

Memorandum

To: Clyde Wilhelm
From: Robert McTiernan and David Mongillo
Date: May 29, 2020
Re: Swissvale - Acquisition of 2622 Woodstock Avenue

This memo is to memorialize our previous discussions related to the liens and other encumbrances on 2622 Woodstock Avenue, the site of the former Ladies of the Grand Army of the Republic Home. The information below is based on title searches performed in 2013 and 2017, and we recommend an updated title search if current information is needed. Please let us know if you would like us to perform an updated title search.

The property is encumbered by two mortgages totaling \$150,000; a mortgage foreclosure judgment in the amount of \$65,853.58; more than 30 tax liens and more than 11 tax judgments totaling more than \$1,500,000.00. The tax liens include more than \$800,000 in federal tax liens and more than \$500,000 in Borough, County and School District real estate tax liens.

The County assessed value of the property is \$313,000. The most recent owner of the property is Time Out Ministries, Inc., which filed for bankruptcy in 2012 and which no longer appears to be operating. Regardless of the manner of acquisition, Swissvale will likely be forced to pay full market value for the property in order to satisfy the outstanding tax liens. The sale will also require Swissvale to pay administrative costs and attorney fees to negotiate and complete the sale.

Acquiring this property would require Swissvale to resolve the above liens and judgments before closing. Given the assessed value of \$313,000, the purchase price will be much less than the amount of outstanding liens. It may be impossible to acquire the property via a private sale, because 1) the lienholders (a mix of private and public entities) may not voluntarily accept less than the full value their liens and 2) it may be impossible to locate the principals of the current owner, Time Out Ministries, Inc., in order to negotiate a sale.

If a private sale is impossible, as is likely, then Swissvale must acquire the property via eminent domain. Pennsylvania's eminent domain procedures will require Swissvale to pay full fair market value for the property. If owner Time Out Ministries can be found, then the full market value of the property must be paid to lienholders before any payment is made to the owner. If the owner cannot be found, the value of the property must be paid into court in order to allow the lienholders to receive a pro rata share of their respective liens. The United States should be added as a party to eminent domain filing, or else the federal tax liens will survive the

eminent domain proceedings, and Swissvale will not be able to reduce the amount owed to the Federal government in the same manner as the other lienholders. 26 U.S.C. § 7425. There are extensive procedural notice requirements and filing requirements associated with an eminent domain proceeding, and the cost of taking property via eminent domain is typically higher than the cost of a private sale.