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Land trust probe deepens

Two accused of 'robbing Peter to pay Paul'

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In October 2004, John Wyche paid the Escambia County School District \$64,000 for the former L.A. Kirksey Elementary School on North D Street in downtown Pensacola.

Three years later, Wyche sold the property for \$160,000 to the Escambia County Community Land Trust, a nonprofit organization of which he was executive director.

The plan was to build 20 so-called affordable condos at \$350,000 to \$500,000 each on the property and then use the profits on those sales to build low-income housing.

The land trust bought the property with some of the proceeds of a \$281,270 loan from the The Florida Housing Finance Corp., a program that helps nonprofits acquire land for affordable housing.

After the purchase, the Kirksey School was torn down.

Five years later, the property remains vacant, one of many casualties in a multifaceted financial fiasco that involved hundreds of thousands of taxpayer dollars, destroyed ambitious plans to provide housing for poor people and brought an end to a charter school for at-risk teenagers.

The Kirksey School transaction is one of numerous transactions revealed in thousands of pages of investigatory documents filed in the State Attorney's Office.

The State Attorney's Office and state Department of Financial Services are conducting a complicated probe into the intermingling of money between the two major entities under the land trust: an arm for affordable housing and an arm for a charter school known as the Life Skills Center.

Last month, Wyche and O.J. Rembert, the land trust's treasurer, were charged with aggravated white-collar crime and conducting unlawful financial transactions. They are accused of transferring some \$494,000 in state dollars earmarked for the charter school to pay for their other personal and business ventures.

Wyche has not been charged in the Kirksey School transaction.

However, Assistant State Attorney Russ Edgar, the prosecutor in the probe, called the matter "suspicious." He said he's also looking at how the rest of the Housing Finance loans were spent.

"There is an allegation that money was drawn from the Florida Housing Finance Corp. and was used for other purposes," Edgar said. "We're investigating whether there was theft of those monies."

Wyche did not respond to telephone calls. Free on \$10,000 bond, he's due to appear in Escambia Circuit Court again on Sept. 9.

Overseeing the trust

Wyche, 51, retired from the Air Force in 2005 after 20 years on active duty and in the reserves.

He's been involved in a number of business ventures including owning a local grocery store, serving as a consultant for a number of minority businesses and working as an insurance adviser.

His persistent political aspirations repeatedly have been dashed. Since 1992, he has run unsuccessfully three times for the state Legislature and also has made unsuccessful bids for the Escambia County Commission and Emerald Coast Utilities Authority.

In 2003, Wyche formed the Escambia County Community Land Trust with local entrepreneurs Marvin Ginns and Oliver Darden.

The trust's goal was to build affordable housing for low-income residents.

A board that varied from five to nine members was supposed to oversee the trust. The board essentially was a network of friends and business associates, mostly chosen by Wyche.

Edgar said the board members, except Wyche and Rembert, were kept largely in the dark about the trust's financial activities. The members have not been accused of criminal activity.

The trust's affordable housing initiative had three key components:

n In September 2005, it paid \$4.1 million to Escambia County to buy Maison DeVille Apartments on North Ninth Avenue, south of Bayou Boulevard.

Maison DeVille, which includes 144 units of low-income housing, formerly was owned by Cordova Community Facilities Corp., which had defaulted on bonds issued by the county.

Bank of Pensacola, now Coastal Bank & Trust, financed \$3.75 million of the purchase. The Institute of Community Economics, a nonprofit in Massachusetts, financed the remaining \$555,000.

Darden personally guaranteed the \$3.75 million, according to a March 19 memo recounting a Financial Services investigator's interview of Darden.

In exchange, Darden was to be paid an \$86,000 consulting fee in monthly installments of \$2,050 over three years, according to the memo. His company, Darden & Associates, was the Maison DeVille property manager and was to be paid 8 percent of all rent collected.

Maison DeVille started out profitable, but as the cost of maintaining the property increased, it became unprofitable. The complex consistently operated at a \$10,000 loss per month, the memo says.

"To make ends meet, they ended up having to rob Peter to pay Paul," Darden said in the interview with the state investigator.

Darden declined to comment for this story.

n The trust also announced plans in 2005 to build 35 to 50 single-family homes in a year's time and bought several pieces of property for that purpose.

However, only one pre-fabricated, single-family home was built on North Y Street, near Catholic High School.

Yvonne Jackson, a first-time home buyer, bought the house for \$139,000, according to Escambia County property records. The house is now valued at just more than \$74,000, Escambia property appraiser's records say.

The ill-fated Kirksey School project was the third component.

Montressa Boulware, the former board secretary, said the deal seemed ideal for the board, which was looking to fast-track some development to increase its presence in the community.

The board was aware that it might look suspicious that it was buying land from one of its own, Boulware said.

So it asked Wyche to not participate in any of the board's decision-making on the property.

"We tried to put as many buffers there as possible," she said. "We knew there were going to be questions because John owned the property."

Nevertheless, Wyche closed the sale without telling the board, according to board minutes.

Wyche told the board that he did not believe a board meeting was necessary because the property sold for only \$160,000 as opposed to the asking price of \$320,000.

Charter schools

Wyche persuaded the land trust board of directors to venture into the charter school businesses, Boulware said.

In June 2006, the trust leased the former A.A. Dixon Elementary School on North H Street, where it started the Life Skills Center with a mission of serving at-risk students ages 16-22.

"The school came in, and I was kind of upset because I felt our focus was being misdirected," Boulware said. "For John it was just a deal. He's all about business."

White Hat Management of Akron, Ohio, was hired to run the school on a day-to-day basis.

The financial arrangement was that the state Department of Education would pay the Escambia School District for the charter school. The district would funnel 95 percent of that money to the Land Trust. The trust was obligated by contract to give 97 percent of that money to White Hat.

For example: For every \$1,000 received from the state, the School District got \$50, the charter school retained \$28.50 and White Hat received \$921.50.

But the land trust stopped paying White Hat in December 2007. White Hat kept the school open through May 2008 despite not being paid.

The money trail

In late 2007, White Hat complained to the School District that it was not being paid.

An internal School District audit in April 2008 showed that state money was being diverted from the school into the apartment complex and other, unrelated trust projects.

A May 12, 2009, letter from School District auditor David Bryant to the Department of Financial

Services revealed:

n The state provided about \$2.2 million to the School District from June 2006 through July 2008. About \$2 million should have ended up with White Hat. Instead, it received about \$1.4 million.

n The land trust leased the former Dixon school for \$5,000 a month from the First West Florida Baptist District Association. The rent was increased to \$6,250 a month in July 2007. However, the trust subleased the building to White Hat for \$17,500 a month. Over the two-year period, the trust netted about \$210,698.

n A review of bank records showed \$172,500 of charter school money transferred to a land trust account to subsidize projects unrelated to the school. Another \$322,187 of charter school money was transferred to Maison DeVille.

"There is no evidence that any education-related services were provided in exchange for the funds transferred," according to the auditor's letter.

It's that misdirected money, totaling \$494,187, on which the charges against Wyche and Rembert are based.

Debts in aftermath

White Hat, Florida Housing, Pensacola businessman and philanthropist Quint Studer and some local vendors all are owed money in the wake of the Land Trust's collapse.

n Florida Housing Finance Corp. loaned the land trust \$237,983, a portion of which funded the Kirksey School purchase. Finance Corp.'s pre-development loan program is self-financed through repayment of the loans, said Robert Dearduff, who administers the program.

Dearduff said the Finance Corp.'s board approved the trust's loan application. He said the trust basically had to show that it was a nonprofit, was in the affordable housing business and could afford to pay back the money.

"This didn't look very differently than many projects we see," he said.

He said Housing Finance might file a foreclosure suit.

"We're a lending institution, and we have a mortgage on that property," he said.

n White Hat is owed at least \$770,195, according to the School District audit.

The management company also contends it's owed an additional \$58,200 for the operation of a day care center at the school.

White Hat did not return telephone calls seeking comment.

n Studer said he was approached by Ginns and Darden in 2006 and was so impressed by the housing plans that he invested \$500,000.

"They went over a plan that made a lot of sense to build affordable housing, sell those homes, take those profits and put them into affordable homes," Studer said.

But to date, Studer has not recovered any of his money.

"I'm way down the food chain," he said.

Studer blames Wyche, not Ginns and Darden.

"One of my weaknesses is I'm a very trusting individual, and you learn from bad experiences like this one," Studer said. "We didn't put in enough oversight on our part. Today, I would never do this."

As for Wyche: "I cut off communication with John a couple of years ago over this situation," Studer said.

n Pensacola architect Scott Sallis is among the vendors who lost money.

Sallis said he received only \$10,000 of the \$77,742 that the Land Trust agreed to pay him to create renderings of the condos at the Kirksey property and for additional architectural work.

"I've had to let most of my staff go," he said. "It's been a real hit in the mouth."

A suit Sallis filed in Escambia Circuit Court is pending.

Soured relations

As the finances of the Land Trust unraveled, Wyche's relationship with the board soured on many fronts.

Boulware, the board secretary, complained in a January 2008 meeting that the board felt "inadequate and powerless" to question Wyche's decisions and the flow of money. Wyche and Rembert's names were the only signees on all the bank accounts, and board meeting were held infrequently.

During the January meeting, the Rev. Lester Jacobs, a board member, said he'd let Wyche do whatever he wanted because Wyche had considered the Land Trust "his baby."

But the minutes say Jacobs said: "When a certified letter from an attorney is delivered to your door through FedEx it becomes necessary to be more diligent in the board."

Boulware said the board began evaluating whether to suspend Wyche for moving money from one account to another without the board's knowledge.

Then problems surfaced on another front.

The Land Trust housing director accused Wyche of sexual harassment, and in March 2008, the board suspended Wyche for 45 days.

"The board members already didn't like his attitude and once things started coming out, we realized that what we thought was happening was actually happening," Boulware said. "Then the harassment charges came and it just sort of blew up."

In June 2008, the board permanently ousted Wyche.

Today, the Land Trust exists only in name.
