The New York City
Community Preservation Corporation
122 EAST 42nd STREET
NEW YORK, N.Y. 10017

# The New York City Community Preservation Corporation Annual Report 1977

## Financing for Neighborhood Preservation

## Contents


1. To Our Members and Others Concerned with Neighborhood Preservation
2. Financing for Neighborhood Preservation
4. CPC's Background
5. Funding
8. The CPC Experience—Two Years of Financing for Neighborhood Preservation
12. Financial Statements
20. Directors, Officers and Participating Financial Institutions


**The New York City Community Preservation Corporation**

A private, not-for-profit corporation

## To Our Members and Others Concerned with Neighborhood Preservation

Three years ago, The New York City Community Preservation Corporation (CPC) was established by the eleven commercial bank members of the New York Clearing House and twenty-three savings banks as an experimental mortgage financing and rehabilitation program operating in two of New York City's older neighborhoods — Washington Heights in Manhattan and Crown Heights in Brooklyn.

CPC's first year was devoted principally to securing the lines of credit and funding arrangements with our 34 participating institutions and developing with city and state housing and banking officials what were to become the basic governmental underpinnings of our mortgage lending activities.

Our first mortgage loan was made in October 1975 for the rehabilitation of an 87 unit apartment building in Washington Heights. In the two years since then, CPC has committed to $15 million of mortgage financing for the rehabilitation of 65 buildings containing 2,500 apartments. As of September 30, 1977, $10 million of these commitments, representing the upgrading of 49 buildings with 1,750 apartments, have closed.

These totals, while small compared with the vast needs of our City, represent, we believe, more building-wide rehabilitation of existing, occupied housing than has been initiated under any other public or private program in New York City.

In the course of our lending activities, CPC has served as an instrument for the testing and implementation of supportive governmental actions essential to any private mortgage financing effort directed at the preservation and rehabilitation of New York's existing housing stock. These efforts have included:

- Establishment with the city government of a procedure to coordinate, as part of the mortgage financing transaction, the physical and economic restructuring of a building with the provision of rent subsidies to eligible tenants.
- Execution of the first rent subsidy ("Section 8") contracts for occupants of housing which has undergone privately-financed building-wide upgrading. As of September 30, 1977, the City has reserved subsidies for more than 300 families in CPC-financed buildings.
- Receipt of the first mortgage insurance commitment and insurance contract for a rehabilitated property issued by the Rehabilitation Mortgage Insurance Corporation (REMIC), a City-supported partial mortgage insurance program. As of September 30, 1977, CPC has obtained $5.8 million of REMIC commitments, representing 97% of that corporation's outstanding commitments.

Recently, our participating institutions have decided to expand significantly the CPC program — increasing the corporation's financing capacity to $100 million and expanding our mandate to older neighborhoods throughout New York City. Implementation of this growth plan requires decisions by city, state and federal agencies, and we are hopeful that the necessary approvals will be forthcoming shortly. Our aim is to begin mortgage origination on an expanded scale by February 1978.

Neither program expansion nor our display of statistical "gains" should obscure, however, the underlying risks inherent in our financing efforts or the work which remains before the rhetoric of neighborhood preservation is transformed to reality.

The major items on our agenda for the coming year revolve about strengthening the private-public partnership which must form the basis of any serious and sustained housing preservation effort. At the local level, we and the City must strive together to simplify the complex and time-consuming processing required for a rehabilitation project. At the national level, we shall seek to cooperate with the federal housing agencies and the federally-supported secondary market institutions in channeling national resources toward meeting the legitimate needs of our older, but still viable, urban neighborhoods.

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 remain committed to that effort.

Alfred S. Mills
Alfred S. Mills
Chairman

Edgar A. Lampert
Edgar A. Lampert
President

# Financing for Neighborhood Preservation

There are few issues more important to the future of New York City, or indeed, to urban centers throughout this nation, than devising workable programs for the rehabilitation and preservation of existing, occupied housing in older, but still viable neighborhoods.

The necessity for New York "to take advantage of what we have" is starkly apparent from a few facts—

- 60% of our City's 2.2 million apartment units are in buildings more than 50 years old;
- 20-30,000 housing units are being lost annually to abandonment, fire and demolition;
- the cost of moderate rehabilitation of an apartment building is $5-10,000 per unit;
- today's cost of constructing a new apartment building is $50,000 per unit.

These sobering figures, we believe, inevitably lead to a preservation policy, which, to have any chance of success, must involve an active and working partnership among government at the local and national level, neighborhood residents and building owners, and private financial institutions. CPC has been established as a mechanism through which banking and other financial interests might contribute to this partnership and, in turn, to the preservation of local neighborhoods.

In assessing the likelihood of success for both CPC's financing program and neighborhood preservation, we must be realistic. While 1-4 family home lending is an important ingredient of any stabilization program, the test of neighborhood preservation in most areas of New York rests in the successful upgrading of multifamily apartment buildings. It is our view that achievement of CPC's financing objectives for multifamily buildings 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 that 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 attributable to such rehabilitation?

4. Can government improve sufficiently upon the delivery of basic municipal services and make needed capital improvements and additions to a neighborhood's infrastructure to help influence residents to remain in a moderately rehabilitated building?

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

These questions highlight 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.

It is equally important to understand the marked differences between CPC's financing for neighborhood preservation and traditional construction and permanent mortgage financing—distinctions which frequently translate into additional responsibilities for the lending institution and increased financing risk. During the mortgage origination process, certain differences are evident:

1. Neighborhood preservation financing most frequently involves both rehabilitation as well as permanent mortgage financing.

2. Loan origination is dependent upon continuing interplay with government agencies—requiring the lender to be both familiar with each public program affecting the loan and able to obtain in a timely manner the necessary governmental actions without which the loan could not be made.

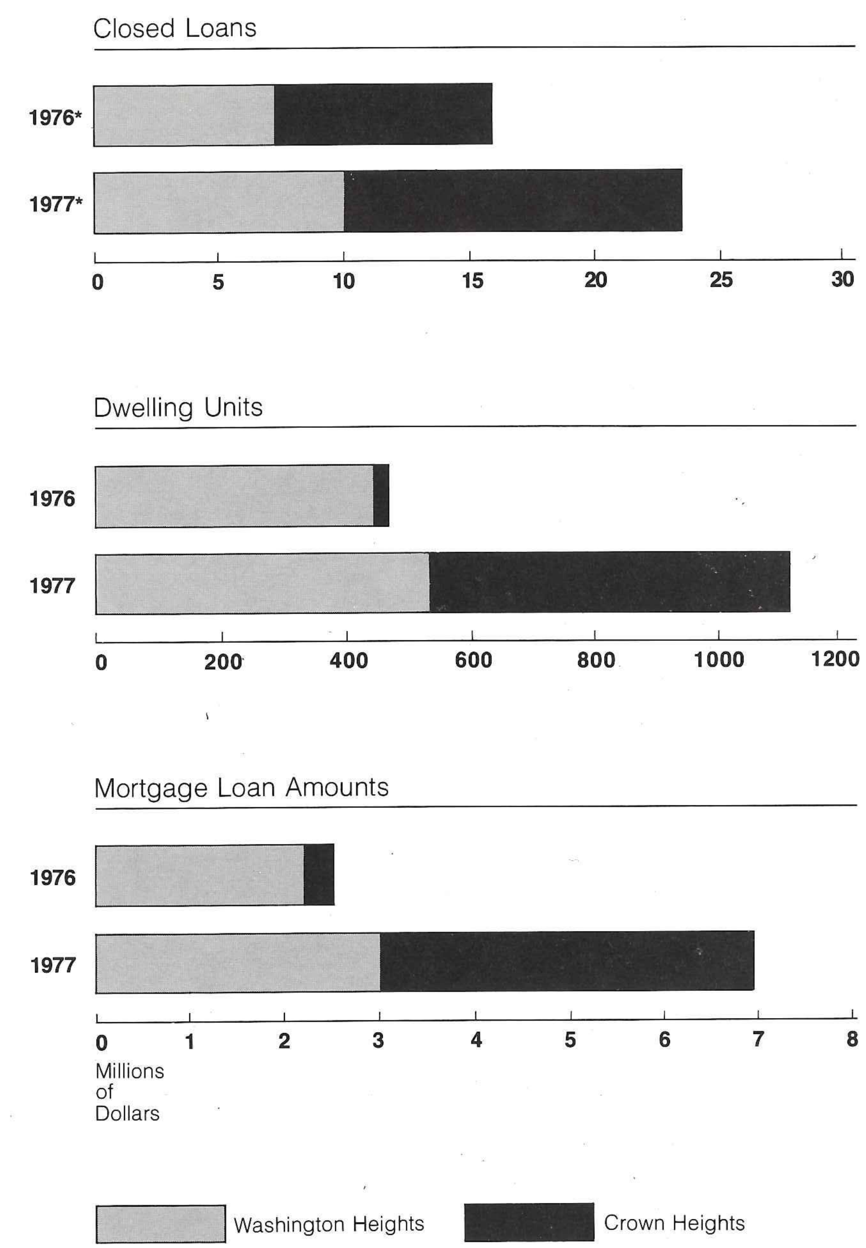
3. CPC's borrower, the building owner, is frequently familiar with neither the governmental programs nor the coordination of rehabilitation work undertaken by several contractors—requiring the lender to provide assistance and exercise additional supervision when determining the scope of rehabilitation, drafting the construction contract and work specifications, and during the performance of the work, itself.

4. The rehabilitation and rent increases occur within a fully-occupied building—increasing the possibility that work schedules may not be adhered to, or that a group of tenants might attempt to prevent a contractor from completing its work or the owner from collecting the increased rents necessary to operate and maintain the upgraded building.

Upon the completion of the rehabilitation and the conversion of the rehabilitation loan to permanent financing, the lender's risk, to a considerable degree, shifts from events within the building itself to surrounding neighborhood conditions.

Moreover, whether or not a building's value will stabilize, and hopefully climb, will be dependent less on the structuring of each individual loan than on forces and trends largely outside of CPC's power to affect. The building owner's quality of management, the condition of the building down the street, the safety and cleanliness of the community, the neighborhood schools, the availability of shopping six blocks away, the convenience of a subway stop or park ten blocks away—are all factors which will determine whether families able to pay the market rent will be attracted to CPC-financed buildings and will convince existing residents to remain rather than to move to "a better neighborhood". And, in the final analysis, it is these individual family decisions which will determine the long-term viability of CPC's mortgage portfolio.

**CPC Mortgage Lending Activity**




*1976—Fiscal Year Sept. 1, 1975—Aug. 31, 1976
*1977—Fiscal Year Sept. 1, 1976—Aug. 31, 1977

## CPC's Background

CPC grew out of a 1972-73 study conducted by the commercial bank members of the New York Clearing House. The study was concerned primarily with how private financial institutions might more actively contribute to improving New York City's housing stock.

The Clearing House's study concluded that emphasis should be given to the preservation and rehabilitation of still sound housing in the City's older neighborhoods and that a new corporation which could become increasingly experienced in dealing with this complex problem should be established. The study also recognized a need to:

- achieve close cooperation and continuing interaction between the public and private sectors;
- marshal substantial amounts of financing;
- explore possibilities for innovative financing that would blend public and private sector activities to realize the optimal benefit from the strengths of each sector;
- concentrate efforts on an area basis.

CPC was established as a not-for-profit corporation in September 1974 to undertake the proposed private financing program. When requested, twenty-three savings banks joined the eleven originating commercial banks as participants in the new venture. As of May 1, 1975, the necessary state and federal governmental approvals had been obtained, CPC's funding sources had been established and mortgage lending activities were commenced.

While CPC's purpose is to provide a new source of mortgage capital for existing housing, the corporation's presence is not intended to preclude individual participating banks or other financial institutions from making loans within CPC's financing areas. On the contrary, it is hoped that through the development of sound financial solutions to the problems of residential rehabilitation and the utilization of both private and public resources, CPC might create the conditions under which financial institutions increasingly will expand their activities in CPC neighborhoods and other similar areas within New York City.

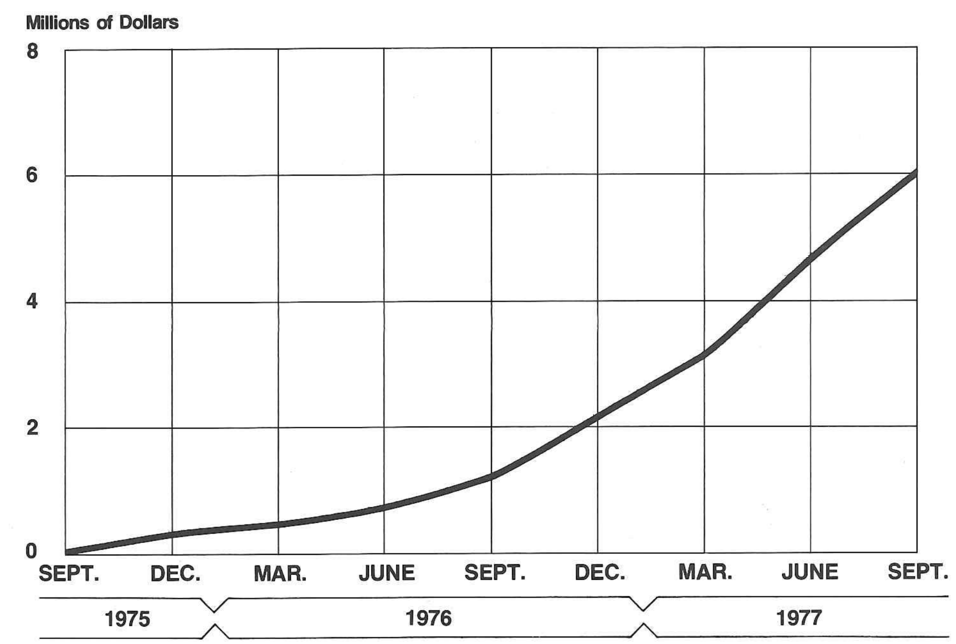


## Funding

**MORTGAGE PROGRAM**
**Rehabilitation Financing**
CPC's rehabilitation or interim loans are financed through a revolving credit fund of $8 million established between CPC and the eleven commercial bank members of the Clearing House, each bank sharing in the fund in accordance with its relative financial size. Under the agreement, CPC receives funds at one-half of one percent above the prime rate and, in turn, lends such funds to its borrowers at two and one-half percent above the prime rate — the differential accruing to CPC as income.

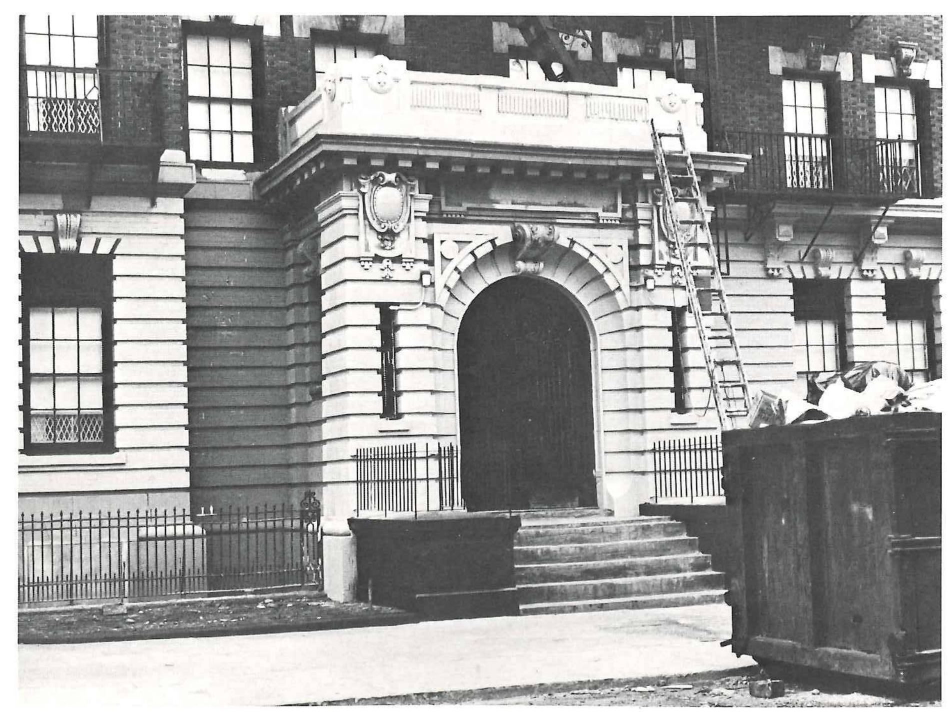
CPC made its first drawdown from the fund in October 1975 and as of August 31, 1977 had $5.9 million outstanding. The continuing expansion of CPC's rehabilitation financing during the past year is evident from the growth of the sums outstanding under the revolving credit fund.

**CPC Rehabilitation Financing**




Upon completion of a building's rehabilitation, CPC will pay off the sums outstanding under the revolving fund from the proceeds of collateral trust notes issued to the corporation's participating institutions — the paid back moneys being available to support the rehabilitation of additional buildings.

**Permanent Financing**
CPC funds its permanent mortgage loans, which generally have terms of twenty to twenty-five years, by the issuance of collateral trust notes to its participating commercial and savings banks. The trust notes, which are secured by a pool of CPC-originated loans, are basically pass-through securities whereby a mortgage borrower's monthly



## The CPC Experience—Two Years of Financing for Neighborhood Preservation

During the past two years, considerable data has been assembled relating to CPC's financing transactions. These facts serve both as an information bank regarding the participants in, and impact of, a neighborhood preservation program as well as a basis for making recommendations for adjusting existing, and formulating new, public and private initiatives aimed at upgrading our existing housing. Set forth below is a brief summary of this experience.

**CPC's Lending Areas**
To date, the CPC program has focused on two New York City communities designated by the City Planning Commission in 1973 as neighborhood preservation areas—Washington Heights in Manhattan and Crown Heights in Brooklyn. These areas were classified by the City as transitional areas—evidencing early signs of physical deterioration and financial disinvestment which might benefit from a concerted effort by the public and private sectors.

Each of these communities is, in fact, quite large, containing numerous smaller "neighborhoods" within its borders. Crown Heights' population is about 250,000—the approximate size of Akron, Ohio. This area, which is ethnically mixed, consists of both 1-4 family homes and large apartment buildings constructed 50 years ago—the apartment buildings often being in a more serious state of deterioration and situated on the corners of homeowner blocks. Family income ranges from poverty level to middle and higher-income families residing in (and beginning to move into) handsome brownstones.

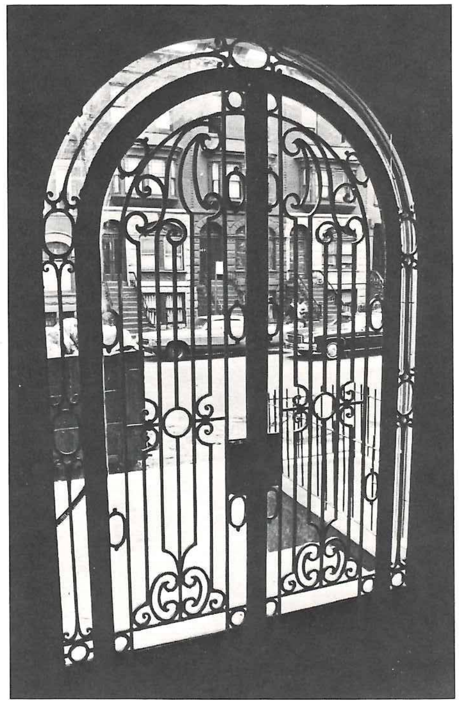
Washington Heights has a population of about 180,000—the size of Knoxville, Tennessee. The residents are predominantly of moderate income, containing large numbers of both older, long-term residents and inmigrating, younger families. The building stock consists almost exclusively of five and six-story walk-up and elevator apartment buildings constructed between 1901 and 1929.

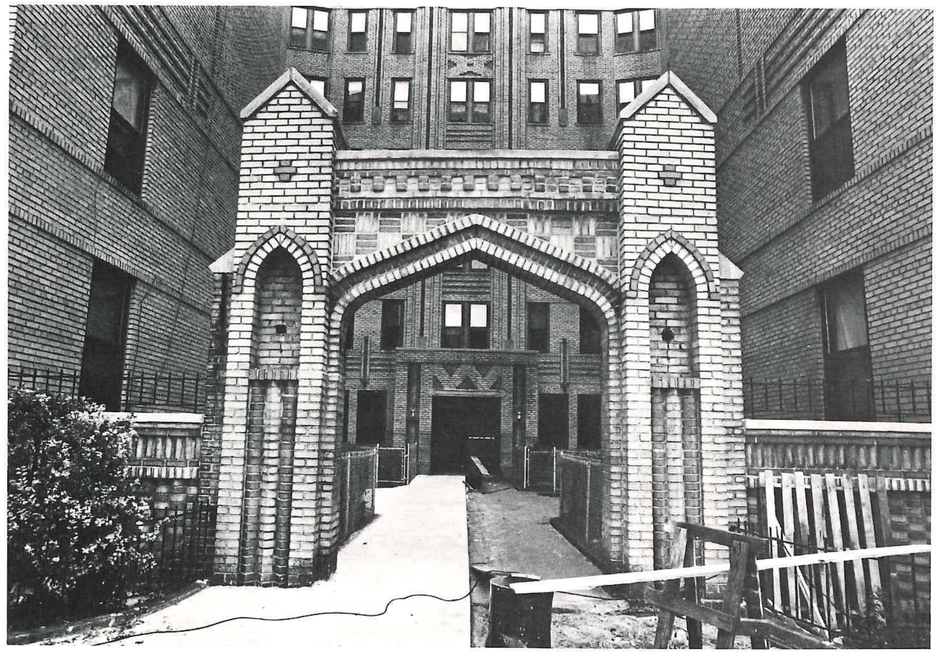
**The CPC Borrower and Building**
Our Crown Heights' borrowers (for multifamily buildings) have been primarily small real estate investors who have recently acquired the building which is the subject of the CPC loan. The buildings have been 4-story walk-ups (20-50 apartments) or 6-story elevator buildings (up to 100 apartments); isolated buildings have been even larger—containing as many as 200 apartments. Our homeowner borrowers, on the whole, have been individual and family purchasers moving from another Brooklyn neighborhood to their Crown Heights' residence.

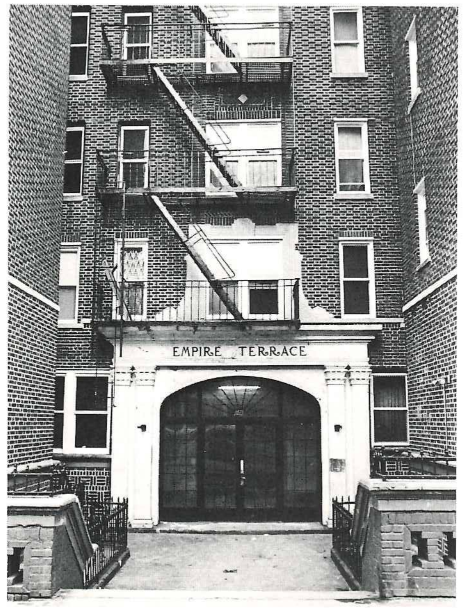
In contrast, CPC's Washington Heights' borrowers have generally been longer term real estate investors holding moderate size (5-10 buildings) portfolios of residential properties in different areas of the City. Like the area itself, our mortgage portfolio has both 5-story walk-ups containing up to 50 apartments and 5 or 6-story elevator buildings having up to 100 apartments.

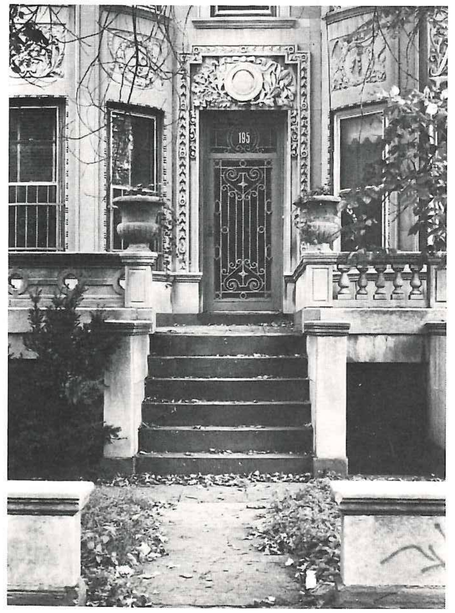
**The Loan**
CPC's average Crown Heights' loan has been about $480,000 or $6,700 per unit. Our Washington Heights' loans have been smaller—averaging $305,000 per building and $5,300 per unit. During the past year, each of our multifamily loans has been made at a 9% rate of interest and has had a term of 20-25 years.

Additionally, a pattern has emerged regarding loan characteristics—(i) about two-thirds of each loan has financed rehabilitation, the remaining sum going toward refinancing; (ii) holders of existing mortgages (both institutional and subordinate individual mortgagees) have taken discounts, often substantial, from the face amount of their holdings in order for the CPC financing to proceed; (iii) in most instances, "the loan amount to appraised value (after rehab) ratio" has exceeded 75% of value, generally falling within the 80-87% range; (iv) CPC's "loan coverage factor" (net projected income to debt service ratio), however, has fallen within a satisfactory 120-140% range; and (v) both the structuring and viability of the financing has been dependent upon governmental actions with respect to rents, tax abatements and "shallow" housing subsidies.







**Rehabilitation**
CPC-financed buildings undergo moderate levels of rehabilitation focusing upon extending the useful life of the building's basic systems—heating, wiring, plumbing, roof and windows—for an additional 30-40 years. This rehabilitation scope reflects the basically sound structural qualities of the buildings as well as the objectives of performing the work with tenants in occupancy and striving to keep rent increases within affordable levels with minimal public subsidies.
A typical "rehab scope" might include boiler-burner replacement, upgrading of building wiring, replacement of galvanized piping with copper plumbing, new roof cap, new windows, new lobby door with bell and buzzer system, steam cleaning and pointing of the facade, painting and limited plastering. Efforts are made to have a "better sealed building" so that the building's future operating and fuel costs might be placed on a more manageable level.

CPC requires an owner, as part of its financing agreement, to establish under CPC's control a building reserve fund. The fund's proceeds (which accrue monthly) will be used, when necessary, for continuing capital improvements to the building during the term of CPC's mortgage.

**Rents**
The vast majority of multifamily buildings in New York's older neighborhoods contain apartments subject to two different rent regulatory systems—so-called "old rent control" and newer "rent

stabilization". This dual system accounts for widely different rent levels for comparable apartments within the same building, different rent increases when rehabilitation occurs, and different processing agencies from which increases are obtained.

Regardless of the rent system, however, rehabilitation — even of a moderate nature and tied to real property tax abatements — cannot occur without increasing the rents, often significantly, of those living in the upgraded building. Within CPC-financed buildings, for example, rent increases for apartments subject to "old rent control" have averaged about $8-9 per room per month (median percentage increase of 18%) while increases in "stabilized" units have averaged $3-7 per room per month (median percentage increase of 7%). This disparity of increase reflects the fact that rents in rent-controlled apartments were about 30% below the rent levels for comparable rent-stabilized apartments within the same building.

**Processing**

Loan processing for the upgrading of occupied buildings is both complex and time-consuming, placing special responsibilities on the building owner, the City housing agencies and the lending institution. We have identified 82 steps, involving the borrower, CPC, and at least twelve different city offices, which are taken during the processing of each rehabilitation project — from the borrower's initial contact with CPC to the final placing of the permanent mortgage loan.

Certain complexities are inherent in an effort which seeks to match private financing with a variety of governmental regulatory and incentive programs. We must, however, work with the appropriate governmental agencies to streamline the process and reduce the time and effort required.

**Loan Demand and Marketing**

It remains to be demonstrated whether a continuing demand exists for neighborhood preservation financing. During the past two years, CPC has undertaken extensive marketing efforts — including more than 600 direct mailings to apartment building owners, real estate brokers, managers, contractors and tradesmen. We have also discussed the program with more than one hundred community leaders and real estate organizations as well as with the managers of the forty branch banks which service Crown Heights and Washington Heights.

These efforts, combined with the real estate community's growing familiarity with CPC financing and the activities of the city's neighborhood preservation offices, have resulted in an expansion of our lending activities this past year. We also, however, have noted a decrease in "contacts", or initial expressions of interest in CPC financing, in each of our lending areas. Whether this drop reflects a beneficial "weeding out" of the curious or a decrease in real demand will be watched closely during the coming year.

## Processing a Multifamily Rehabilitation Loan —

## 82 Steps to Completion

Listed below are the steps which presently are required for the processing of each rehabilitation loan originated by CPC. For presentation purposes, steps are grouped under common headings and listed numerically. In practice, many of the actions occur concurrently, and, in fact, the taking of many steps is dependent upon the completion of some other step (*e.g.*, the setting of a tenant's rent subsidy being dependent upon the setting of the apartment's new rent).

The following abbreviations are used:

- BD — Buildings Department (involving 4 separate sections within borough and central offices)
- CAB — Conciliation and Appeals Board
- DRO — District Rent Office
- EPA — Environmental Protection Admin.
- FD — Finance Department
- HA — New York City Housing Authority
- HPD — Department of Housing Preservation and Development, formerly HDA (involving 2 separate central divisions)
- NMO — CPC's neighborhood mortgage officer
- NPO — HPD's local neighborhood preservation office
- RC — Department of Rent and Housing Maintenance (involving 2 separate central offices)

**A. From Contact to Submission of Application**

1. Owner's contact and receipt of CPC Request for Information.
2. Owner obtains cost estimates for proposed rehabilitation.
3. Owner's submission of Request for Information with estimates to CPC.
4. NMO's inspection of building.
5. NMO's review of submissions, negotiation with owner and tentative loan recommendation.
6. CPC Mortgage Review Committee approves NMO's recommendation.
7. CPC issues loan application.
8. Owner's submission of application with application deposit.
9. CPC engineer's property inspection and issuance of report.
10. CPC obtains independent appraisal of property—"as is" and "after rehab" value.
11. NMO inspects operation of owner's other buildings, if any, and reviews applicant's credit and references.
12. NMO concludes negotiations and makes loan recommendation.
13. CPC Mortgage Review Committee reviews recommendation.

**B. From Loan Approval to Rehabilitation Loan Closing**

14. CPC Board of Directors approves loan.
15. CPC issues commitment letter with "advisory opinion" instructions and application forms.
16. NMO meets with owner to explain "advisory opinion" process and assist in completion of applications.
17. Owner completes applications for rent restructuring, tax abatement and "Section 8" rent subsidy advisory opinions.
18. NMO reviews applications and owner submits to NPO.
19. CPC forwards appraiser's certificate and other data to NPO.
20. NPO calculates tax abatement and forwards to HPD.
21. HPD issues advisory opinion for tax abatement.
22. NPO issues advisory opinion for restructured rents.
23. Owner notifies "rent-controlled" tenants of rehabilitation, rent increases and availability of rent subsidies on form letter approved by HPD.
24. Owner notifies "rent-stabilized" tenants on form letter approved by CAB staff.
25. Individual tenants who believe themselves to be eligible for rent subsidy respond to NPO.
26. NPO requests preliminary building inspection by HA for "Section 8" acceptability.
27. HA inspector performs preliminary building inspection.
28. NPO calculates Section 8 reservations for building's tenants and forwards to HPD.
29. HPD issues advisory opinion for Section 8.
30. Owner, general contractor and CPC engineer complete construction contract.
31. NMO and CPC approve construction contract.
32. NMO and CPC review and approve advisory opinions.
33. CPC applies for REMIC mortgage insurance commitment.
34. REMIC Board of Directors approves and staff issues commitment.
35. Owner obtains required fire insurance acceptable to CPC.
36. Owner obtains letter of credit or payment and performance bond acceptable to CPC.
37. Rehabilitation loan closed.

**C. During Rehabilitation**

38. Owner or contractor obtains permits for rehabilitation work from BD (separate offices within BD for different rehab items).
39. CPC engineer inspects work performed.
40. CPC processes requests for building loan advances (6-12 per rehabilitation project).
41. Upon completion of each work item, contractor obtains separate inspections from different offices within BD and EPA.
42. CPC engineer does final inspection.
43. CPC engineer issues CPC "certificate of final completion".
44. RC inspects building for code violations.

**D. Rent Increases—"Controlled" Units**

45. When rehabilitation 75% completed, owner prepares and files with NPO application for restructured rents.
46. NPO calculates restructured rents and forwards to RC.
47. RC forwards to DRO which issues new rent orders—copies to each affected tenant and owner, memos to NPO and CPC.

**E. Tax Abatement (J-51)**

48. Owner completes J-51 application and submits to HPD.
49. Owner requests BD certificate.
50. BD forwards certificate to HPD.
51. HPD issues owner "certificate of reasonable cost".
52. Owner files "certificate" and "green sheets" with FD.

**F. Tenant Rent Subsidies ("Section 8")**

53. When rehabilitation 75% completed, NPO transmits letter to building's tenants repeating availability of rent subsidies.
54. Individual tenants fill out and submit applications to NPO.
55. NPO forwards applications and projected apartment rents to HPD.
56. HPD forwards applications and projected rents to HA.
57. HA interviews applicants (with back-up financial data) and certifies eligibility.
58. HA conducts program briefing for eligible tenants.
59. Owner notifies NPO that apartments ready for HA inspection, NPO notifies HPD which arranges with HA for building inspection.
60. HA inspects apartments.
61. HA issues inspection report.
62. Owner completes repairs required under report; NPO re-inspects affected units.
63. When NPO sets restructured rents, final rent roll for "Section 8" tenants forwarded to HPD; HPD forwards final rent roll to HA.
64. HA determines subsidy amount for each tenant.
65. HA issues to HPD a certificate of family participation for each tenant; HPD forwards each certificate to NPO.
66. NPO delivers certificates to tenants.
67. HA staff obtains approval of HA Board of Directors of Housing Assistance Payments (HAP) contract with building owner.
68. HA contacts owner who executes HAP contract.
69. HA prepares lease for each subsidized tenant and forwards lease to HPD; HPD forwards to NPO.
70. NPO arranges for owner and tenant to execute approved lease for Section 8 program; NPO forwards lease copy to HPD; HPD forwards to HA.

**G. Rent Increases—"Stabilized" Units**

71. After obtaining all approvals from BD and EPA, owner applies to CAB for rent increase for "stabilized" units.
72. Owner notifies "stabilized" tenants of requested rent increase.
73. CAB reviews tenant responses, if any.
74. CAB requests RC to inspect completed rehabilitation if tenant questions work.
75. RC inspects and forwards report to CAB.
76. CAB staff reviews submissions and makes recommendation to CAB.
77. CAB authorizes rent increase.
78. CAB forwards rent increase notice to "stabilized" tenants.
79. Owner notifies NPO of rent increases to permit Section 8 subsidy to commence for rent-stabilized tenants.

**H. Conversion to Permanent Loan and Issuance of CPC's Collateral Trust Notes**

80. After rehabilitation loan completed and new rents, tax abatement and tenant subsidies processed, CPC converts rehabilitation loan to permanent loan.
81. CPC converts REMIC commitment for mortgage insurance to a mortgage insurance policy.
82. CPC issues collateral trust notes to institutional purchasers.

# Financial Statements





## Balance Sheet

| | August 31 | |
|---|---|---|
| **Assets** | 1977 | 1976 |
| Investments in Mortgage Loans (Notes 2, 3, 5 and 6): | | |
| First mortgage construction loans | $5,077,160 | $ 874,147 |
| First mortgage permanent loans in accumulation | 902,991 | 289,793 |
| | 5,980,151 | 1,163,940 |
| Other Assets: | | |
| Cash on hand and in banks — | | |
| Subject to immediate withdrawal | 209,120 | 82,890 |
| Time deposit (Note 4) | 73,246 | 51,889 |
| Capital contributions pledged (Notes 1 and 8) | 321,000 | 13,971 |
| Accrued interest receivable | 47,907 | 8,078 |
| Accounts receivable | 3,065 | — |
| Prepaid expenses | 2,272 | 6,359 |
| Office furniture and equipment, less accumulated depreciation of $571 in 1977 and $293 in 1976 (Note 1) | 2,957 | 1,958 |
| | $6,639,718 | $1,329,085 |
| **Liabilities and Fund Balance** | | |
| Notes payable under revolving credit agreement—unsecured (Note 5) | $5,989,160 | $1,140,647 |
| Accounts payable and accrued expenses | 97,966 | 29,029 |
| Refundable deposits (Note 1) | 46,594 | 44,379 |
| Escrow deposits of borrowers | 13,298 | 3,195 |
| Deferred income—commitment fees (Note 1) | 25,338 | 22,879 |
| Capital contributions designated for future periods (Notes 1 and 8) | 321,000 | 13,971 |
| | 6,493,356 | 1,254,100 |
| Commitments and contingencies (Notes 2, 3, 5, 6 and 7) | | |
| Fund balance (Note 8) | 146,362 | 74,985 |
| | $6,639,718 | $1,329,085 |

The accompanying notes to financial statements are an integral part of this balance sheet.

# Statement of Support, Revenue and Expenses and Changes in Fund Balance

| | Year Ended August 31 | |
|---|---|---|
| **Public Support and Revenue:** | 1977 | 1976 |
| Public support—Contributions (Notes 1 and 8) | | |
| Capital contributions | $115,621 | $ 87,507 |
| Material and services | 1,637 | 1,180 |
| Total public support | 117,258 | 88,687 |
| Revenue- | | |
| Interest on mortgage loans | 328,500 | 48,427 |
| Commitment fees (Note 1) | 80,786 | 28,141 |
| Interest on short-term investments | 4,970 | 5,196 |
| Total revenue | 414,256 | 81,764 |
| Total public support and revenue | 531,514 | 170,451 |
| **Expenses:** | | |
| Employee compensation and benefits (Note 1) | 171,720 | 142,230 |
| Interest (Note 5) | 238,727 | 38,608 |
| Professional fees | 17,410 | 13,050 |
| Office expenses | 11,471 | 9,739 |
| Building occupancy (Notes 1 and 7) | 9,958 | 8,343 |
| Other | 10,851 | 6,553 |
| Total expenses | 460,137 | 218,523 |
| Excess (deficiency) of public support and revenue over expenses | 71,377 | ( 48,072) |
| **Fund Balance, beginning of period** | 74,985 | 123,057 |
| **Fund Balance, end of period** | $146,362 | $ 74,985 |

The accompanying notes to financial statements are an integral part of this statement.





# Notes to Financial Statements August 31, 1977 and 1976

**1. Summary of significant accounting and financial reporting policies:**
The significant accounting policies of the Corporation are as follows:

Federal income taxes
The Internal Revenue Service has determined that the Corporation is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code.

Refundable deposits
It is the Corporation's policy to require a deposit from potential borrowers to cover the Corporation's out-of-pocket expenses in connection with processing their loan applications. In addition, a supplementary deposit to cover estimated additional out-of-pocket expenses may be required in the event a loan is approved. Any excess deposit over actual amounts expended by the Corporation is refunded.

Capitalization and depreciation
The Corporation follows the practice of capitalizing all expenditures for office furniture and equipment in excess of $50. The fair value of donated furniture and equipment is also capitalized. Depreciation is provided on a straight-line basis using an estimated useful life of ten years.

Donations
Donated furniture and equipment are reflected as contributions in the accompanying statements at their estimated values at date of receipt. The fair rental value of office space occupied rent free by the Corporation is also recorded as contributions. Amounts have been reflected in the accompanying statements for donated services where, in the opinion of management, an objective basis is available to measure the value of such services.

Capital contributions
It is the Corporation's policy to record capital contributions pledged as deferred credits in the balance sheet until received by the Corporation.

Commitment fees
For financial statement purposes, commitment fees are recorded in income over the commitment period, provided that the period is reasonably determinable. Where such period is not determinable, commitment fees are recognized as income upon the closing of the mortgage loan.

**2. Mortgage loans:**
The following is a summary of the mortgage loan portfolio as of August 31, 1977 and 1976:

| | August 31 | | | |
|---|---|---|---|---|
| | 1977 | | | 1976 |
| | Construction | Permanent | Total | Total |
| Number of loans | 20 | 18 | 38 | 16 |
| Amount (in thousands): | | | | |
| Funded balance (net of repayments) | $5,077 | $903 | $5,980 | $1,164 |
| Unfunded commitments | 1,923 | 15 | 1,938 | 1,225 |
| Total | $7,000* | $918 | $7,918 | $2,389 |

*Included in this amount are two construction loans totaling $1,003,000 ($908,614 funded) which were approved by the Corporation at meetings where directors of the Corporation were recorded as not voting, since they are officers of banks which had an existing loan secured by a mortgage on the subject property.

# Notes to Financial Statements
# August 31, 1977 and 1976

Membership in the Corporation is achieved by obtaining a majority vote of the existing members in a particular class, or by action of the Board of Directors, if there are no members in such class, and through making a capital contribution to the Corporation. Members are divided into five classes, depending upon the funds contributed or pledged, as follows:

| | |
|---|---|
| Class A | $250,000 |
| Class B | 150,000 |
| Class C | 25,000 |
| Class D | 75,000 |
| Class E | 1,000 |

Capital contributions are evidenced by nontransferable capital certificates which are not redeemable. The Corporation is prohibited from distributing any assets or property to any individual or member of the Corporation.

The Corporation has entered into agreements with the New York Clearing House and its member banks and the Savings Banks Association of New York State and certain of its member banks whereby the banks have agreed, subject to certain limitations, to make funds available to their respective associations for the purpose of making capital contributions to the Corporation. An initial subscription agreement provided for the members to make contributions aggregating $400,000, all of which had been collected prior to August 31, 1977. On November 17, 1976, the members agreed to make additional contributions aggregating $421,000 during the period from that date to August 31, 1979. During fiscal 1977, $100,000 of the additional contribution was received by the Corporation.

At August 31, 1977, the status of these commitments is as follows:

| Member | Class | Total Capital Subscribed | Capital Contributions Collected Through August 31, 1977 | Capital Contributions Designated for Future Periods as of August 31, 1977 |
|---|---|---|---|---|
| New York Clearing House | A | $513,000 | $350,000 | $163,000 |
| Savings Banks Association of New York State | B | 308,000 | 150,000 | 158,000 |
| | | $821,000 | $500,000 | $321,000 |

The Board of Directors has authorized the Corporation to accept subventions from any one or more commercial or savings banks in the aggregate principal amount of $100,000, and to issue nontransferable certificates therefor. The holder of such a certificate would be entitled to a fixed annual payment of interest not in excess of 5⅔% of the principal amount of such certificate, payable annually on the anniversary of the date of the certificate. Furthermore, under certain circumstances, the holder of a subvention certificate would have the right to require the Corporation to redeem such certificate, and, conversely, the Corporation would have the right, at its option, to redeem outstanding subventions. To date the Corporation has not issued such certificates.



# Auditors' Report

**To the Board of Directors of
The New York City
Community Preservation Corporation:**

We have examined the balance sheet of The New York City Community Preservation Corporation (a New York not-for-profit corporation) as of August 31, 1977 and August 31, 1976, and the related statement of support, revenue and expenses and changes in fund balance for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying financial statements present fairly the financial position of The New York City Community Preservation Corporation as of August 31, 1977 and August 31, 1976, and the results of its operations and the changes in its fund balance for the years then ended, in conformity with generally accepted accounting principles consistently applied during the periods.

ARTHUR ANDERSEN & CO.

New York, N.Y.
September 28, 1977

## Directors, Officers and Participating Financial Institutions

**Directors**
Alfred S. Mills
*Chairman of the Board*
Chairman of the Executive Committee
The New York Bank for Savings

William E. Panitz
*Chairman of the Executive Committee*
Vice President
Citibank, N.A.

Joseph C. Brennan
Chairman
Emigrant Savings Bank

Michael J. Gill
Vice President
Bankers Trust Company

Edward M. Lamont
President
Morgan Community Development Corporation

John F. Lee
Executive Vice President
New York Clearing House

Francis X. Murphy
Vice President
Marine Midland Bank

John M. Nosworthy
Chairman
Eastern Savings Bank

Donald L. Thomas
Chairman
Anchor Savings Bank

Michael J. Wechsler
Vice President
Chemical Bank

**Officers**
Edgar A. Lampert
President

Donald M. Kerr
Treasurer

**Administration**
Michael D. Lappin
Mortgage Officer

Harry Douglas
Neighborhood Mortgage Officer

Richard J. Steets, Jr.
Neighborhood Mortgage Officer

Donna Welensky
Office Manager

**CPC's Offices**
Central
641 Lexington Avenue
New York, N.Y. 10022

Washington Heights
521-29 West 207th Street
New York, N.Y. 10034

Crown Heights
215 Eastern Parkway
Brooklyn, N.Y. 11238

**Auditors**
Arthur Andersen & Co.
1345 Avenue of the Americas
New York, N.Y. 10019

**Participating Financial Institutions**
**Commercial Banks**
The Bank of New York
Bankers Trust Company
The Chase Manhattan Bank, N.A.
Chemical Bank
Citibank, N.A.
Irving Trust Company
Manufacturers Hanover Trust Company
Marine Midland Bank
Morgan Guaranty Trust Company of New York
National Bank of North America
United States Trust Company of New York

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

*Capital contributions only

**The New York City Community Preservation Corporation**
641 Lexington Avenue
New York, New York 10022
(212) 759-8970

EQUAL HOUSING LENDER



# Financing for Neighborhood Preservation