



# **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**



## **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

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## 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

## **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.

## **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).

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)

- 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.

## 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.

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## **1<sup>st</sup> 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.

Respectfully submitted,

*/s/ Alan Jovinelly*

Court Appointed Receiver

BRITH SHOLOM WINIT, LP

SREA Property Management LLC

1760 Market Street, Suite 900

Philadelphia, PA 19103

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COURT APPOINTED RECEIVER

**Exhibit A**

**Shutoff Notice PGW**

**Exhibit B**

**Balance Sheet**

**Exhibit C**

**Income Statement**

**Exhibit D**

**Code Violation Progress Report**