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**Case Subject:**

1620-1626 Cecil B. Moore Avenue

**Department/Agency:**

Philadelphia Redevelopment Authority

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CITY OF PHILADELPHIA  
OFFICE OF THE INSPECTOR GENERAL



Public Report  
*1620-1626 Cecil B. Moore Avenue*

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## I. EXECUTIVE SUMMARY

On February 22, 2019, the *Philadelphia Inquirer* published an article titled, “How Philly developer ‘Mr. Bigg,’ backed by Darrell Clarke, got a bargain on city land near Temple.” The article recounted the sale of several vacant lots at 1620-1626 Cecil B. Moore Avenue, from the Philadelphia Redevelopment Authority (the PRA) to local real estate developer Shawn Bullard (Bullard). The PRA sold these properties to Bullard at a price significantly lower than the recorded fair market appraisal, and the article’s author suggested that Bullard was granted this discount because of his relationship to City Council President. The *Inquirer* article also cited spotty records at the PRA.

After a preliminary internal review, PRA and City officials requested the assistance of the Office of the Inspector General (OIG). The OIG’s inquiry was limited in scope and focused only on identifying the underlying facts of this transaction. Ultimately, this investigation rendered a long and drawn-out purchasing process, fraught with administrative complications at the PRA. Bullard was challenging and demanding throughout, and he enlisted the support of staffers at City Council President’s office, who ultimately aided Bullard in his negotiations with the PRA.

Although opaque, this transaction may not necessarily be indicative of nefarious conduct or wrongdoing. Absent additional evidence – and given the current land disposition environment – the OIG is unable to offer any specific legal conclusions.<sup>1</sup> Generally, however, enhanced transparency, monitoring and technical administration of the land disposition process will protect against any suggestion of impropriety, as was raised in the *Inquirer* article.

After outlining the OIG’s investigative steps in Part II and the necessary background in Part III, Part IV presents the OIG’s findings in a single, chronological narrative – recounting Bullard’s initial application, City Council support and the sequence of negotiations that led to the final sale price of \$370,000. Part V concludes with the OIG’s analysis, commentary and broad recommendations for process improvement.

## II. OIG INVESTIGATION

The OIG investigation proceeded in two phases: first understanding the PRA’s role in government and its process for land disposition; then discovering the precise sequence of events. The OIG interviewed all available parties who were involved in the transaction: including, (i) PRA leadership and all current and former PRA staff who handled meaningful aspects of the sale and/or interacted with Bullard; (ii) City administration officials; (iii) Shawn Bullard; and (iv) current and former staff from City Council President’s office who voluntarily provided statements in support of this fact-finding review.

OIG investigators also assembled and reviewed all available documentation: including, (i) purchase applications and plans; (ii) notes from the PRA case management database; (iii) appraisals; (iv) fact sheets and other PRA summaries; (v) City records; and (vi) emails between the parties.

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<sup>1</sup> The purpose of this report is to provide the interested stakeholders with the underlying facts, as interpreted by the OIG. Commentary and recommendations are intended as objective observations and opinion, to frame the issues.

### III. BACKGROUND

#### *Overview of the PRA*

First established by state charter in 1945, the Philadelphia Redevelopment Authority was initially created during the so-called “urban renewal period,” when the federal government was making substantial investments in urban development projects throughout the country. Up through the early 1960s, the PRA (and many other similar state-sponsored authorities) primarily functioned as a conduit for federal funding, managing and controlling the local disposition of federal funds on a project-by-project basis. The PRA has a five-member Board of Directors, who are appointed by the Mayor of Philadelphia.

More recently, the federal subsidies have declined, but the PRA still plays an important role in urban development in partnership with the City’s Department of Planning & Development. Because of the PRA’s status as a state-chartered entity, the authority can more easily handle things like capital projects, large construction contracts and other real estate transactions that may be more cumbersome for local government proper. The PRA may issue its own bonds, it has its own construction workforce and the authority holds approximately \$20 million in construction contracts for capital real estate projects. Generally, the PRA has three basic functions: (i) property acquisition through condemnation and/or eminent domain; (ii) affordable housing and community development projects, in partnership with the Philadelphia Housing Authority via Community Development Block Grants; and (iii) disposition/sale of publicly-owned land.

#### *PRA Land Disposition Process*

Currently, the PRA owns approximately 2,300 properties,<sup>2</sup> most of which were acquired through condemnation. Although not mandatory, the PRA Board voted to internally adopt the City of Philadelphia’s Land Disposition Policies, in order to achieve consistency across all public land sales.<sup>3</sup>

On average, the PRA sells approximately 80-100 properties each year. Because every sale of City-owned real estate requires a specific City Council Resolution/Ordinance,<sup>4</sup> the PRA is highly dependent on City Council members to drive the PRA’s land disposition volume. Furthermore, City Council abides by the customary practice of “councilmanic prerogative,” deferring to the Councilmember who represents the district where the property is located. So, the District Councilmembers (rather than the at-large members) are effectively able to unilaterally control the City-owned land disposition processes in their respective Districts.

Because the sale of a property requires specific City Council action, the PRA will not typically list a property for sale unless and until the District Councilmember initiates the process for a particular parcel.<sup>5</sup> Once the Councilmember has made this inquiry, the PRA will list the property on its website for 30 days. Interested parties may submit bids for the property during that period, including any plans for

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<sup>2</sup> Public Property owns approximately 5,000 properties, in addition to about 2,000 that are held by the City’s Land Bank.

<sup>3</sup> Accordingly, the PRA sells land in the same manner as both Public Property and the Land Bank.

<sup>4</sup> Philadelphia Code §16-201 and PA Urban Redevelopment Law (1945).

<sup>5</sup> The PRA defers to Council to save transaction costs associated with the sale. Most of the District Councilmembers will initiate the sale process through a specific request to PRA. In some select instances, if the property is particularly valuable/problematic and has a clean title, the PRA will actively inquire to Council about the possibility of a sale. But, for the most part, the PRA will wait for Council to make an inquiry. One exception is Councilman Squilla, who has authorized bidding for all available properties in District 1.

redevelopment/construction at the site. Along with the bid, the bidder must also furnish 10% of the bid price as a deposit, which is returned if the bid is rejected.

An internal review committee of PRA employees will then evaluate and score the bids based on the following criteria: (i) the specific project details and zoning; (ii) community plans/impact; (iii) financing capacity; (iv) the team of developers; (v) economic inclusion; and (sometimes) (vi) social impact.

Once the PRA review committee has made a selection, the PRA will then consult with the District Councilmember to tell him/her the outcome of PRA's public bidding process. At that time, the District Councilmember will review the selected bid and decide whether he/she wishes to support the sale. If the Councilmember approves, he/she will provide an official letter of support to the PRA and the sale process will continue. Sometimes, however, the Councilmember will state that he/she has decided not to proceed with the sale at that point. If the Councilmember withdraws his/her support, the sale will usually just stall indefinitely.

If the District Councilmember offers his/her letter of support for the sale, the PRA will then conduct a thorough compliance review and certain due diligence about the buyer, financing and construction plans. Usually, there is some further negotiation about the specific details of the project or the financing from this point forward.

The PRA and the buyer then execute a Redevelopment Agreement, which includes specific terms about the time, economic inclusion and project details. The Board must approve the sale by majority vote and City Council will subsequently pass a Resolution to authorize the sale. Then, the PRA will record the Redevelopment Agreement, which includes a right of reverter, along with the deed for the property.<sup>6</sup>

Altogether, from bid to finalization, the process can take anywhere from 12 to 18 months, sometimes longer.

#### *Directed Sales & Disposition Policy*

Although the City's Land Disposition Policy has been amended at least twice – once in 2014 and again in 2017 – it has always allowed for some mechanism of “directed sales” in which the City (with the required Councilmember support) may expressly direct the sale of a property to a specific buyer without an open bidding period. In these cases, a District Councilmember could effectively choose the buyer, based solely on an expression of interest. Starting in 2014, a directed sale had to be accompanied by an independent property valuation, to confirm that the sale was at reasonable market value.<sup>7</sup>

## IV. FINDINGS

### *Acquisition & Opening Interest*

In March 2005, the Philadelphia Redevelopment Authority first acquired the parcels at 1620-26 Cecil B. Moore, via condemnation. At that time, the properties were wholly undeveloped vacant lots. These parcels laid dormant – owned by the PRA with no record of any activity – until Shawn Bullard submitted written expressions of interest to both Council President Darrell Clarke and the PRA in September 2011.<sup>8</sup>

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<sup>6</sup> The Redevelopment Agreement travels with the property for the life of the agreement. If the buyer breaches the Redevelopment Agreement, the PRA may re-acquire the property.

<sup>7</sup> Prior to 2014, the price of directed sales did not have to be supported by a market valuation.

<sup>8</sup> Bullard's was not the only letter of interest; although it appears to have been the first.

In these initial expressions of interest, Bullard loosely proposed a mixed-use and market-rate development project for the site.<sup>9</sup>

After this initial expression of interest, there is no record of any further communication about the project (from Bullard, the PRA or City Council) until January 2014,<sup>10</sup> when Bullard reinitiated contact with Council President's staff. In email exchanges, City Council staff told Bullard that the Council President would support affordable housing projects at that location, rather than market-rate projects. Although Bullard's specific plans were still unclear, he represented to Council staff that his project would be some combination of market-rate and affordable housing.

Some months later, in August 2014, Council President Darrell Clarke submitted a letter of support<sup>11</sup> for Bullard's project and the PRA initiated the disposition process.

### *Initial Purchase Application*

On October 22, 2014, Bullard submitted his first purchase application to the PRA. In that application, Bullard proposed a single four-story mixed-use building, with no mention of affordable housing. The assigned PRA Project Manager asked Bullard for a 10% deposit a few days after receiving the application. Notably, this is the first time that there was any discussion of purchase price. The PRA initially quoted Bullard a total price of \$123,369 – the LAMA (Land Management) System<sup>12</sup> value – and Bullard provided the PRA with a check for \$12,337. The following month, November 2014, the PRA sent Bullard a Redevelopment Agreement for the properties, listing a purchase price of \$123,369. Bullard shortly signed and returned the agreement to the PRA Project Manager.

In January 2015, however, PRA staff identified additional expressions of interest that other potential buyers submitted while the property was stagnant over prior years. And, upon review, they further noted the significantly low LAMA price. The City's new Land Disposition Policy – which was updated a few months earlier in October 2014 – now required that any directed sale be supported by a fair market appraisal.<sup>13</sup> Knowing that the PRA Board would most likely not approve the sale of these properties without an appraisal, PRA staff ordered an independent appraisal of 1620-26 Cecil B. Moore.

The PRA Project Manager contacted Bullard and informed him that the PRA now required an independent appraisal – the sale price had to be revisited. The PRA provided Bullard with little context or explanation (aside from the change in City policy and the discovery of other expressions of interest), and Bullard voiced some frustration. Ultimately, however, Bullard acquiesced and awaited the appraisal results.

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<sup>9</sup> Bullard indicated that he could build either one four-story mixed-use building or four individual mixed-use buildings.

<sup>10</sup> Although there is no clear explanation for this delay, Bullard starred in a reality TV show, titled "A Match Made in Heaven," that was likely produced around this time.

<sup>11</sup> The PRA was unable to provide a copy of the Council President's letter of support.

<sup>12</sup> The PRA used the LAMA System as its primary project management database. The system, which was designed some years ago, used an algorithm to assign values to the parcels. This algorithm, however, did not yield accurate market-value projections, mainly because it was not updated with timely market data.

<sup>13</sup> Because there was no open bidding, this transaction was considered a "directed sale."

### *Appraisal Process*

The first record of any independent appraisal is dated February 2015 and estimated a fair market price of \$400,000. Those PRA employees who were interviewed for this investigation, including the PRA's former in-house appraiser, described this initial appraisal as a "draft" and noted that it was common industry practice to produce such a draft before finalizing an estimate.<sup>14</sup>

Equity Appraisal Co. then submitted a "final" appraisal on March 23, 2015 with a higher estimated value of \$495,000. There is no apparent explanation for the differing estimates, and it is somewhat unclear whether the full details of any appraisal were ever directly communicated to Bullard.<sup>15</sup>

Three days after the appraisal was finalized, on March 26, 2015, Council President introduced a Resolution to publicly recognize Bullard for his starring role in a reality dating show – "Match Made in Heaven." According to Council President's staff this Resolution was a typical public relations event that was wholly unrelated to Bullard's effort to acquire City-owned property via the PRA.<sup>16</sup>

Just after the open session of City Council that day, Bullard met a PRA Government Relations employee, who frequently attended City Council sessions and later became Bullard's primary point of contact at the PRA. Bullard said that he was trying to purchase the Cecil B. Moore parcels and that he was having some difficulty navigating the PRA's property acquisition process.

Over the following months, various PRA staff had several communications with Bullard about this particular transaction. By all accounts, Bullard was rather difficult and delayed the sale because he failed to provide certain construction plans and supporting documentation. PRA staff, however, walked Bullard through the process step-by-step. Finally, on May 4, 2015, Bullard agreed to a purchase price of \$495,000 – consistent with the final independent appraisal – and signed a PRA Redevelopment Agreement to reflect that price.

### *Revisited Negotiations*

After Bullard signed the agreement at \$495,000, there was no apparent communication about the transaction until September 2015, when Bullard contacted the PRA and indicated that he wished to revisit the sale price. Bullard challenged the appraisal figure as inexplicably high and offered, instead, to buy the parcels for a price of up to \$320,000.

Over the course of the following months, Bullard and the PRA went back-and-forth about the sale price. Bullard repeatedly argued that the appraisal was high and cited the previously quoted (and much lower) LAMA price.<sup>17</sup> The PRA staff were fairly consistent about the authority's commitment to the \$495,000 number, and they internally discussed abandoning the sale to Bullard in favor of an open bid. The PRA in-house appraiser reviewed the Equity Appraisal figure and determined that it was well-supported. The

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<sup>14</sup> PRA staff later referenced this initial "draft" estimate in some subsequent conversations with Council President's staff.

<sup>15</sup> Up through February 2016, Bullard repeatedly asked to see the underlying appraisal.

<sup>16</sup> Those interviewed stated that nobody from Council President's office ever met Bullard prior to this day, nor was anyone aware of Bullard's pending transaction with the PRA at that time.

<sup>17</sup> \$123,369.

PRA's Executive Director at the time also directly communicated with Bullard and explained that the PRA would not deviate from the \$495,000 sale price.

Around this time, Bullard also had a number of communications with staff from Council President's office. Via email, Bullard requested support of his effort to revisit and renegotiate the sale price with PRA. Bullard also retained the services of a local lobbyist to assist with the negotiations.

Although there are a number of emails in which Bullard references conversations with representatives from City Council and/or openly solicits support, there is minimal record of any communication from anyone at Council to anyone at the PRA. It seems clear from the email communications, however, that some members of Council President's office had some conversations with various PRA staff about the transaction and about the sale price, specifically.

Regardless, there is no question that the PRA showed absolutely no intention to deviate from the supported \$495,000 figure, up through December 2015.

#### *Final Price*

Between December 2015 and April 2016, the PRA was without a chief executive and experienced a somewhat disorganized transition. During that time, the City's Office of Planning & Development sometimes consulted on PRA matters in the absence of an acting Executive Director. The Office of Planning & Development noted a significant backlog of properties with the PRA and, as a matter of overall direction, generally emphasized a need for the PRA to dispose of property more efficiently.

By March 2016, Bullard continued to press his offer of \$320,000 for the Cecil B. Moore parcels. Although there is some minor discord about the communications between the PRA and the City's Department of Planning & Development, all parties indicated a willingness to negotiate with Bullard at this point – as long as any deviation/reduction was supported by a transparent and well-reasoned assessment. Any sale would have to be approved by the PRA Board, regardless. So, the leadership at that time reasoned that the Board would ultimately decide whether any price reduction was appropriate – as long as they were presented with the correct facts.

From this point forward, the PRA began to more flexibly negotiate with Bullard. In mid-March, the PRA informed Council President's office that the PRA would accept \$400,000 for the parcels. The PRA stated that this number was supported by an independent appraisal – apparently referencing the Equity Appraisal “draft” number – and later met in-person with Bullard to communicate this proposed sale price.

But despite the PRA's concession, Bullard continued to argue that the parcels were worth far less. Specifically, starting in April 2016, Bullard referenced a zoning variance that would no longer be available.<sup>18</sup> According to Bullard, his initial cost/value estimates assumed that the variance would be

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<sup>18</sup> OIG investigators spoke with L+I Code Officials about Bullard's claim. L+I confirmed that, in early 2016, the Board of Building Standards' variance practice changed significantly. Chapter 10 of the International Building Code has always proscribed a maximum specific entry/exit travel distance for at least two entrances and/or exits for any given construction project. Prior to 2016, the Board of Building Standards would routinely grant applicants a variance from this restriction, as long as there was one exit that met the requirement. But, in early 2016 the Fire Department raised safety concerns about the frequency with which the Board granted this variance. Since then, this



granted. But, Bullard's inability to secure this variance would ultimately result in his having to eliminate at least one two-bedroom unit in each building. Bullard argued that the elimination of these units would devalue his investment and, therefore, justify a further price reduction.

The PRA's in-house technical expert evaluated Bullard's argument. According to that evaluation, Bullard was correct about his inability to acquire the variance, causing him to eliminate one of the planned apartments in each of four buildings. The PRA expert estimated that this change would cost each building approximately \$2,750 per month in lost rental income.<sup>19</sup> Carried across the four buildings, the PRA calculated that Bullard's proposed project would be \$132,000 (19%) less profitable each year.<sup>20</sup> Further discounting the project by an additional 6% for "developmental risk<sup>21</sup>," the PRA expert believed that the lack of a variance could feasibly support a price discount of 25% (\$123,750) from the \$495,000 appraisal.

Based on these calculations, the PRA informed Bullard of the newly approved \$370,000<sup>22</sup> price, and Bullard agreed. There was no formal document retained by the PRA and there were no specific notes about this formula within the LAMA records system. However, the OIG located sparse handwritten notes with these calculations, dated April 28, 2016.

#### *PRA Board Approval*

On April 29, 2016, the remainder of the transaction was assigned to a new PRA Project Manager, who was instructed to finalize the sale at a price of \$370,000. The Project Manager prepared the final "Fact Sheet" for presentation to the PRA Board, which stated that the sale price of \$370,000 was supported by an independent appraisal. The Fact Sheet also reported that Bullard was a new developer with no prior PRA history.<sup>23</sup>

On June 8, 2016, the PRA Board met and reviewed the Fact Sheet. Although the Fact Sheet referenced an independent appraisal, there was none provided to the Board.<sup>24</sup> Having no reason to question the information in the Fact Sheet, the Board voted to approve the sale to Bullard at a final price of \$370,000.

On July 27, 2016, Bullard signed a final Redevelopment Agreement and City Council later passed a Resolution to approve the sale of the parcels to Bullard at the specified price.

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variance has become quite difficult to obtain, and certain construction projects now must incur additional costs to come into compliance with this IBC provision.

<sup>19</sup> The PRA estimated that the loss of one residential unit would translate to \$4,000 in lost residential income per month. But, the residential loss would be offset by a corresponding increase in commercial rent of \$1,250 – for a net loss of \$2,750 per month.

<sup>20</sup> According to the PRA expert, Bullard's development had a projected yearly profit of \$708,000. So, it would now be 19% ( $132,000/708,000$ ) less profitable.

<sup>21</sup> Developmental risk includes: unexpected environmental factors, unexpected time delays and/or unexpected land costs.

<sup>22</sup>  $\$495,000 - \$123,750 = \$371,250$ .

<sup>23</sup> This statement was incorrect. Prior to 2016, Bullard purchased three other properties from the PRA, and L+I issued Bullard a number of Code Violations for these construction projects.

<sup>24</sup> The PRA has since changed the process – all Fact Sheets now include a copy of the appraisal for Board review.

### *Project Progress*

Since the sale was finalized in July 2016, Bullard's development has experienced several changes and delays. Although he originally proposed four separate structures, ultimately, he moved forward with a two-building plan. In the fall of 2017, Bullard finished "Phase 1," a mixed-use commercial-retail/residential building at 1626 Cecil B. Moore Ave. For "Phase 2" of the project, Bullard submitted plans to build a four-story nine-unit apartment building with commercial space at 1620-1624 Cecil B. Moore Ave. In March 2018, he obtained additional mortgage financing for the project. Then in July 2018, he secured a permit to increase the residential units from nine to sixteen.

On June 3, 2019, the PRA issued Bullard a Notice of Default, citing his failure to meet contract diversity requirements and prohibiting the PRA from inspecting the development's construction. While the PRA expected Bullard's project to be completed by December 2018, construction on Phase 2 continues to date. The "high end" Phase 2 development, which includes "penthouses," is currently being marketed to students with availability for the fall 2019 semester.

## V. ANALYSIS & RECOMMENDATIONS

### *Councilmanic Prerogative & the Need for Transparency*

One may argue that so-called "councilmanic prerogative" is a valuable and positive practice because it allows our community to exercise some substantive control over property development via elected representatives. One may also claim, however, that such a practice is a disservice to our community because it stifles turnover and fosters an appearance of favoritism. Regardless of one's view – both of which may be equally valid – it is the current reality of public property disposition in Philadelphia. Any analysis of the Bullard transaction, therefore, must acknowledge the political environment and separate operational questions from this policy debate.

Policy questions aside, this investigation has highlighted an overwhelming sense that the property disposition process is simply too opaque. First, the PRA will not initiate any open bidding without some indication of City Council support. This is certainly a sensible position for the PRA to save valuable time and effort, but it also reduces sale volume and causes delay. Moreover, it seriously undermines the subsequent "open bidding" period because it suggests that the relevant Councilmember has already made a selection. In the case of these Cecil B. Moore parcels, for example, Council President offered his letter of support well before Bullard had any firm plans in place. Although there was no bidding process here, Bullard apparently represented to City Council that his project would have some affordable housing – so Council President's support in 2014 could now appear unrelated to the specific project and purely relationship-driven.

On the back-end, the disposition process is equally susceptible to such a perception. After the PRA's vetting and Board approval, the Councilmember may or may not choose to introduce a Resolution, with or without any explanation at all. To the public and any interested bidders, this gives an appearance of impropriety – because the sale is openly publicized but the results of that process are not publicly communicated.<sup>25</sup>

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<sup>25</sup> See, e.g., "How City Council President Darrell Clarke stopped housing from rising on a vacant city lot and helped his landlord," *WHYY PlanPhilly* (June 10, 2019).

Perhaps most relevant to the Cecil B. Moore properties, however, is the need to distinguish honest constituent services from undue political pressure. The primary thrust of the original *Inquirer* article was to suggest that Bullard received a price discount because the PRA succumbed to political influence. The only response that this investigation can offer to such an accusation is the unbiased presentation of facts above. It seems clear that representatives of Council President's office assisted Bullard throughout the process and also involved themselves in some specific conversations about the price. A communications representative from the Council President's office recently suggested that such conversations violated internal policy and may be cause for employment discipline.<sup>26</sup>

But, the PRA's portion of the transaction was also inconsistent and flawed. Given the legal fact that a City Council Resolution was always necessary in the end, it is very difficult – if not impossible – to conclude that the actions of anyone at City Council were *per se* problematic. Without additional facts, analysis of the Bullard transaction will likely hinge upon one's normative opinion of Philadelphia's "councilmanic prerogative."

The only thing that may shed light on future property transactions like this, and inform the broader discussion of City land disposition, is maximum transparency. Ideally, the PRA, City Council and/or the City at-large should make every step of the process open to public view: including, decisions to initiate and/or abandon a sale; specifics about the interested parties and their respective plans; and even evaluative criteria. Only then will scrutiny of these transactions be productive and move the City forward in the right direction.

#### *Flaws of "Free-Market" Pricing & the Need for Monitoring*

The author of the *Inquirer* article made much of the significant price reduction that the PRA offered to Bullard, again suggesting that a discount from the appraisal could only be justified by some nefarious influence. The OIG's examination of this sale, however, cannot support such a conclusion without additional evidence. The economic fact is that acquisition of property through the PRA – as illustrated by Bullard's purchase – is much different than a private sale of real estate on the open market. Even a large discount, therefore, may be warranted for a number of upright reasons.

First, the time and effort required to purchase publicly-owned land must be considered. Here, Bullard's initial expression of interest was in 2011, and the sale was not completed until the summer of 2016. Even though Bullard may be partially accountable for this delay, it is reasonable to expect the final sale price to reflect some of the costs associated with such a lengthy process that involves several different arms of local government.

Second, unlike some other private sales, the purchaser's substantive development plan matters. At various stages, Bullard's project was supposed to be evaluated for its impact on the community and other factors that are not typically considered in private real estate deals. Price is clearly not the only factor driving PRA and/or City Council action; otherwise there would be no need to evaluate the project at all. Furthermore, there is a Redevelopment Agreement recorded along with the deed, granting the PRA some degree of property interest over an extended period of time. Accordingly, most of these sales should justifiably be at a price somewhere below a free-market appraisal figure.

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<sup>26</sup> See, "Council President Darrell Clarke backtracks on no-bid land sale statement after release of new emails." *Philadelphia Inquirer* (May 26, 2019).

So, while the price discount in the Bullard transaction may be large,<sup>27</sup> the more notable problem is the parties' collective failure to monitor the project after the sale. Despite some of Bullard's initial representations about housing diversity and affordability, the project now looks different. Bullard changed his plans at several different points during the application and construction processes. He increased the number of units, failed to achieve his commitment to anti-discrimination, stalled PRA inspections, and is currently advertising "penthouses" for rent at the location. In short, Bullard took advantage of the City's land disposition process for his own private gain.

The PRA recently defaulted Bullard, but the PRA should not be left alone in the enforcement process. City Council officials should be as active in enforcement as they were before in the sale. After all, Council's current interest in the Cecil B. Moore parcels should be at least as strong as it was in 2016.

Without robust monitoring and back-end enforcement from all interested parties – including the PRA, City Council, other City agencies and the community at-large – the City's land disposition process cannot accomplish its development goals and should be abandoned in favor of a simple "highest bidder" system. The only reason to impose extreme transaction costs, long delays, deep project evaluation and corresponding price discounts is to exercise control over the development itself.

It may be helpful to have a requirement and/or mechanism for PRA monitoring officials to report back to City Council about project progress for past sales. Thus, the City Councilmember who first supported the initiative can be informed about any changes in the project, compliance with anti-discrimination rules, timing, and/or L+I enforcement issues that have affected development. This could create an additional incentive for developers to communicate with PRA, while simultaneously keeping City Councilmembers up-to-date about their respective Districts.

#### *Administrative Errors at the PRA*

Finally, this investigation has identified a number of errors in the technical administration of the disposition process at the PRA.

First, the original PRA Project Manager quoted Bullard an exceedingly low price that sourced from a flawed LAMA system. Bullard paid a deposit and signed a Redevelopment Agreement at this initial price of \$123,369. While not binding, one can understand Bullard's reliance on this figure to some extent. Only later did the PRA realize that there were additional expressions of interest and the price was unsupported by a legitimate evaluation. This is an obvious error. And to compound the confusion, the City's Land Disposition Policy changed around this time, which was also sparsely communicated to Bullard.

Second, there were two conflicting appraisals: one "draft" number at \$400,000 and another for the "final" \$495,000. While draft appraisals may be common industry practice, it seems likely that Bullard learned about this inconsistency. The lower figure clearly anchored negotiations at some point, and communications between the PRA and City Council staffers all reference the \$400,000 figure. These

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<sup>27</sup> It should be noted that any appraisal will include some degree of subjectivity. As part of this investigation, the City's Office of Property Assessment conducted an additional evaluation of the Cecil B. Moore parcels at the time of the sale. According to that estimate, the parcels could have been worth more than the PRA's appraisal figure of \$495,000.

divergent estimates provided Bullard with some foundation to revisit negotiations and simultaneously placed the PRA in a defensive position.

Third, the PRA experienced a leadership transition during a critical period of the Bullard negotiations. For several months, the PRA was without an Executive Director and without clear lines of accountability. The lack of consistency/clarity, however, was a key factor in the final decision to bargain.

Fourth, the PRA's ultimate price adjustment was off-the-cuff, undocumented and informal. Although there were some informal notes, there were no notes in the LAMA system and no independent record of the fact that the PRA actually evaluated the impact of the variance. To boot, the PRA's final rental estimates may be substantively questionable, and it is unclear why a reduction in future profitability would translate to an equivalent price discount.<sup>28</sup> Altogether, this adjustment is questionable at best.

And perhaps most troublesome, the Board Fact Sheet was plainly misleading. It was perfunctory, contained factual errors about Bullard's PRA/L+I history, and referenced an independent appraisal at \$370,000 which did not exist. Although the Fact Sheet may have been referencing the ad hoc adjustment, the PRA Board did not have the proper facts to make an informed decision.

Given all of these events, Bullard's frustration with the process may have been justified and his enlistment of Council President's assistance may have been a direct result of such frustration. Other questions aside – and without additional evidence – the final sale price appears to be most reflective of the PRA's inclination to push through a stalled transaction and move forward in the interest of other projects.

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*It should be noted that the institutional stakeholders who participated in this investigation, including the Philadelphia Redevelopment Authority and City Council staff, were cooperative and committed to an honest and independent OIG review process. This investigation would not have been possible without such a resolute effort. We understand that our entire City is constantly working to improve the quality of public service, and the OIG will remain available to assist the City in any way possible.*

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<sup>28</sup> The PRA estimated a monthly residential loss of \$4,000 and commercial rental gain of \$1,250. These numbers, and the 6% "developmental risk" discount, are unsupported by any comparable market research.