

City of Philadelphia



Council of the City of Philadelphia
Office of the Chief Clerk
Room 402, City Hall
Philadelphia

(Resolution No. 240479)

RESOLUTION

Honoring, recognizing, and supporting the courage of the residents at Brith Sholom House located at 3939 Conshohocken Avenue in their pursuit of safe, fair, accessible, and affordable housing in the City of Philadelphia.

WHEREAS, The Brith Sholom House, located at 3939 Conshohocken Avenue in the Wynnefield Heights neighborhood of Philadelphia opened in 1968 with funding from the Department of Housing and Urban Development's 202 Senior Housing Plan extended in 1972. For more than 50 years, it has served as an independent residence facility for seniors living on fixed incomes, are disabled, or have served in the military; and

WHEREAS, When it was first built, Brith Sholom House was a haven for the elderly community in West Philadelphia. Unfortunately, over the years, the building's owner has driven the building into a state of disrepair; and

WHEREAS, As of today, Brith Sholom House is currently home to approximately 150 senior residents, but currently is at risk of being closed. This would lead to massive displacement for hundreds of seniors, leaving them no place to go. Since 2007, there has been over 293 violations from the Department of Licenses and Inspections within 72 specific cases. As of March 14, 2024, there are currently 107 violations open at Brith Sholom. The Department of Licenses and Inspections has declared that the property is "unsafe" and that the violations constitute an "immediate danger or hazard to health safety and welfare". Historic and ongoing violations at the building include: uninhabitable and unsafe conditions throughout the second floor of the building, inoperable elevators lacking valid inspections from the Commonwealth, mold growths throughout the building, severe structural damage, locked common spaces, infestations include bed bugs, mice, roaches, and racoons, inoperable heating systems, a lack of a fire manifesto, inoperable hot water tanks, non-compliant fire suppressions systems, hazardous plumbing system issues, exposed wires, non-functioning lighting, non-existent management, limited access to the mail room, removal of furniture from the lobby, squatters occupying certain units, and crime throughout the building due to lack of building security. Moreover, Brith Sholom Winit, LP is operating without a rental license and therefore cannot legally collect rent. Despite this,

City of Philadelphia

RESOLUTION NO. 240479 continued

management continues to demand rent from residents and threaten them with eviction if they do not comply; and

WHEREAS, In August of 2023, Brith Sholom Winit, LP, the owners of Brith Sholom House filed for Chapter 11 bankruptcy, which was dismissed, and as of November 17, 2023, Brith Sholom House has been in receivership under the control of Stockton Real Estate Advisors Property Management. Brith Sholom House is currently under the threat of utility service shut-offs due to over two years of non-payment by the property owner and the receiver. The building is also under the threat of a Sheriff Sale. On May 1, 2024, SREA Property Management LLC filed their First Interim Report highlighting the challenges that are faced by the residents of Brith Sholom House (Exhibit A). While the receiver has made an effort to remediate some hazards, the receiver is unwilling to invest the money necessary to fully repair the hazardous conditions and is instead seeking to have tenants vacate the building. Currently, Brith Sholom House is the subject of multiple court cases, one being filed by the City of Philadelphia in response to the owner's failure to resolve open L&I violations in *City of Philadelphia v. Brith Sholom Winit, LP*. In addition, *New World Credit v. Brith Sholom Winit, LP* is another court case where creditors have sued Brith Sholom House for repayment of millions of dollars' worth of loans; and

WHEREAS, The residents of Brith Sholom House that have built our City and have defended our country are living in unsafe, deplorable, and inhuman conditions; this is unacceptable. Residents have received multiple threats from the Receiver's property management team that the building will be closed which leads to indescribable amounts of fear and anxiety for the residents living in the building; and

WHEREAS, The City must do everything in its power; legislative, budgetary, or otherwise to support the residents of Brith Sholom House. Senior citizens living at Brith Sholom House have survived the horrors of wars, lived through the Great Depression, fought through the civil rights movement and other times of protest, and have seen our country and City grow throughout the generations. It is time that the City repays the debt they are owed and invest in their safety, security, and well-being; now, therefore, be it

RESOLVED BY THE COUNCIL OF THE CITY OF PHILADELPHIA, That it hereby honors, recognizes, and supports the courage of the residents at Brith Sholom House located at 3939 Conshohocken Avenue in their pursuit of safe, fair, accessible, and affordable housing in the City of Philadelphia.

FURTHER RESOLVED, That the City must do everything in its power to keep Brith Sholom House as permanent, affordable housing for seniors.

FURTHER RESOLVED, That an Engrossed copy of this resolution be presented to the residents of Brith Sholom House as a sign of the admiration, respect, and esteem of this legislative body.

City of Philadelphia

RESOLUTION NO. 240479 continued



SREA PROPERTY MANAGEMENT LLC

Receiver for:

Brith Sholom Winit, LP

Case ID: 201100908

Control No: 23112826

Brith Sholom House
3939 Conshohocken Avenue
Philadelphia, PA 19131

RECEIVER'S FIRST INTERIM REPORT



Case ID: 201100908

City of Philadelphia

RESOLUTION NO. 240479 continued

OVERVIEW OF PROPERTY

On November 10, 2023, the Court of Common Pleas of Philadelphia County entered an Order for Appointment of Receiver, appointing SREA Property Management LLC (the “Receiver”) as the Receiver for the property owned by Brith Sholom Winit, LP, known as Brith Sholom House, located at 3939 Conshohocken Avenue, Philadelphia, PA, 19131 (the “Property” or “Building”).

PLAINTIFF

New World Commercial Credit
664 Fernandez Junco Avenue
Suite 301
San Juan, PR 00901-1969

DEFENDANT

Brith Sholom Winit, LP
3939 Conshohocken Avenue
Philadelphia, PA 19131

This Space Intentionally Left Blank

City of Philadelphia

RESOLUTION NO. 240479 *continued*

PRELIMINARY STATEMENT

1. The Receiver is dealing with a number of City of Philadelphia Licenses and Inspections (L&I) violations, as well as squatters infiltrating the Property. At Receivership appointment, there were 107 L&I fire code violations and over 100 property condition L&I violations. The Property was in extremely poor condition including a lack of hot water and heat to many of the units, squatters, vandals and vagrants habitually accessing the Property, and several homeless individuals routinely sleeping in the lobby.
2. During the past five months, Receiver and Plaintiff have focused on securing the Property from vandalism and correcting outstanding L&I violations. As of the writing of this report, many L&I violations have been resolved or are pending L&I clearance. Plaintiff advised it has incurred approximately \$1,300,000 of Property-related operating expenses and repairs, with ~\$500,000 disbursed to date. Rent collections are extremely low and are declining. Operating expenses have been reduced to conserve cash and fund emergency repairs.
3. Since November 1, 2023, tenant occupancy has declined from 75% to 54%. As of March 31, 2024, for the period of December 1, 2023, through March 31, 2024, only 34% of the tenants have paid rent. In March 2024 rent collections totaled less than \$70,000. These rent collections were utilized to pay for 24/7 security guards, limited property insurance and limited operating expenses. There are no excess funds to pay for any of the Property's utilities, which approximate \$70,000/month. Now that the winter utility moratorium is over, both PGW and PECO have requested payments ranging from \$90,000 to \$100,000 each. On 4/12/2024 Receiver received a shutoff notice from PGW to pay \$98,707.40 (Exhibit A) by 5/12/2024 or the gas would be shut off. Philadelphia Water has not yet contacted the Receiver for payment.
4. Despite extensive efforts to correct all of the L&I violations, the Property's HVAC system, roof, water, and sewer systems are all in extremely poor condition. As such, the Property and its occupants are at risk if a major system failure occurs that cannot be easily remedied, such as:
 - a. Domestic Water pumps and related piping failure
 - b. Chiller & Boiler failure and related piping
 - c. Air conditioning, heat, and all related piping
 - d. Electrical distribution system failure
 - e. Roof failure
 - f. Facade collapse
 - g. Elevator failure
 - h. Windows failing and falling out of the building structure
 - i. Drain lines and related piping
 - j. Exterior Loading dock ceiling collapse

City of Philadelphia

RESOLUTION NO. 240479 continued

A. ACTIONS TAKEN BY THE RECEIVER DURING THE REPORTING PERIOD.

1. Preserving the Asset: Building and Security Status

- a. Initial Tour - SREA Property Management, LLC accepted the receivership assignment on November 17, 2023. Prior to the assignment, on November 6, 2023, the Receiver's property management staff toured the Property to assess the Building and grounds. Photos were taken throughout the Property to document the violations. The following were the initial observations:
- b. Property was in general disrepair and poor condition, with the second and third floors abandoned.
- c. There were 107 outstanding fire code violations and over 100 property condition violations.
- d. The emergency exit doors were welded closed.
- e. Only two of the three elevators were operational. All of the elevator operating licenses had expired.
- f. Except for a front desk staffed by resident volunteers, there was no security at the front entrance, rendering the Building accessible to any person who wanted to enter. Homeless individuals often used the Property's lobby as a sleeping area at night and the Property housed squatters.
- g. Many interior office lights, fire tower lights, and exterior lights were not working because the Defendant had not provided the maintenance staff with replacement bulbs for an extended period of time.
- h. Upon investigation, it was determined that two of the four hot water tanks were inoperative, and the third, while operative, was leaking and provided limited hot water to the Building.
- i. Because the initial inspection was in November, the temperature of first three floors was very cold due to the deficient HVAC system.
- j. Rodent, insect, and racoon infestation was rampant.
- k. There was no operating fire alarm system.
- l. All roofs were inspected, and all showed evidence of leaking.
- m. Many of the fire extinguishers were missing.

Receiver's First Interim Report – Page 4

Case ID: 201100908

City of Philadelphia

RESOLUTION NO. 240479 *continued*

2. Code Violation Progress Report

- a. The previous property manager/owner welded shut the fire emergency doors. This was a critical safety issue and Receiver, with funding from Plaintiff, installed new code-compliant fire access doors.
- b. Plaintiff has incurred approximately \$1,300,000 of Property-related invoices to repair the Property in an attempt to achieve code-compliant status even though Plaintiff has no obligation to make or fund such repairs. Approximately \$500,000 has been disbursed to date.
- c. See attached Exhibit D for progress status of all code violations.

3. Building Security

- a. On 11/21/2023, Receiver retained St. Moritz Security Services, Inc., commencing on 11/24/2023 to provide 24/7 unarmed security at the front entrance. Approximate cost, not including overtime and holiday fees, is \$25,110 monthly.
- b. With the support and involvement of the Philadelphia Police Department and Property Management, 10 squatters voluntarily vacated the Property. Vacant units were permanently padlocked to prevent new break-ins and/or new squatter occupancy.

4. Banking and Expense Funding:

- a. Receiver's preliminary annual operating budget for 2024, which did not include payment of utilities January to March, was \$1,878,000. Additional repairs and startup supplies, not including code violation repair costs, were estimated to exceed \$355,000. Total projected operating costs, excluding L&I code violation repairs exceeded \$2,233,000.
- b. Total revenues were projected to be approximately \$1,071,000 in 2024. The forecasted 2024 operating deficit exceeded \$1,216,000.

5. Rent Collections & Tenant Occupancy:

- a. Defendant's November 1, 2023, Rent Roll reported 278 units of the 367 available units occupied (~75%). As of March 31, 2024, the Property has 198 tenants (54%) of which 40 are PHA-Section 8 tenants who are not paying rent.
- b. As of March 31, 2024, only 67 (34%) of the 198 tenants have paid their rent for the period of December 2023 to March 2024. Rent ranges from \$455 per month to \$1,300 per month with the average monthly rent of \$789.
- c. As of February 29, 2024, only 92 tenants paid their rent from December 2023 to February 2024 (25 new delinquent tenants in March 2024).

City of Philadelphia

RESOLUTION NO. 240479 continued

- d. As of March 31, 2024, 28 tenants have not paid any rent since the appointment of the Receiver in November 2023. In total, these 28 tenants owe in excess of \$315,000 in rent. There are 19 additional tenants who have not paid rent since January 2024. These tenants owe in excess of \$126,000.
- e. Rent collections collected thus far:
- | | |
|------------------|-----------------|
| Nov & Dec 2023: | \$108,968 |
| January 2024: | \$97,224 |
| February 2024: | \$97,534 |
| March 2024: | <u>\$69,772</u> |
| Total collected: | \$373,488 |
- f. Receiver and Plaintiff have met several times with The Public Interest Law Center (representing certain tenants at the Property) and the City Solicitor's office in an effort to improve tenant relations and rent collections.
6. **Operating Expenses (See Exhibit B for Profit & Loss Statement)**
- a. Not including utilities, payroll and expenses funded directly by Plaintiff, the Receiver has paid or incurred approximately \$298,564 in operating expenses and \$79,001 of one-time startup/emergency repairs totaling \$377,569 of expenses.
- b. Employees were hired and funded directly by Brith Sholom Foundation at a cost of approximately \$95,000/month. As of the date of this report, Receiver has not received a detailed accounting of the payroll expenses.
7. **Operating Deficit, before utilities, payroll and expenditures funded directly by Plaintiff for the Period November 10, 2023, to March 31, 2023**
- a. Total rent receipts for this time period were \$373,488.
- b. Total estimated expenses for this time period, not including payroll, utilities and expenditures directly paid by Plaintiff; were \$377,569.
- c. Deficit operations not including payroll, utilities and expenditures directly paid by Plaintiff for this time period was (\$4,081).
8. **Utility Status**
- a. Utilities have not been paid with the hope of reaching some payment plan with the utilities and Plaintiff in April/May.
- b. Receiver received notice from Philadelphia Gas Works ("PGW") on 4/12/2024 that gas would be shut off after 5/12/2024 if \$98,707.40 was not paid before 5/12/2024. (Exhibit A)

City of Philadelphia

RESOLUTION NO. 240479 continued

- c. PECO contacted Receiver regarding the status of payment of \$90,000 to \$100,000 of unpaid utilities. Receiver requested copies of bills.
- d. Philadelphia Water Department has not contacted the Receiver regarding unpaid bills. Based upon a review of the Defendant's Trailing 12-month Profit & Loss of were 10/31/23 it appears the Property's water & sewer bill is approximately \$20,000 monthly. Based on that average, the Receiver estimates approximately \$100,000 is due to the Philadelphia Water Department.
- e. Plaintiff and Receiver have discussed with the City Solicitors the potential for both Philadelphia Water and Philadelphia Gas Works to defer collection and place liens on the Property as of the writing of this report. The City Solicitor was exploring this option with both utilities.
- f. Plaintiff and Receiver have also approached The Public Interest Law Center, which represents several of the tenants, to see if PILC can assist Receiver in working with the utilities to keep the Building open.

9. Defendant

- a. The Defendant has provided:
 - 1) A trailing 12-month profit and loss statement as of 10/03/23
 - 2) The October 31, 2023, Accounts Receivable summary
 - 3) The November 1, 2023, Rent Roll, and the
 - 4) October 31, 2023, Accounts Payable.
- b. The Accounts Payable list as of 10/31/23 included \$1,620,000 of accounts payable as summarized below:
 - 1) \$739,107 to Philadelphia Water.
 - 2) \$188,782 to PECO
 - 3) \$157,403 to PGW.
 - 4) \$534,625 to 54 different contractors/vendors.
- c. The Accounts Receivable list as of 10/31/23 reported \$1,556,531 of tenant accounts receivable.
- d. The rent roll as of 11/1/2023 reported \$216,379 in tenant security deposits. Defendant has not responded to Receiver's request to transfer the \$216,379 of security deposits. Since Receiver has not received the transfer of these deposits, Receiver has directed tenants vacating the Building to send their requests for the return of these deposits directly to the former property manager.
- e. Insurance matters involving tenant claims pertaining to the former property manager/Defendant have been directed to the former property manager.
- f. The Defendant has transferred \$35,043 to the Receiver that it held in its operating accounts. No accounting regarding this payment was provided by the Defendant.

Receiver's First Interim Report – Page 7

Case ID: 201100908

City of Philadelphia

RESOLUTION NO. 240479 continued

10. Insurance

- a. The Property currently has coverage of \$5 million primary insurance policy in place through United Specialty Insurance Co. c/o P&G Brokerage, Inc.
- b. The Property had approximately \$35 million of insurance coverage consisting of \$5 million of primary property insurance and approximately \$28 million of excess property insurance and \$2 million of liability insurance. The insurance agent cancelled the policy and substantially increased the policy premium. When the Plaintiff and the Receiver requested an explanation as to the cancellation, the agent verbally said that it was due to the Property condition but no written information from the insurer was provided.
- c. Receiver and Plaintiff have made multiple efforts to communicate with the insurance agent. Plaintiff and Receiver have also requested on multiple occasions the full insurance policy from agent and carrier, but no information has been provided.
- d. The Receiver has requested that the Property's insurance broker obtain refunds on the cancelled policies. The broker advised it takes 60-90 days for the carriers to process refunds.

This Space Intentionally Left Blank

City of Philadelphia

RESOLUTION NO. 240479 continued

1st Quarterly Report Executive Summary

Accounting

1. Bank Account: Opened with Climate First Bank.
2. Balance Sheet and Profit and Loss Statements are attached (Exhibits B & C)

Next Steps

1. Due to the low rent collections and substantial operating deficits, poor Property conditions, and concern regarding imminent failure of key Building infrastructure and systems caused by the Defendant's neglect of the Property, recurring Building vandalism, and potentially dangerous squatter/criminal presence, Receiver, in consultation with Plaintiff, has determined that it is in the best interest of the residents, public, and all other parties to vacate the Property at this time.

Marketing Property for Sale

1. Both Receiver and Plaintiff have been approached by several potential buyers interested in acquiring the Property. At Plaintiff's request, Receiver is in the process of working in conjunction with a national brokerage firm to prepare an offering memorandum to market the Property for sale.

Quarterly Report

1. This report includes substantially the information the Court has directed to be included in a quarterly report. As such, this report will serve as the first quarterly report as well as the initial report.

City of Philadelphia

RESOLUTION NO. 240479 continued

Respectfully submitted,

/s/ Alan Jovinelly

Court Appointed Receiver
BRITH SHOLOM WINT, LP
SREA Property Management LLC
1760 Market Street, Suite 900
Philadelphia, PA 19103
Telephone: 610-389-6652
ajovinelly@stocktonrea.com

COURT APPOINTED RECEIVER

City of Philadelphia

RESOLUTION NO. 240479 continued

Exhibit A

Shutoff Notice PGW

City of Philadelphia

RESOLUTION NO. 240479 continued

Exhibit B

Balance Sheet

City of Philadelphia

RESOLUTION NO. 240479 continued

Exhibit C

Income Statement

City of Philadelphia

RESOLUTION NO. 240479 continued

Exhibit D

Code Violation Progress Report

City of Philadelphia

RESOLUTION NO. 240479 continued

CERTIFICATION: This is a true and correct copy of the original Resolution, Adopted by the Council of the City of Philadelphia on the sixteenth day of May, 2024.

Kenyatta Johnson
PRESIDENT OF THE COUNCIL

Elizabeth McCollum
INTERIM CHIEF CLERK OF THE COUNCIL

Introduced by: Councilmember Jones

Sponsored by: Councilmember Jones, Council President Johnson,
Councilmembers Gilmore Richardson, Squilla, Bass, Driscoll,
O'Rourke, Landau, Lozada, Phillips, Brooks, Harrity, Gauthier,
Thomas and Young