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THE REAL ESTATE, BANKING
AND COMMERCIAL WEEKLY FOR MASSACHUSETTS

► RESIDENTIAL

Land Flips Continue, Despite Indictments

Mortgage Broker's Trail Wends from Hub to Springfield

By Joe Clements

TODD L. SCHAEFFER IS BACK. Then again, it appears the indicted Brighton mortgage broker never really went away.

Despite facing criminal charges for allegedly running a so-called land flip scheme in Plymouth County during the past 15 months, Schaeffer has continued to buy and sell properties throughout the Bay State, in many cases ringing up huge, quick profits similar to deals which he is now facing prosecution for. Some of those transactions will now be given closer scrutiny, according to Plymouth County District Attorney Michael Sullivan.

A search of Registry of Deeds records by Banker & Tradesman showed that Schaeffer last month sold 3 Jane St. in Springfield, a nine-unit apartment building, for \$300,000, four months after acquiring it for \$131,000. Sara Hannasi, listed as the new owner of that building, also acquired 76 Spring St. in Brockton from Schaeffer last month for \$87,800 after buying 72 Spring St. in late December for \$110,000.

According to Registry records,



B&T photo by Rick Ouellette

In a little more than one month, tenants at 59 Norfolk St. in Cambridge came into contact with four parties purporting to have claims on the building.

Schaeffer had bought both Brockton buildings last August for \$6,000 total. He also organized a limited liability corporation, Power Properties LLC, last September, that has been involved in several other recent deals.

Schaeffer is also entangled in a convoluted ownership battle over two Cambridge apartment buildings. (See accompanying story.) One party charges that an auction Schaeffer arranged to sell the note on the properties earlier this month was done improperly, although the auction-

eer, Paul E. Saperstein Co., disputes that notion, as does Schaeffer's attorney, Thomas R. Shane.

Along with Marblehead attorney E. Frederick Armstrong, whose law license is currently suspended, Schaeffer was charged last fall with larceny and falsifying mortgages on 24 properties in Plymouth County. The case has now been expanded, with Suffolk County having just handed down indictments against Schaeffer, Armstrong and two appraisers, Thomas

Continued on Page 17

Cambridge Tenants Question Buildings' Shifting Ownership

By Donna L. Goodison

TENANTS FIGHTING TO MAINTAIN affordability at two Cambridge apartment buildings recently staged a protest during an auction at which the purchase option for their buildings was sold for \$1.35 million. The auction was orchestrated by Todd L. Schaeffer, who has attracted renewed interest from law enforcement officials in two counties for his alleged role in land flips.

Backed by Cambridge City Council, the Campaign to Save 2,000 Homes and the Eviction Free Zone, the tenants are resisting possible rent increases or evictions from former rent-controlled apartment buildings at 59 Norfolk St. and 6-10 Porter Road.

"Our concern is that we're all low-income tenants, and the kinds of prices the building is selling for are unrealistic for the type of building," Norfolk Street tenant Sandy Martin said. "It inevitably means that they'll have to triple the rents, which means we'll be forced out."

Confusion about the buildings' ownership is adding to the tenants' anxieties. In a little over a month, the tenants have come into contact with four parties

Continued on Page 21

Mortgage Broker's Trail Wends from Hub to Springfield

Continued from Page 1

Kilgarriff of Pembroke and James Sherman of Charlestown.

Plymouth County First Assistant District Attorney Joseph P. Gaughan has been appointed special prosecutor of the Suffolk cases. The somewhat unusual move was done because of the similarities of the cases and due to Gaughan's experience in pursuing such cases, Suffolk District Attorney spokesman James Borghesani said last week. It is also possible, according to sources, that Armstrong and other defendants may seek to combine the cases into one trial.

'Economic Terrorism'

Land flips denotes buying a property and quickly reselling it, usually in order to make a quick profit. The scenario may or may not be illegal, but over the past decade, there have been numerous instances of flips that involved falsifying mortgages to make it appear the purchase price was higher than it actually was. The Plymouth County District Attorney's office has vigilantly fought those practices since a series of land flips in the 1980s left many urban areas such as Brockton blighted from buildings abandoned after the deals were uncovered. Many later became drug houses or targets for arson. Sullivan, likening it to "economic terrorism," said his office consider such plots to be "extremely disruptive."

"It causes harm not only to the investor ... but also to the communities and neighborhoods that ultimately will suffer with these abandoned properties," Sullivan said.

The pursuit of Schaeffer, Armstrong and the others should put would-be schemers on notice, the District Attorney added.

"We're hoping these indictments will send a message to those who might attempt to use a land-flip scheme," Sullivan said. "It won't be tolerated in Plymouth County, it won't be tolerated in Suffolk County, and it won't be tolerated within the commonwealth of Massachusetts."

In Suffolk County, most of the 13 properties involved in the indictments were cited in a July 1997 B&T article that detailed a series of unusual flips undertaken by Schaeffer and his wife, Holli Siegel. In most cases, Schaeffer or Siegel were listed separately as executives of the acquiring trusts, but law officials maintain that Siegel was merely a pawn in Schaeffer's plot. In one instance, Siegel bought six buildings in Allston for \$168,000 each, then traded all of them within two days for between \$260,000 and \$265,000 each.

Among Schaeffer's transactions was 317 Silver St. in South Boston, which he paid \$122,000 for on April 3, 1997 and sold it the following day for \$185,000 to James Willis of Wellfleet. Willis and Robert and Jesse Carll of Wood Lane in Maynard were the main buyers, although prosecutors maintain that they were also unaware of the scheme and may be called to testify in the upcoming trials. Virtually all of the properties are now in default, according to sources.

Lenders' Role

Efforts to contact Schaeffer were unsuccessful, and Shane said he believes the time is inappropriate for his client to

discuss the current indictments. But Shane also said Schaeffer will fight the charges, insinuating that the mortgage companies which funded the acquisitions could be one target. Among the firms which provided Schaeffer and his cohorts mortgages in Suffolk County were Amresco of California, Walsh Securities of New Jersey, and Residential Mortgage Corp. of Rhode Island.

"There really is a much bigger picture here," Shane said. "The lenders have a much bigger role than what might appear."

Calls to the mortgage companies were not returned by B&T's press deadline.

On the Cambridge apartment issue, Shane said Schaeffer's involvement is simply an effort by his client to continue pursuing his career for the benefit of his family, which includes three children.

"Todd is in the real estate business, and he happens to be a very bright guy who understands the real estate business very well," Shane said. "That's all he knows; that's all he does."

Shane said he is familiar with the Cambridge imbroglio, but insisted that the auction was legitimate. He said he was unaware of the other deals Schaeffer has

been involved in, although Shane suggested the rapid turnover and quick profits may simply be an indication of the current hot real estate market. Among the deals was 37 Dorchester St. in Springfield, which Schaeffer bought for \$16,000 last August and sold it a month later for \$77,000.

"I don't know that you can conclude very much with that," Shane said of that and the other deals.

When told of the Springfield properties, Sullivan said the agency plans to notify the Hampden County District Attorney to investigate, and said the Plymouth County office is already looking into the Springfield transactions. He would not elaborate further.

Jeffrey Mann, a spokesman for Paul E. Saperstein Co., said he was unfamiliar with Schaeffer's legal troubles, adding that the entity does not typically conduct background checks of clients. Nonetheless, Mann concurred with Shane that the auction itself was legal and above board.

"We have done sales before for people who have had contracts such as Schaeffer had," Mann said. "We were doing basically what we felt was proper in selling a piece of real estate." ■

Tenants Question Cambridge Buildings' Shifting Ownership

Continued from Page 1

purporting to have claims on the properties, including Schaeffer.

"Homes are not like pancakes," said campaign activist Bill Marcotte. "You can't flip them and flop them just for profit without regard to the fact that you're dealing with the homes of people."

The Cambridge tenants contend long-term affordable housing stability should hold weight against profits in a city losing its ethnic and economic diversity with a drain of affordable housing.

"Theoretically, I have nothing against the role of free enterprise," commented 25-year Porter Road tenant Robert Simon, who lives in a two-bedroom apartment with his wife and two children. "On the other hand, theoretically, government has a role to play in anything that reaches a crisis point. A lot of people, in the last few years, have been forced to leave Cambridge. Although people have a right to make money, profit has to be put in the context of the social situation."

Line of Owners

The tenants are uncertain who owns the apartment buildings at 59 Norfolk St. and 6-10 Porter Road, although Registry of Deeds information points to Porter-Norfolk Trust.

Sidney and Norman Gross of Brookline purchased the properties in 1974. Both properties were poorly maintained, as evidenced by numerous building and sanitary code violations cited by the Cambridge Inspectional Services Department.

Approximately six months ago, Porter Road tenants heard rumors of pending changes and approached the Campaign to Save 2,000 Homes, launched in 1996 to address the loss of rent control for protected-status tenants.

"They came to find out what they might

be able to do if they were asked to move out," Marcotte said.

The Norfolk Street tenants, meanwhile, had received their third substantial rent increase from Sidney Gross since the lifting of rental control. Although they abided by the first two increases, they were not willing to pay the latest because of the building's poor condition.

In a Nov. 26 letter, Sidney Gross informed Porter Road tenants they had to vacate their apartments by the end of December. According to residents, Gross said a rehabilitation of the building would prove too dangerous if occupied. When the renovations were completed, rents would be too high for current tenants to return.

Tenants resisted and organized into the 6 Porter Road Tenants Organization. The Inspectional Services Department confirmed their contention that the extensive repairs did not require tenant evictions.

With orders from the Inspectional Services Department to rectify serious code violations, Gross sold the properties on March 2 without doing so. He told Banker & Tradesman he did not meet the new owners and had no further comment.

According to Middlesex County Registry of Deeds information, however, Gross holds the \$990,000 mortgage for the properties. Gross sold the buildings for \$1 million to Porter-Norfolk Trust, of which Leonard J. Aronson of Brookline is the trustee. The deed was not filed with the registry until April 3.

Aronson met with tenants of both properties and representatives from the

Campaign to Save 2000 Homes and Eviction Free Zone on March 23. He reportedly told tenants he would not hold them to Gross' eviction notices. According to Marcotte, Aronson pledged if he sold the properties, his first-choice buyer would be a non-profit Cambridge group.

"He was telling them he was concerned for the long-term security and affordability of these units," Marcotte said. "So, we were pretty pleased about what we heard from him that day."

Tenants were thus surprised when a March 29 Boston Globe advertisement hawked an April 7 auction of both properties.

The auction, conducted by Paul E. Saperstein Co., was organized by Schaeffer, but the extent to which Schaeffer is involved in the property remains unclear.

Aronson, who is still the owner of record, told Banker & Tradesman he tried to prevent the auction from being held.

"I know nothing about the auction, nor do I condone it," Aronson said. "I tried to block it. I tried to explain to them they didn't have the right to do it."

When asked if he planned to evict the tenants or raise their rents, Aronson said, "I haven't done either. I just want to fix up the property and clean up the code violations."

"If you buy real estate, it's like a box of chocolates," Aronson added. "You don't know what you're going to get until you open them up."

Fearful of "litigation issues," Aronson declined further comment until the "smoke clears" in about four weeks.

Twenty tenants and Eviction Free Zone

"Homes are not like pancakes. You can't flip them and flop them just for profit without regard to the fact that you're dealing with the homes of people."

BILL MARCOTTE
Cambridge

representatives picketed the auction at the Ramada at Logan Airport and handed out fliers expressing their concerns. Four of them made it into the actual auction.

A \$50,000 deposit was required for the properties. The winning \$1.35-million bidder was Joseph Yous, who has 30 days to arrange payment of the balance.

Yous confirmed last week he was arranging financing to purchase the properties. He claims he is not sure who owns the properties and what role Schaeffer has in them. His attorneys are corresponding with the owners through a post office box address for Howland LLC.

Yous plans to renovate the properties and perhaps convert them to condominiums. He said rents must be raised to cover a mortgage that will run \$15,000 a month.

"In order to pay that mortgage, you have to have tenants pay the rent," Yous said. "Either they have to pay the market price after I fix the violations or otherwise they have to leave. With the mortgage I'm paying, I have no other choice."

The Cambridge City Council this month passed a resolution urging the building owners and mortgage-givers to consider the tenants' affordable housing needs in their decision-making.

"The council would like to see these buildings remain affordable to the residents for the long term, either through a sale to a non-profit or a negotiated agreement with the tenants," the resolution affirms.

The resolution was sent to all Cambridge banks and lending institutions.

Marcotte said tenants, solely as a group, will only speak to Aronson — the current documented owner of the building — about long-term security and affordability at the properties.

"The tenants are not going to move," Marcotte said. "We're not going away, and they're not moving." ■

Tenant Associations of
59 Norfolk St. & 6 Porter Rd.
Cambridge MA 02139

RECEIVED BY
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April 30, 1998

Mayor Frank Duehay
Vice Mayor Galluccio
City Councilors

Dear Councilors:

Our members, the residents of 59 Norfolk St. and 6 Porter Rd., have appeared before you in recent weeks regarding events in our buildings, supported by the Campaign to Save 2000 Homes and the Eviction Free Zone. We want to thank you for your resolutions supporting us.

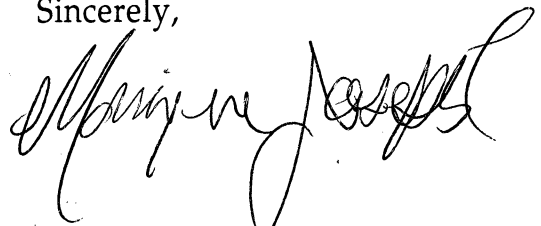
As you know, we have expressed our determination to stay in our homes despite some very unusual "flipping" of our buildings among 4 different owners in a one month period. We thought you would be interested in receiving copies of two articles from the most recent *Banker & Tradesman* which provide increased details about this situation. A copy is attached. We draw your attention especially to two items:

- The original sale from Sidney Gross to Leonard Aronson for \$1 million was funded by a \$990,000 mortgage held by Sidney Gross.
- The third owner, Todd Schaeffer, who recently held the auction, is under indictment for activities related to flipping buildings.

We wonder if it is not advisable for the City Law Department to look into possible connections between violations described by *Banker & Tradesman* and activities at our buildings.

We appreciate your support.

Sincerely,



MONIQUE JOSEPH

Consnet Communication #13

314-S

A communciation received from
Monique Joseph, regarding concern
from residents of 59 Norfolk Street
and Proter Road, relative to events in
their buildings, supported by the
Campaign to Save 2000 Homes and
Eviction Free Zone.

In City Council May 4, 1998

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