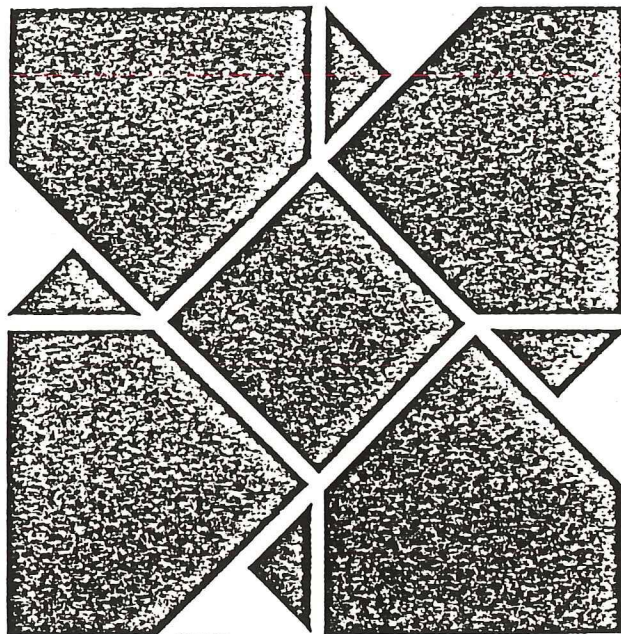


THE NEW YORK CITY  
COMMUNITY PRESERVATION CORPORATION  
ANNUAL REPORT FOR 1974-75



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# THE NEW YORK CITY COMMUNITY PRESERVATION CORPORATION

A PRIVATE NOT-FOR-PROFIT HOUSING FINANCE CORPORATION

641 LEXINGTON AVENUE, NEW YORK, N.Y. 10022

## NEIGHBORHOOD OFFICES

### CROWN HEIGHTS

823 EASTERN PARKWAY  
BROOKLYN, N.Y. 11213

(212) 759-8970

### WASHINGTON HEIGHTS

521-29 WEST 207TH STREET  
NEW YORK, N.Y. 10034

## To Our Members:

The first year of activity for The New York City Community Preservation Corporation (CPC) has centered upon transforming a concern shared by many and a concept proposed by a Housing Task Force of the New York Clearing House Association into a functioning program. The concern is that the well-documented cycle of housing neglect, decline and finally deterioration and abandonment is affecting a rapidly increasing number of neighborhoods within New York City and that means must be found to break and reverse this devastating cycle. The concept is that a new financing mechanism might be established through which banking and other financial interests can be brought together with the government of New York City in an effort to rehabilitate and preserve the housing stock of local neighborhoods, and, in so doing, maintain the vitality of these communities and of New York City, itself.

## Institutional Participation

Building upon the groundwork laid by the Clearing House Task Force, our initial efforts beginning in September 1974 were directed toward obtaining a broad base of participation in CPC among New York City's financial institutions and agreeing upon the terms of such participation. As a result of these initiatives, twenty-three savings banks elected to join the eleven commercial bank members of the Clearing House in CPC--the savings banks committing to provide \$150,000 of working capital and \$12 million of permanent mortgage funds; the commercial banks committing to \$250,000 of working capital, \$20 million of permanent mortgage funds,

and, in addition, a \$8 million revolving credit fund for interim "rehabilitation" lending.

The obtaining of the savings banks' commitments, securing the state Banking Department's approval, and setting the terms of participation among the thirty-four banks and CPC was a lengthy process--all of the commitments not being received until January, the Banking Department's approval occurring in April and the final documents being signed and taking effect on May 2, 1975. While initially time consuming, we think the experience in urban residential lending which the savings banks bring to CPC and the broadened base of support will be important factors as we proceed with our program objectives.

#### CPC's Program Objectives

CPC's objectives are simply stated. First, we seek to provide financing for the rehabilitation and preservation of one-to-four family homes and apartment buildings in two neighborhoods--Crown Heights in Brooklyn and Washington Heights in Manhattan. Second, through our activities, we shall identify the constraints--whether they stem from private conduct, political inertia or economic insufficiency--which inhibit sound housing, and once identified, seek to cooperate with private interests and public officials in removing the constraints and formulating workable mechanisms under which private equity and mortgage financing could be utilized for the upgrading of existing housing and the preservation of viable neighborhoods.

#### Financing for Neighborhood Preservation

In assessing the likelihood of success for both CPC's financing program and neighborhood preservation, we must be realistic. It is our view that achievement of CPC's financing objectives will largely be determined by the answers to the following questions:



(1) Are there responsible owners or interested purchasers of apartment buildings who have both the commitment and resources to undertake a rehabilitation project?

(2) Do the tenants living in a building to be rehabilitated have incomes sufficient, and would they elect, to pay the higher charges which will inevitably accompany even moderate rehabilitation?

(3) Are there workable public programs to provide the framework within which equity and mortgage investments for rehabilitation may occur and to assist tenants who cannot afford the higher charges attributed to such rehabilitation?

(4) Can each of these questions be answered affirmatively in a sufficient number of cases to give meaning to the term "neighborhood upgrading"?

The setting forth of these questions highlights the basic interrelationship of building owner, tenant, government and financial institution. A loan will not be made without a committed borrower. A building will not be rehabilitated without obtaining rents sufficient to cover the rehabilitation costs. And residents who have housing choices will not elect to live in a rehabilitated building at a higher cost to them unless they are satisfied with the conditions prevailing in the neighborhood.

#### Are There Borrowers?

We are concerned whether there are a sufficient number of existing owners or interested purchasers of multiple dwellings who have both the commitment and resources to undertake a rehabilitation project with CPC's financing. We believe that a market for 1-4 family home lending does exist in Crown Heights which CPC can assist in servicing. The test of neighborhood preservation in most areas of New York, however, rests in the successful upgrading of multifamily apartment buildings.

This concern caused us, beginning in August 1975, to undertake an extensive marketing effort in our two lending areas. This effort has included (i) more than 500 direct mailings to apartment building owners and the listed real estate brokers, managers, contractors and tradesmen in Crown Heights and Washington Heights, (ii) poster displays and brochures at 40 branch banking offices located in the neighborhoods and downtown Brooklyn, (iii) owner referrals from 21 savings banks whose mortgage investments have included properties in our lending areas, and (iv) continued briefings of business, real estate and community organizations--CPC's total briefings exceeding fifty.

These measures, as well as the accumulated effect of our year's operations, are beginning to produce results. While during the first eleven months of operations, CPC discussed the possibility of providing financing with the owners of 31 multiple dwellings, during the two and one-half months from August through October 15, discussions have been initiated involving 55 multiple dwellings--a 78% increase. It must be stressed that these discussions are but the first step in our mortgage process, and it cannot be said what portion of these "contacts" will result in continued owner interest and a CPC loan--of the first 31 "contacts," only four have resulted in the filing of mortgage loan applications, one of which being approved for a CPC loan of \$635,000 and two others, aggregating \$620,000, pending Board consideration.

Although the number of responses is encouraging, the extent to which "contacts" continue to be generated and processed into loan commitments remains the critical question to be answered during our second year of operations.

#### Can Rents Be Increased and Can Increased Rents Be Paid?

Rehabilitation--even of a moderate nature--cannot occur without increasing the rents of those living in the upgraded building. The fundamental questions remain--will owners be able to obtain prompt approval of rent increases to cover their rehabilitation costs and will tenants pay these increases? The Housing and Development Administration has agreed that owners of buildings rehabilitated under the CPC program will have a right to obtain rent increases sufficient to pay



for the rehabilitation and continued upkeep of the building; however, nine months of working with the City's housing officials have still not resulted in the establishment of the procedures necessary to implement these rent increases.

Even assuming the necessary rent increases are granted, the questions remain (i) whether those who can afford the higher rents will elect to reside in, or move from, the neighborhood and (ii) whether there are adequate housing subsidy programs to assist those unable to pay all of the increased rents. A family's decision to remain in a rehabilitated building (at a higher rent) in Crown Heights or Washington Heights, or any other now-viable neighborhood within this City, will be affected by many factors. It is not a new observation to note, however, that fundamental to this decision will be the quality of the basic services--police and fire protection, sanitation, education--being delivered by the City. These are factors beyond CPC's province, yet mightily affect both the prospects for neighborhood preservation and the security of CPC's mortgage investments.

Other tenants, wishing to remain in a rehabilitated building, might be unable to pay all of the increased rents. In an effort to assist these families, the City has agreed to give eligible tenants residing in CPC-financed projects a priority in the allocation of "Section 8" housing assistance payments. CPC has, and shall continue to work with City and Federal housing officials in an effort to establish workable procedures for the administration of this program as well as in structuring other approaches to reduce the effective cost of rehabilitation, and the resulting tenant rent increases.

#### Financing of CPC

The realism which we have sought to bring to the issues of neighborhood preservation should not escape CPC's own capital structure. Under our projections, our members' working capital commitments, supplemented by CPC's business-related income, will enable us to continue operations through the

second fiscal year and into the third. Within this period, we are confident that we will have had sufficient program experience upon which to recommend a course of action regarding the continuance of CPC.

The obstacles to neighborhood preservation are formidable. We do not, however, believe that they are beyond the reach of those in both the private sector and government who are prepared to take the steps necessary to succeed. We at CPC are committed to this effort.



Alfred S. Mills  
Chairman



Warren T. Lindquist  
President

October 29, 1975



## CALENDAR OF EVENTS

The listing below presents a chronology of important actions affecting the CPC program. To provide greater perspective, certain actions occurring both before and after the corporation's fiscal year are included.

January 1974	Receipt by Clearing House of Department of Justice "no action" letter with respect to bank participation in CPC.
July 1974	Incorporation as a not-for-profit corporation.  Election of President.
August 1974	Hiring of chief operating officer.
September 1974	Savings Banks Association of New York State recommends to its member banks participation in CPC.  Hiring of first neighborhood mortgage officer.  Establishment of CPC's central office at 641 Lexington Avenue and area offices in the City's Crown Heights' and Washington Heights' preservation offices.
October 1974	New York Clearing House Association becomes CPC's Class A member.
November 1974	Hiring of senior mortgage officer.
December 1974	Internal Revenue Service rules CPC to be a Section 501(c)(3) charitable corporation.

January 1975	Twenty-three savings banks commit to participate in CPC program. Savings Banks Association of New York State becomes CPC's Class B member.
February 1975	N.Y.S. Banking Board approves CPC's collateral trust notes as legal investments of savings banks, subject to Superintendent's approval of the terms of the issuing Indenture.
April 1975	Approval by Superintendent of Banks of CPC's Collateral Trust Note Indenture, including CPC's right to make mortgage loans up to 90% of appraised value.
	Execution of Indenture between CPC and Savings Banks Trust Company, as Trustee.
	Execution of Servicing Agreement among CPC, Institutional Securities Corporation and the Trustee.
April-May 1975	Execution of Note Purchase Agreement by CPC and its thirty-four participating banks.
June 1975	Approval by Board of Directors of first mortgage loan commitment of \$635,000 involving the rehabilitation of a 87-unit Washington Heights' apartment building.
	Savings and loan associations advise CPC of their intention to join the program subject to Federal Home Loan Bank Board approval.
August 1975	Commencement of concentrated marketing activities involving CPC's participating banks.
	Housing and Development Administration issues its approval of the CPC program for rent restructuring.

September 1975

Department of Housing and Urban Development accepts CPC as an FHA-approved mortgagee.

Hiring of second neighborhood mortgage officer.

"CPC Program Evaluation and Market Survey" completed and report issued--funded by First National City Bank.

"Analysis of Rent Increases for Rehabilitation" completed and report issued--funded by The Chase Manhattan Bank.

October 1975

Closing of first mortgage loan committed to in June.

Receipt by CPC of its first business-related income.

First takedown under Revolving Credit Agreement.



## THE CORPORATION

The New York City Community Preservation Corporation (CPC) is a not-for-profit corporation organized under the laws of the State of New York. It has two members--its Class A member being the New York Clearing House Association, located at 100 Broad Street, New York, New York; its Class B member being the Savings Banks Association of New York State, located at 200 Park Avenue, New York, New York.

### Directors

Pursuant to the corporation's By-Laws, six of CPC's directors are elected by its Class A member and four are elected by its Class B member. Listed below are those individuals who have served as directors of CPC during this first fiscal year and the dates when each commenced his term of office. During portions of the year Edgar A. Lampert, Warren T. Lindquist, William E. Panitz and William C. Plog have also served as directors.

William R. Brennan, Jr., President, Harlem Savings Bank (from April 1975)

William G. Herbst, Senior Vice President, First National City Bank (from July 1974)

John F. Lee, Executive Vice President, New York Clearing House Association (from July 1974)

Charles H. Miller, Chairman, Dime Savings Bank of New York (from April 1975)

Alfred S. Mills, Chairman, The New York Bank for Savings (from September 1974)

John M. Nosworthy, Chairman, Eastern Savings Bank (from March 1975)

John R. Price, Vice President, Manufacturers Hanover  
Trust Company (from July 1974)

Joseph H. Quinn, Vice President, The Chase Manhattan  
Bank, N.A. (from July 1974)

David Rockefeller, Chairman, The Chase Manhattan  
Bank, N.A. (from July 1974)

Michael J. Wechsler, Executive Vice President, Chemical  
Realty Corporation (from July 1974)

#### Officers

Warren T. Lindquist, President

Edgar A. Lampert, Executive Vice President and Secretary

William G. Herbster, Treasurer

#### Mortgage Officers

Milton Rich, Senior Mortgage Officer

Marc Leavitt, Neighborhood Mortgage Officer--Crown Heights

Michael Lappin, Neighborhood Mortgage Officer--Washington  
Heights (hired September 1, 1975)

FINANCIAL INSTITUTIONS PARTICIPATING  
IN THE CPC PROGRAM

Commercial Banks

The Bank of New York	Manufacturers Hanover Trust Company
Bankers Trust Company	Marine Midland Bank-New York
The Chase Manhattan Bank, N.A.	Morgan Guaranty Trust Company of New York
Chemical Bank	National Bank of North America
First National City Bank	United States Trust Company of New York
Irving Trust Company	

Savings Banks

American Savings Bank	The Green Point Savings Bank
Anchor Savings Bank	The Greenwich Savings Bank
The Bowery Savings Bank	Harlem Savings Bank
The Brooklyn Savings Bank	Independence Savings Bank
Central Savings Bank in the City of New York	Metropolitan Savings Bank
The Dime Savings Bank of New York	The New York Bank for Savings
Dry Dock Savings Bank	Prudential Savings Bank
The East New York Savings Bank	Ridgewood Savings Bank
Eastern Savings Bank	Roosevelt Savings Bank of the City of New York
Emigrant Savings Bank	The Seamen's Bank for Savings
Empire Savings Bank	Union Dime Savings Bank
	The Williamsburgh Savings Bank