again, if you have five or six or seven properties and one name that are being inspected because of some of the same pattern of violations, is that too open-ended in terms of when L&I proceeds to --

MR. HAIGLER: I believe it is.

COUNCILWOMAN SANCHEZ: I want to acknowledge Bridget came in.

(Witness approached witness table.)

COUNCILWOMAN SANCHEZ: I'm trying to figure out, just because this particular caseload seems so egregious, that at what point is the pattern connected, other than someone openly saying, Robert Coyle is a slumlord in Kensington, can somebody do something about it?

MS. GREENWALD: Hello. Sorry for being late. I was in another meeting.

Bridget Collins-Greenwald with the Managing Director's Office, but I was formerly the Deputy Commissioner of L&I in the Operations Division.

I believe your question is when would we notice a pattern if there was a slumlord, quote/unquote? Is that what you said? The way the system is set up right now in the L&I database, actually there is no way to actually coordinate something with a unique identifier, such as a name. The way things that are put into the database now, it could be J. Coyle, Joe Coyle, Coyle, Coyle Incorporated. You know what I mean? Depending on how the data entry went in depends -- is how it went in. So there's actually no way to coordinate.

Now, what L&I is doing going forward, though, is every license is going to be tied to the business privilege tax number. So this situation going forward should not happen. But, unfortunately, it did happen in the past, because if you keep using these different names, it's kind of hard to hit a moving target type of deal. That's what happened in this case.

COUNCILWOMAN SANCHEZ: That's what I wanted to get to, the fact that we didn't have a mechanism of tracking this, but moving forward, so we will be able to track this. What's the trigger point?

MS. GREENWALD: The trigger point -- well, the unique identifier will be -- it's not in place yet, because this is a technology priority of Commissioner Burns -- is to have everything connected at a business privilege tax number. So once we get that and once L&I would get that and police, then if you would start to see patterns, you could do queries off of that tax number and you could see -- which in turn would be off of that business privilege license, which in turn would go down to the housing inspection licenses and so on, and that could trigger, Okay, this tax number has this many violations. What you could run the query on is, Give me all the tax identification numbers that have over a certain amount of violations, and then you could go from there.

So I don't know exactly what the threshold would be right now, but I would assume that would be a good start, and that's exactly what we were talking about before when I was still in L&I. So I think that's definitely the way Fran would continue.

COUNCILWOMAN SANCHEZ: Okay. Thank you.

One last thing, and I know my colleague wants to ask some questions. How much does it cost us to conduct an inspection from L&I?

MS. GREENWALD: I would have to say that depends on the type of inspection. An average inspection we would say takes approximately 30 minutes to an hour for a good inspection. A property maintenance inspection, which would occur in this place, a housing inspector makes probably $35,000 a year. A few hundred dollars. I mean, I could definitely get you a better number on that, but a few hundred dollars, I would say, including fringe and all.

COUNCILWOMAN SANCHEZ: How much does it cost us to do a clean and seal?

MR. GREENWALD: About a thousand dollars.

COUNCILWOMAN SANCHEZ: About a thousand dollars?

MS. GREENWALD: Yeah.

COUNCILWOMAN SANCHEZ: And then when we take someone to Equity Court, after we do the reinspect, the 30-day reinspect and then we go to Equity Court?

MR. HAIGLER: We have to factor in whatever the Law Department's costs are, their attorneys that would represent us in Equity Court, and any other administrative costs we would add to that.

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MS. GREENWALD: There's an administrative fee that's tacked right on, a 21 percent administrative fee that goes on automatically. And then whatever abatement costs or whatever, the cost of the equipment goes on there, whatever the actual personnel costs go on there, any supplies that were used go into that bill. And then if it's for a demolition, it's the contractor's costs, plus the 21 percent.

COUNCILWOMAN SANCHEZ: Which is about $19,000, right, 17 to --

MS. GREENWALD: Seventeen.

COUNCILWOMAN SANCHEZ: Seventeen to 19,000.

My point with this is, it's fair to say we could easily spend $1,500 on each one of these properties if we do nothing?

Don't all of y'all speak at the same time.

MR. HAIGLER: It's something to think about. I don't --

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COUNCILWOMAN SANCHEZ: No, I don't want to think about it. I want to talk about it, Otis.

MR. HAIGLER: I don't know if I could definitely say that on the record.

MS. GREENWALD: Yeah. I don't know. I wouldn't want to commit to that, because actually we wouldn't -- not every property does need to be cleaned and sealed, as you know. Some of them would be in that situation. Some of them would remain vacant, but structurally sound and they would have their windows and doors, but they would just remain vacant. Not that I'm making light of it being vacant, but you may not have to take any kind of abatement action towards the property.

MR. HAIGLER: Correct. Correct.

COUNCILWOMAN SANCHEZ: Okay. And that's an important point, because I think when we talk about the seriousness and the impact -- and I think that's what the CDCs were alluding to -- is, we need to make some investments now or later. As Chair of L&I, I hate for us to think about it as later, just because I know that that's one of the budgets that has continuously been cut, and these are the issues that impact them. But just I think it's an important figure to keep in mind if we do nothing and if the banks are not responsible partners in this. So I'll leave it at that.

Councilman Greenlee.

COUNCILMAN GREENLEE: Thank you. Thank you, Councilwoman.

I have a question along the same lines as far as the license, the rental license, if somebody applies for that. Is there a cross-check to see if there's violations on that property?

MR. HAIGLER: Yes. Yes.

COUNCILMAN GREENLEE: There is?

MR. HAIGLER: Yes.

COUNCILMAN GREENLEE: So a person should not get the rental license if they have violations?

MR. HAIGLER: No.

MS. GREENWALD: They should not, no.

COUNCILMAN GREENLEE: Now, I know that may not pertain here, because, as you said, Otis --

MR. HAIGLER: Especially for license renewals. I know that for a fact. If there's a license renewal that would come up, it would automatically kick out that license as a flag on it for violation. Now, you would have to look at the specific violation, because some issues are more egregious than others. I mean, would you hold up a person's license for something very minor, because --

COUNCILMAN GREENLEE: No. I understand.

MR. HAIGLER: -- anything could be a violation on a property.

COUNCILMAN GREENLEE: But I'm particularly thinking when it comes to rental license, if there's housing violations, that says something right there, should they be renting if there's already violations on the property. So there is that cross-check?

MS. GREENWALD: It does flag it and it actually will not send you the renewal notice. You would have to come to L&I and remedy that violation, and then you could get your housing license.

MR. HAIGLER: That's correct.

COUNCILMAN GREENLEE: Renewal license, but how about when you apply the first time?

MS. GREENWALD: When you apply the first time --

MR. HAIGLER: Nobody really does an inspection or pre-inspection prior to the issuance of the license, because, again --

COUNCILMAN GREENLEE: No, but there could be already housing violations on that property before they apply for the license, right?

MR. HAIGLER: Well, there could

be, and if there is, I don't think that there's any particular --

COUNCILMAN GREENLEE: I thought that. That's where I was getting at. I thought there was a regulation on that.

MS. GREENWALD: There used to be that Certificate of Rental Suitability that was out there when you went and applied for the first time, and then any time you changed tenants, you were supposed to come to the Department of Licenses and Inspections and get the certificate. That's held up in court somewhere. So now, believe it or not, it's on a voluntary basis. You could come in as a landlord and voluntarily get it.

MR. HAIGLER: And that was self-certification. That wasn't something where there was anything that the Department had to affirmatively do prior to issuing the license. That was your certifying that your property was suitable to rent based on the fact that

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you had no serious violations on the property.

COUNCILMAN GREENLEE: No. I was more referring to the rental license.

MR. HAIGLER: Well, that is part of the rental license process.

COUNCILMAN GREENLEE: Okay. And I know in this case, it might not have saved a lot, because it sounds like a lot -- there's a real question on the validity of the license to start with, but I was just wondering general policy.

Okay. Thank you.

Thank you, Madam Chair.

COUNCILWOMAN BLACKWELL: My question is, given the fact that you're coming here and given the fact that there is this community and this neighborhood problem, what then is the City's housing department plans going forward for this area?

MS. McCOLLOCH: At the moment, we don't have a specific plan. We're continuing to work with the

Councilwoman's office to analyze what the situation is for these properties. As we say, the numbers even we've heard today, different people have given us different numbers of how many properties are included in this whole array, and we have to really analyze. As the attorneys from CLS testified, there's some folks who have some ownership interest, and then we have to figure out do those folks want to buy those properties, are they living in the properties. There's some folks who think they have ownership interest, but they may not. There's some people who are tenants. There's some set of properties that are vacant now.

We need to work with the Councilwoman's office to do that analysis and see what's the situation with the properties and then try to figure out some strategy to help them. The biggest problem is that they're not in City ownership, and if folks don't have title to the properties, even those programs that we have that could otherwise assist people, if they're not in title, those programs -- they're not eligible for those programs.

COUNCILWOMAN BLACKWELL: Well, certainly going forward as we approach our housing agenda and our City agenda for housing, even though we don't know what those dollars will be, we certainly look forward to -- this afternoon we intend to recess this hearing, but we want to be available to at least when we have our housing hearings to get some kind of follow-up on just what's happening in this neighborhood from the Councilwoman and from Councilman DiCicco so that we know.

It's our job to keep hope alive by having positive programs to help people who are victimized, as these people are, unfairly. And so it's our job to try to come up, as their City leaders, to come up with a plan. So we're committed to that, and we'll look forward to the Councilwoman of this area letting us know where we are so that we can have some positive plan before our fiscal year is out.

Is that satisfactory, Councilwoman?

COUNCILWOMAN SANCHEZ: Yeah. Let me just --

MS. McCOLLOCH: I think one of the keys is the example that was given, I can't stress enough, that if the bank is unwilling to sell the property for less than the value that it has, for less than its loan, we're not going to be able to solve this problem, because the City will pay the appraised -- may be able to, if we could figure out some strategy, the appraised value. But the example that was given that Steve Culbertson gave of having -- there were only nine in that case, but that would be nine more than we had before. We were prepared to invest in those nine, and the bank was unwilling to take the appraised value for the properties. And so if we can't negotiate that kind of a deal, we're going to really be stuck.

COUNCILWOMAN SANCHEZ: And I think, again, we didn't expect to come out with all the answers here today, but I think the lack of participation from the banks, it's evidence that we are going to have to get a little bit more aggressive as the City and our lien position, since these properties technically almost all are owned by us given their water, tax, PGW liens. I think the message today is, as a city, we're going to have to be more aggressive with them to take -- in some cases using our condemnation power -- to take some of these properties and do right by the people, because the banks may not be willing to. And I think up to now, we've been trying to work with the banks. We will continue to work with the banks, but clearly, the next steps -- and our office would be happy to lead the initial discussions, but the City is going to have to look at its NTI potentially, City significance portion, but definitely our lien positioning to tell the banks, You're either going to do right by people or we're going to take these properties and do right by people. And I think that's where we are today, and that's why we're even having these hearings, because they have been reluctant, partly because they don't know what to do with this. This is unheard of, and I think Deborah has been very open and willing, and even with all her years of experience, she has never seen anything as drastic as this. But clearly, we're going to now have to play the lead role, because the banks are not going to.

I think to the extent that Nova and others are willing to continue the discussion is one thing, but I would hope, Madam Chair, that as we recess these hearings, that we schedule a follow-up, and that in the interim, we could probably reconvene the discussions between RDA, CLS, OHCD and our office to see if there is an opportunity in partnership with our CDCs through NTI to make some blocks whole and to keep some people in their homes. And we're not going to be able to wait anymore, and I think that's where we are now.

I cannot even imagine what would happen in April if some of these go to foreclosure and these banks turn around and sell these properties to some New York investor or some holding company, who is even less interested in what happens in Kensington.

So that is my ask for the Administration. That is my ask for my members of the Housing Committee, is that we provide leadership here. I mean, this is about providing leadership and taking this incredible monster -- it's like an octopus. It has a lot of legs. But I have all the faith that we have the ability to bring some resolutions to some of these problems. And while we won't be able to take care of everybody, we should be able to take care of quite a few, again, in collaboration with our CDCs.

So I am going to ask that we reconvene that discussion and we begin to work through some of these issues with our CDCs immediately and come up with a plan and try to pilot some things quickly to see if we can entice the banks into doing the right things.

But I'm not going to sit around any longer and wait for the banks to do the right thing by my constituents and by the City of Philadelphia.

Thank you, Madam Chair.

COUNCILWOMAN BLACKWELL: Well, let me thank all of you. Unless there's someone else we haven't called on who would like to testify, let me thank all of you for your participation, for your patience, for being here, those on the panel as well as those who have come who are interested in this issue. Certainly we commit, the Housing Committee, to doing everything we can to be part of the solution certainly in this massive problem.

Thank you all, and this hearing is recessed subject to the call of the Chair.

Thank you.

(Applause.)

(Committee on Housing, Neighborhood Development and the Homeless recessed at 3:05 p.m.)

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CERTIFICATE

I HEREBY CERTIFY that the proceedings, evidence and objections are contained fully and accurately in the stenographic notes taken by me upon the foregoing matter on February 17, 2011, and that this is a true and correct transcript of same.

MICHELE L. MURPHY

RPR-Notary Public

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