

The Community Preservation Corporation

1998 Annual Report





CPC Highlights

The Community Preservation Corporation (CPC) is a private not-for-profit mortgage lender specializing in financing the upgrading and construction of low- and moderate-income housing throughout New York State and, beginning this year, in New Jersey. CPC was founded in 1974, recognizing that adequate and affordable housing is fundamental to sustaining viable communities. The large-scale housing renewal undertaken by CPC over the past 24 years has resulted not only in the revival of individual buildings, but also in the restoration and stabilization of entire communities.

CPC makes construction and long-term loans to private and not-for-profit owners to create, rehabilitate and preserve both rental and privately owned residential properties. We help communities meet a wide range of affordable housing needs, including housing for the elderly, people with special needs, low- and moderate-income families and first-time homebuyers. CPC also finances the construction and rehabilitation of commercial properties.

More than ninety banking institutions and insurance companies currently sponsor CPC. The banks supply \$195 million for CPC's construction lending and provide \$230 million in commitments for long-term lending. City and state employee pension funds and one

private pension fund provide similar long-term commitments (\$675 million) as do the insurance companies (\$100 million). Additionally, CPC will periodically sell off pools of its long-term loans to third party investors to replenish its long-term financing resources. CPC is also a qualified seller/servicer for Freddie Mac and Fannie Mae. CPC's upstate division, CLC, experienced increased lending activity this past year largely due to expansion of the Small Building Loan Program.

This year, in addition to its lending activities, CPC began working in partnership with HUD to restructure FHA-insured Section 8 subsidized properties throughout the U.S. under HUD's "portfolio reengineering" program.

Our for-profit subsidiary, CPC Resources, Inc. (CPCR) has undertaken a wide range of initiatives. Through Parkchester Preservation Company, L.P., CPCR is working to renovate the Parkchester Condominium complex, a community of 12,271 homes in the Bronx.

Fiscal year 1997-1998 was exceptional. CPC financed 7,367 units of affordable housing with an investment of more than \$204 million. As of July 1998 we have financed over 62,000 units, representing an investment of more than \$1.9 billion over the past 24 years.

This lending has taken place with virtually no losses.



Fiscal Year Performance

Year ended June 30, 1998 unless otherwise stated

New Construction and Permanent Loans Closed (dollars)

CPC, Pension Funds (Permanent Loans Only)**	
& Other Private Funds	\$180,221,770
Public Funds	23,796,805
Total	\$204,018,575

New Construction and Permanent Loans Closed (units)

Bronx	1,140
Brooklyn	1,340
Manhattan	338
Queens	1,050
Hudson Valley	671
CLC Eastern Region	353
CLC Central Region	265
CLC Western Region	466
New Jersey	1,744
Total	7,367

Permanent Conversions (dollars)

CPC, Pension Funds*	
& Other Private Funds	\$148,473,320
Public Funds	18,215,916
Total	\$166,689,236

Lending Record 1974-1998**

CPC Closed Loans (Dollars)	\$1,905,039,647
CPC Closed Loans (Units)	62,216

*Permanent loans include those sold to CPC sponsors via collateral trust notes, whole loans sold to various pension funds - New York City Police Pension Fund, New York City Employees Retirement System, Teachers Retirement System of the City of New York, the New York State Common Retirement Fund and the Pension Fund of the United Methodist Church - as well as loans sold to Freddie Mac and Fannie Mae.
**Includes \$25,061,870 and 295 units of end loans, record as of June 30, 1998.

1998



Jerome A. McDougal
Michael D. Lippin
John A. Somers

To Our Members

From CPC's formation, community building has been at the center of its agenda. CPC's initial efforts focused on investing mortgage capital in declining neighborhoods in order to rebuild and stabilize housing, hoping that this would catalyze other constructive measures. A great deal of these early efforts were devoted to learning the techniques of rehabilitating aging multifamily housing — the primary building stock in New York's older neighborhoods. This involved understanding construction needs, construction and development costs, public programs that assist renovation, appropriate financing tools, community dynamics, small builder/owner needs and tenant needs.

However, bringing communities back to good health required much more than individual financial investments to stabilize housing. What was needed was an entirely new system to support such rebuilding if it were to be done on any magnitude. To accomplish this, CPC had to operate in four arenas: public regulations and programs; finance; community relations and owner/developers.

With this focus, CPC became finely attuned to the economic impact of various public regulations and programs on a community's



housing stock and took the lead on a number of critical issues. CPC became a strong advocate for sensible lead paint remediation measures, helped shape real estate tax exemption and abatement legislation to attract private investment, organized a coalition to keep water and sewer pricing reasonable for low- and moderate-income housing, and kept a watchful eye on rent regulations and their effect on investment. Together these efforts formed a large part of the regulatory and programmatic basis for much of the private investment activity by CPC and others engaged in community redevelopment.

Within the financial arena, effective lending products must meet local needs and prudent lending standards. CPC has worked with state and local governments to craft a medley of programs combining public subsidy and public mortgage insurance with private investment to meet a variety of community needs. This success has induced a number of new investors, including numerous banks and the public pension funds, to get involved in the task. The city and state pension funds with their fixed-rate, forward-priced, long-term financing, provided a solid method to support much of the vast rebuilding efforts in the communities financed by CPC and a growing number of short-term lenders.

Community support for rebuilding has always relied upon strong local leadership to understand that the short-term costs of upgrading are more than offset by its long-term benefits. Working with neighborhood leaders to develop trust has been an essential ingredient of large scale redevelopment.

Finally, the complexities of neighborhood redevelopment had to be organized in a way that is accessible to the typically inexperienced owners, both private and non-profit, who predominate in low- and moderate-income neighborhoods. CPC's greatest success occurred when it developed a "one stop shop" where owners could get construction and

permanent financing, public support, and technical assistance at one source. Many of these owner/developers, once they became experienced in rebuilding, undertook many new projects and became the engines of redevelopment in their communities.

Within this framework, much of CPC's activity has occurred. The 9,000 units of largely in-occupancy moderate renovations in Washington Heights and Inwood set the pattern for similar renovations in areas of the Bronx and Brooklyn. The over 10,000

Atlantic Towers in the Sheepshead Bay section of Brooklyn is one of New York City's most well-appointed affordable cooperatives. An \$11.3 million loan, insured by SOFHYMA, has brought this housing back to financial stability.



units of renovated vacant city-owned apartment buildings, mostly concentrated in the South Bronx and Harlem, led to the same type of large-scale projects outside of New York City, most notably in Yonkers. The financial restructuring and rehabilitation of thousands of troubled, cooperatively-owned apartments in the New York metropolitan area restored the economic viability of this type of housing and increased the equity of many moderate-income shareholders. It also created a vast resource for inexpensive home ownership. New programs to upgrade small properties are now beginning to make a significant impact in several neighborhoods in New York City as well as in many upstate communities.

The common thread of all of CPC's efforts in these troubled areas has been to use its market knowledge to craft suitable financial tools, to restore the housing, both financially and physically. Not only does this stabilize the community, but it restores the local market for private investment, thus making existing investments more secure, and enhancing equity, for both rental and privately owned housing.

Recently, a CPC subsidiary, CPC Resources, Inc. (CPCR), began to consider purchasing

troubled properties as a new approach to preserving and rebuilding communities. The most dramatic example of this strategy is the recent purchase, in partnership with two experienced developers, of over 6,362 housing units in the Parkchester condominium complex, together with 438,000 square feet of retail space and five garages. This is the first step towards restoring this 12,271-unit Bronx residential complex. This complex will eventually undergo a \$200 million renovation, thereby stabilizing this moderate-income neighborhood of more than 45,000 people.

We are looking at similar investment possibilities in other select properties, and plan to create a \$50 million equity fund to pursue these opportunities.

In 1998, CPC invested over \$204 million in more than 7,000 units of housing in close to 130 separate transactions. A steady growth in lending activity is expected over the next few years, but in increasingly smaller transactions, as our efforts in upstate New York gain momentum.

This report illustrates many CPC activities, including a focus on some new efforts: the restructuring of a portfolio of HUD subsidized properties located throughout the country, and the use of a \$2 million grant from

the Community Development Financial Institutions Fund to assist rebuilding efforts of small multifamily properties in the South Bronx and Syracuse.

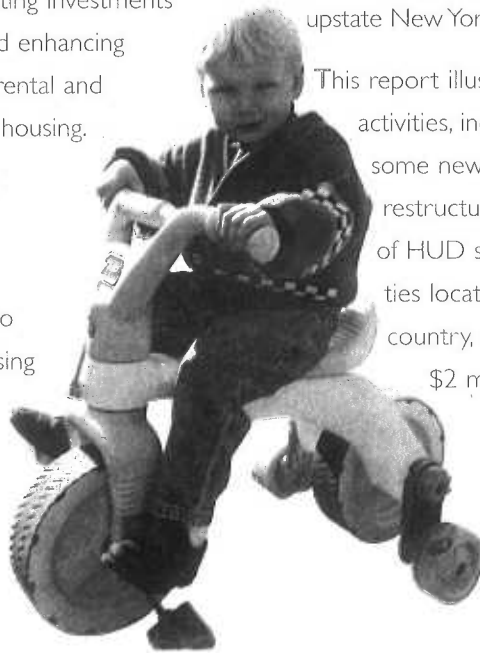
During 1999, CPC will expand into New Jersey. With over \$60 million in start-up resources to invest, the initial focus will be on reviving deteriorated inner-city multifamily housing in the northern part of the state.

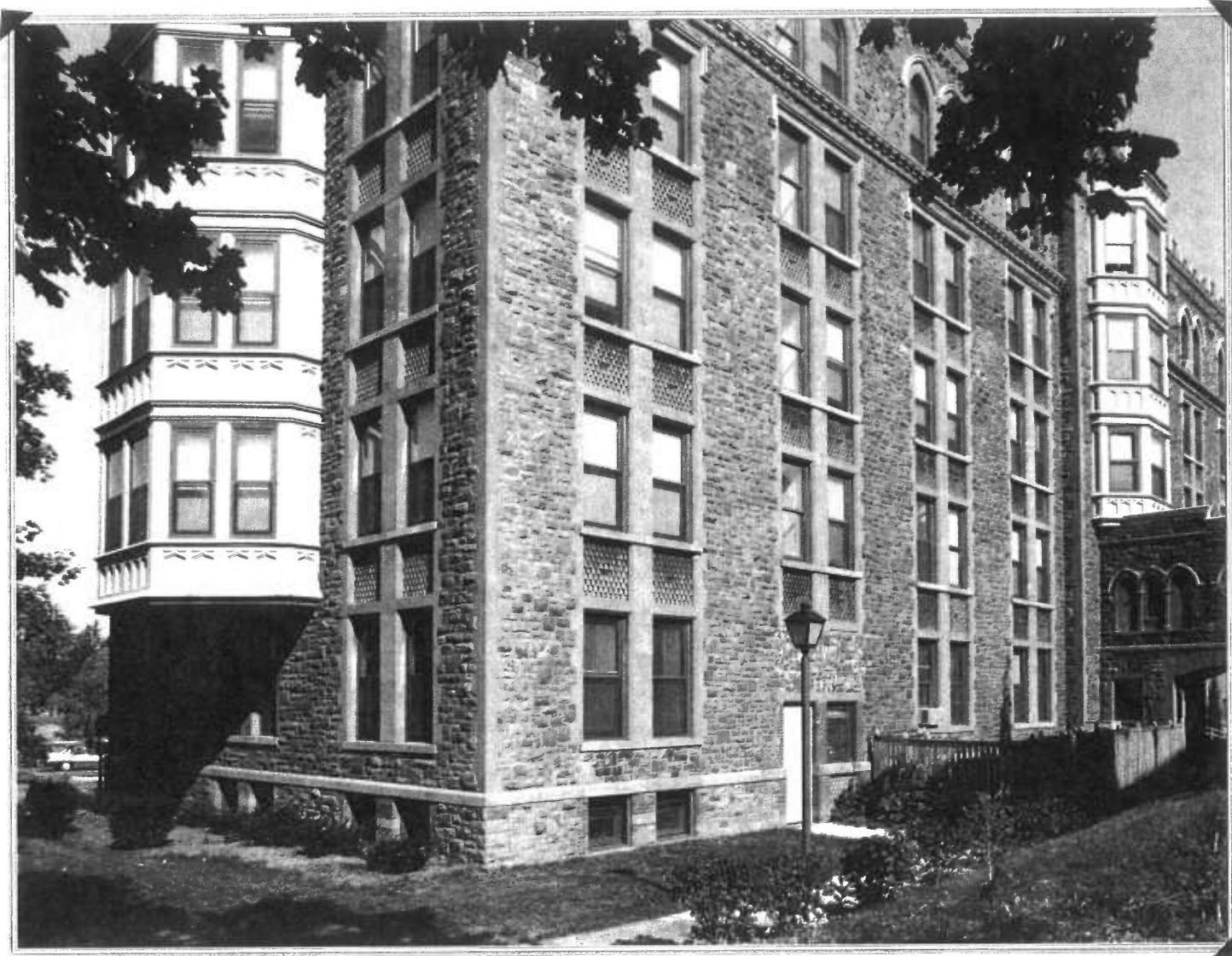
Finally, CPC wishes to thank the efforts of several departing directors. Special thanks go to Michael Hegarty, our former chairman who provided strong leadership and support for CPC. His support for CPC's Parkchester and cooperative housing initiatives has been essential to their success.

Spencer Crow helped smooth the merger of CLC into CPC. Jerry Clark provided wise counsel in support of CPC's development. Many thanks to both of them.

This annual report is dedicated to the memory of CPC's recently deceased former chairman and longtime director, Harry Garber. His vision for the company and his dedication to its mission provided strong inspiration for CPC's growth.

New York, New York
December 17, 1998





John A. Somers
John A. Somers

Chairman

Jerome R. McDougal
Jerome R. McDougal

Chairman of the Executive Committee

Michael D. Lappin
Michael D. Lappin

President & CEO

St. Bernard's, a former Roman Catholic seminary, is being transformed into extraordinary affordable housing for seniors. This project in northern Rochester, which also provides an on-site geriatric center and adult day care center, is supported by a strong public/private partnership, with \$1.5 million in permanent funding provided by the GLC division of The Community Preservation Corporation, \$800,000 in HOME funds provided by the city of Rochester, and \$250,000 provided by the Greater Rochester Housing Partnership. Fannie Mae securitized 90% of GLC's permanent loan, and the securities were, in turn, purchased by our sponsoring insurance companies.



A workman helps to restore two fire-damaged apartment buildings, located on 114th Street and Pleasant Avenue in Harlem, which are being gut-renovated with all new layouts and mechanical systems. CPC's \$2,441,000 construction and permanent loan (in conjunction with HUD's Participation Loan Program) will finance such needed repairs.

Building Communities

From its inception, The Community Preservation Corporation has not only improved the physical landscape of the communities in which it works, it has improved the quality of life for tens of thousands of residents.

Over the past 24 years, CPC financing has made possible more than 62,000 units of affordable housing. Run-down buildings that would otherwise have continued to decay have been renovated and preserved. Cooperatively owned buildings have been physically and financially restored. Elderly and special needs housing has been constructed. Communities have been strengthened. Low- and moderate-income residents have safe, decent, affordable housing.

CPC deals with a diverse range of small property owners, from "mom and pop" builders with limited resources to not-for-profit developers with strong roots in the community, but little experience developing housing. Often, in the face of complicated situations, but compelling needs, we join with a variety of different funding sources — public and private — to make a project happen.

Not-for-profit groups have been a crucial element in the creation of affordable housing in New York. But private owners, who control the majority of the housing stock in many communities, are the key to continued community improvement. Many of these owners lack the experience and the wherewithal to finance and manage rehabilitation projects on their own, so CPC works closely with them, helping to bring together the resources they need.

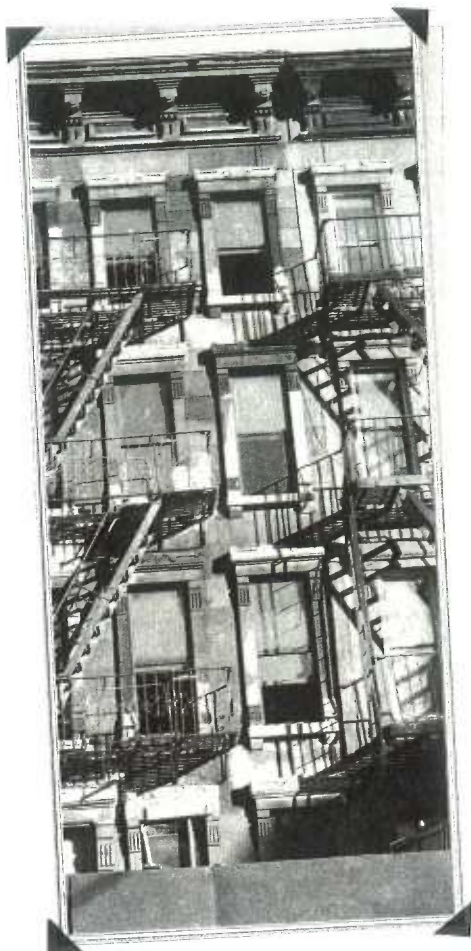
Fundamentally, we believe that affordable housing is the cornerstone of community development and revitalization. It brings families back to formerly abandoned properties. It attracts additional private investment. It provides a foundation that allows communities to address issues that were once viewed as intractable, such as crime, inadequate schools and meager economic growth.

In recent years, while our focus has remained the same, our scope has broadened. CPC now has projects across the city, in the Hudson

Valley and upstate New York. This year, we opened our first office in New Jersey.

Remarkably, given the mission of restoring communities that are among the neediest, CPC has experienced virtually no losses in the \$1.9 billion invested





pivotal difference in scores of low- and moderate-income communities throughout the city — step by step, improving individual structures, blocks, and neighborhoods. In Harlem we have financed the redevelopment of more than 5,000 housing units, in the South Bronx more than 7,000 units and in Washington Heights and Inwood over 9,000 units. Mortgage insurance for many of these projects was supplied by the State of New York Mortgage Agency (SONYMA) and the Residential Mortgage Insurance Corporation (REMIC).

One of our most successful and relatively small-scale, but high-impact rehabilitation efforts has been the CityHome pro-

gram. CityHome, a joint effort of CPC, HPD, and The Enterprise Foundation — has been responsible for the renovation of more than 300 brownstones and small buildings throughout New York City. 1730 Lexington Avenue in Harlem is one of the abandoned buildings that this public-private partnership is renovating.

Below: The Clinton Hill Historic District in Brooklyn is filled with period mansions from the turn of the century. 313 Clinton Avenue is a single family landmark mansion and carriage house, both of which were constructed in 1900. The building will be converted into eight apartments with CPC's \$222,000 permanent loan, with mortgage insurance provided by SONYMA.

since 1974. And the dividends will continue to accrue for these communities and their residents for many years to come.

New York City

CPC's prime efforts are the rebuilding of New York's distressed neighborhoods, and restoring troubled housing. This means we will continue to upgrade occupied housing, return viability to troubled cooperatively owned housing, and increase low-cost home ownership opportunities.

Over the years CPC, working with the City's Department of Housing Preservation and Development (HPD), has made a

program. CityHome, a joint effort of CPC, The Enterprise Foundation and HPD, has created low-income home ownership opportunities throughout New York City by renovating hundreds of small buildings in HPD's inventory. While CPC and HPD had been successful in renovating larger multiple dwellings,



CPC and HPD are the construction lenders on the project, with CPC serving as the construction loan administrator. Enterprise acts as the owner of the properties, hires the architect and works with a local non-profit to sell the buildings to private (predominantly first-time) home owners. More than \$3 million in construction loans were closed during fiscal year 1998 and we expect \$23 million in closings in the coming year.

Since the inception of the CityHome program CPC has helped to renovate 305 buildings, creating 842 apartments, representing a total public/private investment of \$89 million.

Another important home ownership effort is the Nehemiah project, a unique undertaking in the East New York section of Brooklyn. Nehemiah Homes is the initiative of the East Brooklyn Congregations, a broad-based community organization, and the staff of the Industrial Area Foundation which set out to bring East Brooklyn's devastated and abandoned neighborhoods back to life. CPC is supplying construction financing of \$10.5 million to the project.



Additionally Citibank and Independence Community Bank have provided \$500,000 in no-interest funding. When completed, the Nehemiah project will provide a total of 645 new homes for Brooklyn families.

Preserving housing by restoring a development to fiscal health can be as important as new construction or

renovation. CPC's coop financing program, in partnership with SONYMA, is an important example of this goal. Restoring a property's financial stability is often a complex, multi-layered undertaking. This past year, two significant loans brought financial stability to two large-scale moderate-income home ownership projects: Atlantic Towers in Sheepshead Bay, Brooklyn (rescued with the help of an \$11.8 million loan purchased by the New York State Common Retirement Fund and insured by SONYMA) and Big Six Towers in Woodside, Queens. (See center spread.)



PARKCHESTER

Important progress was achieved last year to advance the \$200 million plan to restore Parkchester — one of the most challenging and important projects that CPC has undertaken. The 60-year old complex, containing 171 buildings spread over 130 landscaped acres, is home to 12,271 families — and its health and future well-being are pivotal to the future of the Bronx.

In July, Parkchester Preservation Company, L.P. (PPC) — a partnership between CPC Resources, Inc. (a subsidiary of CPC) and real estate investors Morton Olshan and Jeremiah O'Connor — purchased the Helmsley's interests in the huge condominium. PPC bought 6,362 apartments, more than 430,000 square feet of commercial space and five garages. The remaining 5,909 apartments are owner-occupied, or occupied by tenants of owner/investors.

Also in July, crucially needed real estate tax abatement and exemption

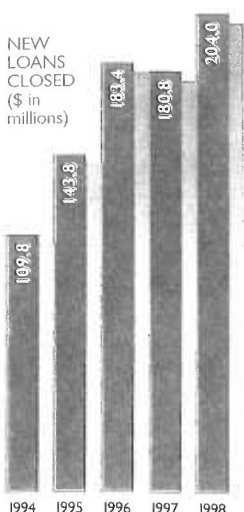
program had not contemplated a project of Parkchester's size or complexity. The amendment allows normal J-51 benefits for moderate rehabilitation to apply to Parkchester, fulfilling the law's original intent to spur renovation while preserving affordability. In conjunction with the planned renovation, condominium owners at Parkchester should pay no real estate taxes for 16 years.

As part of the plan, PPC will provide a privately-funded subsidy program to protect low-income senior citizens and eligible disabled persons from unaffordable increases in common charges. In a program that could help many families reduce their monthly payments, neighborhood banks contacted by PPC also indicated they would participate in a refinancing program for individual end loans when renovation starts.

In November, the South Condominium Board voted unanimously to move ahead with the PPC plan to restore Parkchester. A



The photographs on these two pages show Parkchester's open spaces, beautiful landscaping, one of the many bas relief sculptures affixed to each building, and commercial spaces.



legislation (known as J-51), was approved. The legislation was needed because the initial framers of the J-51







Lander Street Rowhouses — a ground-up rehabilitation of 32 vacant buildings in the East End containing 64 rental units. The first buildings are expected to be ready for occupancy in January of 1999. To complete this project, \$2.5 million in CPC construction financing has been combined with \$1.6 million in State and Federal subsidies and

positive vote by two-thirds of the South owners will allow construction to begin there in the spring. The North Condominium Board is moving forward with its consideration of the plan.

The planned restoration includes the replacement of every window, the installation of new copper plumbing and an increase in electrical capacity — improving every apartment and addressing serious, long-standing problems.

The renovation work is crucial to preserve the community. The steps taken this year point to a brighter future.

Hudson Valley CPC is directing its resources to certain former industrial towns along the Hudson River — Yonkers, Beacon, Poughkeepsie, Ossining and Newburgh. Significant progress has already been achieved in revitalizing the historic East End of Main Street in Beacon. In 1998, special attention was paid to key projects in Yonkers and Newburgh.

CPC's ongoing commitment to the City of Yonkers has helped to stabilize the multifamily market in the southwest section of the city, revitalizing vacant units, and returning value to the Yonkers real estate market.

With the financing of more than 2,058 units in Yonkers, CPC's investment there comes to more than \$70.1 million. In CPC's target area of southwest Yonkers, the 1,708 units financed, many of them insured by SONYMA, represent a significant percentage of the housing stock. Much of this development has been supported by our strong partnership with the Yonkers Bureau of Community Development and will be critical to CPC's efforts to help the city move forward with other redevelopment programs, including efforts to restore the waterfront district.

In Newburgh, we have spearheaded two projects as part of an ongoing effort to restore its historic neighborhoods and meet the diverse needs of renters and home owners. Low-income families and individuals are preparing to move into the new

On the pages, a father and son, both residents of 175 Columbus Avenue in Manhattan Valley, smile about all the changes they have seen take place on their block. Columbus Avenue was proclaimed with vacant buildings where drug dealers flourished. Now they are living in what was the last vacant building on this street, which was acquired and rehabilitated with a \$1,100,000 loan from CPC.

Above: Newburgh, for Brooklyn residents have moved to the East New York neighborhood. To life through the 1980s and 1990s, a joint effort of East Brooklyn Congregations, CPC and several Brooklyn churches. To date, their attention has been concentrated on 254 houses, 197 of which have been sold to Brooklyn residents.

Below: Progress from a \$1.6 million construction loan will finance a major rehabilitation at 2125 Grand Concourse, located in the West Tremont section of the Bronx.

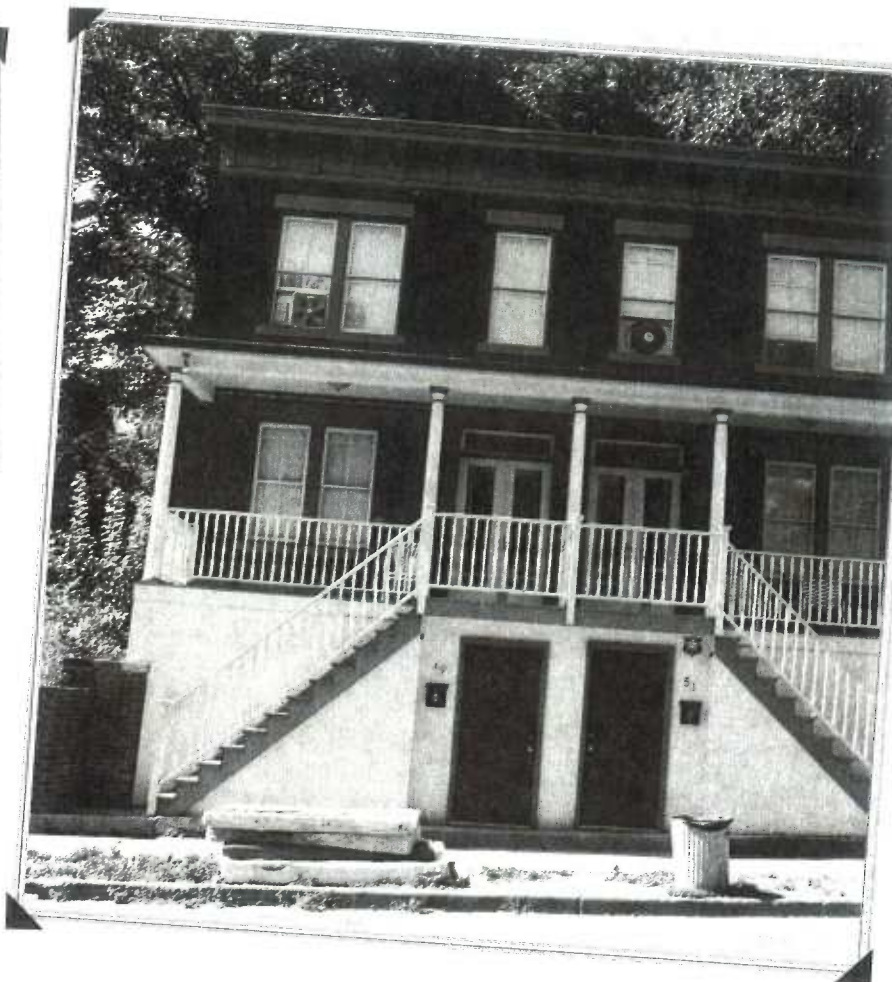




Above: 25 East Main Street, in Beacon, stood vacant and abandoned for more than twelve years. The vintage 1870 structure was completely restored and the interiors redesigned with a \$119,000 permanent loan insured by SONYMA. Dutchess County provided \$250,000 of HOME funds.

Right: Home ownership is frequently the basis of a neighborhood's stability. The South Miller Street project is CPC's first successful home ownership project in the City of Newburgh. Seven vacant one- and two-family homes were purchased by a not-for-profit developer. CPC construction financing in the amount of \$224,000 was combined with \$344,000 in State, Federal and local grants to gut rehabilitate the homes.

Far right: The Lander Street row houses project is a two-phase gut rehabilitation of 12 vacant buildings located within a two block radius in the City of Newburgh, Orange County. A total of \$2.5 million in CPC construction financing combined with \$1.5 million in State and Federal subsidies and \$5.3 million in private equity will fund a gut rehabilitation of these period structures. The New York State Common Retirement Fund permanent loan will be 100% insured by SONYMA.



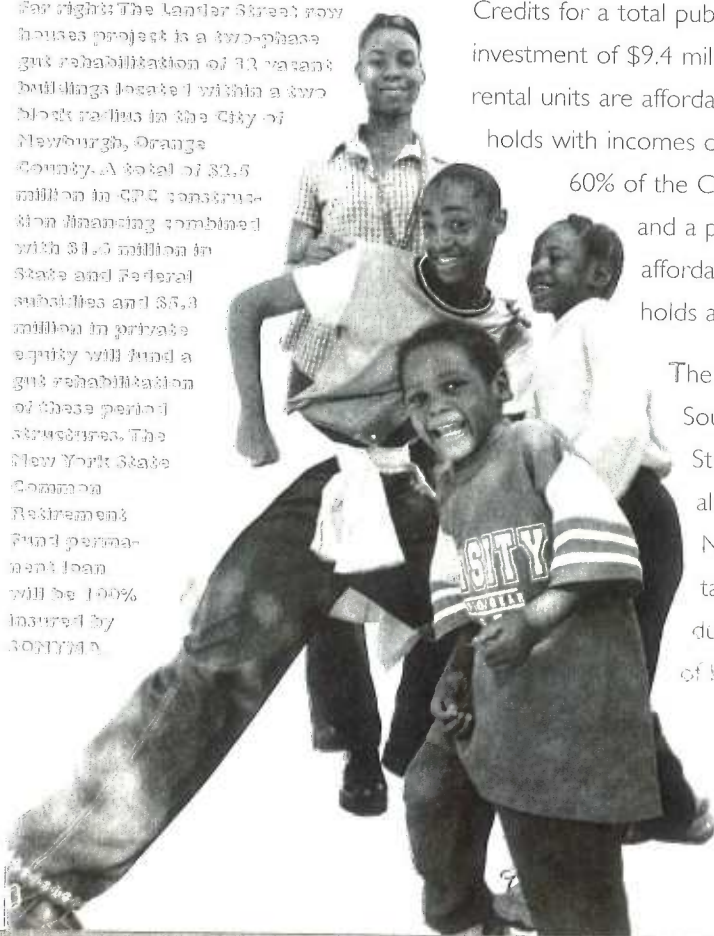
\$5.3 million in private equity from the sale of Low Income Housing Tax Credits for a total public/private investment of \$9.4 million. All of the rental units are affordable to households with incomes of less than 60% of the County median and a portion are affordable to households at 50% or less.

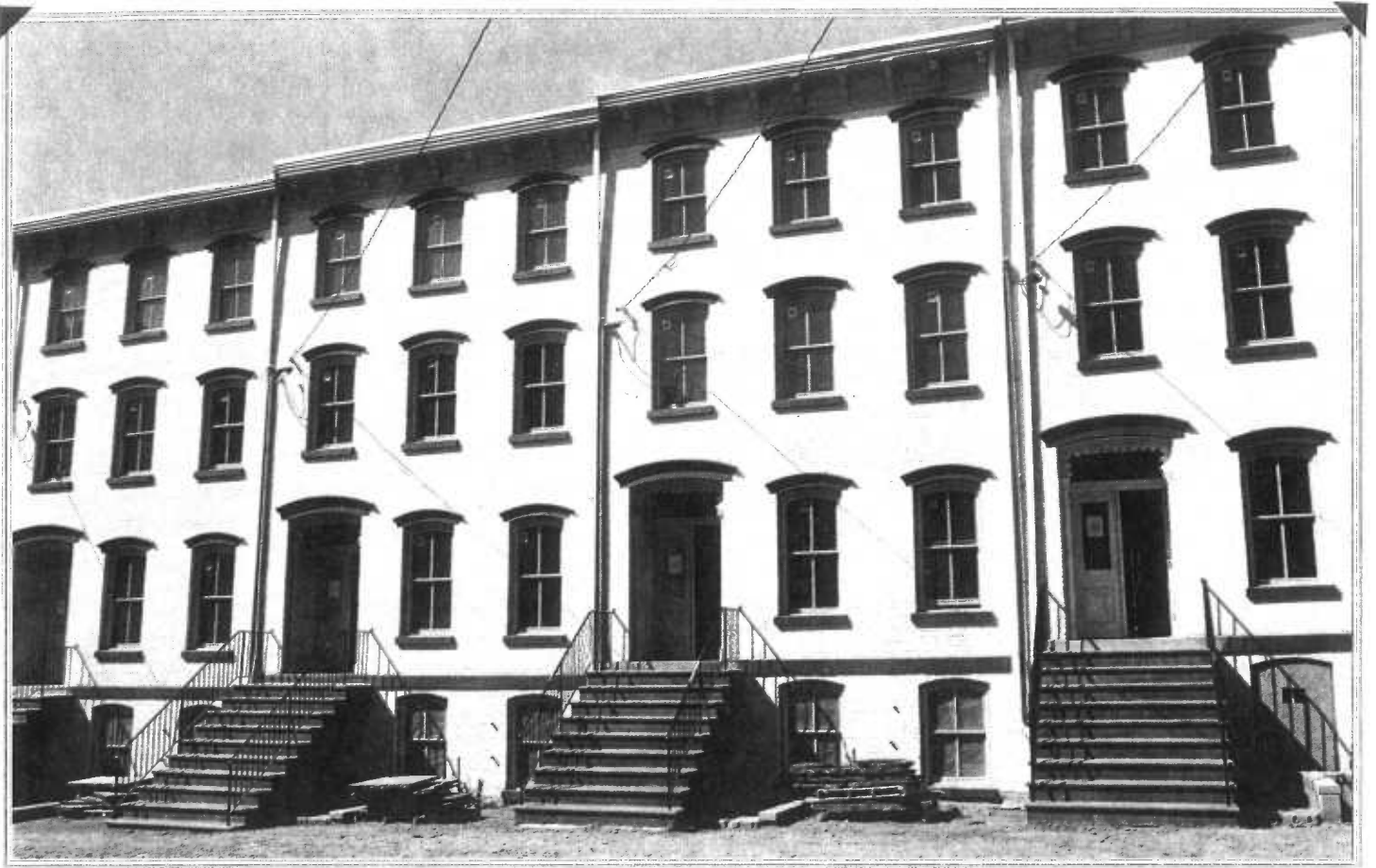
The successful South Miller Street Initiative, also in Newburgh, tackled the dual problems of historic

preservation and creating home ownership opportunities for very low-income households. CPC, State, Federal and local sources provided nearly \$1 million to rehabilitate seven historic one- and two-family homes that are being sold to first-time home buyers at a subsidized price of between \$45,000 and \$59,500. The three- and four-bedroom homes range in size from 1,300 to 2,100 square feet.

CLC EASTERN REGION

The CLC Eastern Region closed and approved a record number of transactions in this fiscal year. Eleven loans closed and 20 transactions were approved. Most





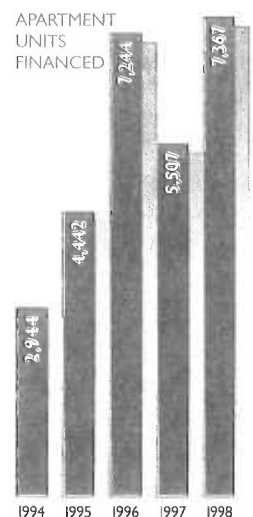
of this increased activity traces to the emerging Small Building Loan Program (described further under "New Initiatives"), which is designed for buildings with fewer than 20 apartments. Seven of the eleven transactions were closed under this new program.

One such project, 2 Rock Street in Philmont, Columbia County, involved the restoration of a deteriorating industrial building in a small residential community. The building was purchased and renovated by Housing Resources of Columbia County, Inc. CPC funds, in conjunction with a grant from the New York State Division of Housing and Community

Renewal, created a new home for the County's Head Start program, provided offices for the County's Weatherization program and Section 8 administration, and created five rental units that are affordable to very low-income families.

One of the larger multi-family projects in the Eastern Region, 686-690 Madison Avenue (Tyler Arms), is run by the Albany Housing Coalition, whose mission is to provide housing and related services for veterans. Tyler Arms will provide permanent housing and serve three meals a day for up to 60 veterans. In addition, the regional Veteran's Hospital will provide a telemedicine clinic.

The Historic Pastures, 49 buildings with 101 apartments spread over eight blocks in downtown Albany, was developed in the 1980's. However, the project had very poor occupancy rates because of its overly large units, expensive electric heating and poor insulation. The abandoned buildings created a sense of insecurity in the neighborhood. With CPC funds, the owner acquired the property, upgraded the units and completed a comprehensive heat conversion. As a result of the improvements, the property is now fully occupied.



CENTRAL REGION

The Small Building Loan Program played a dominant role in the Central region as well. Of the eleven loans closed in the past fiscal year, five — all in Syracuse — were closed under this program. Several Small Building Loan applications are being processed in Syracuse, Utica and Binghamton.

Two new program initiatives were also finalized during this fiscal year. An agreement with Home Headquarters will provide joint financing for the rehabilitation of small rental properties — from one to six units — in Syracuse. Home Headquarters will coordinate the rehabilitation work.

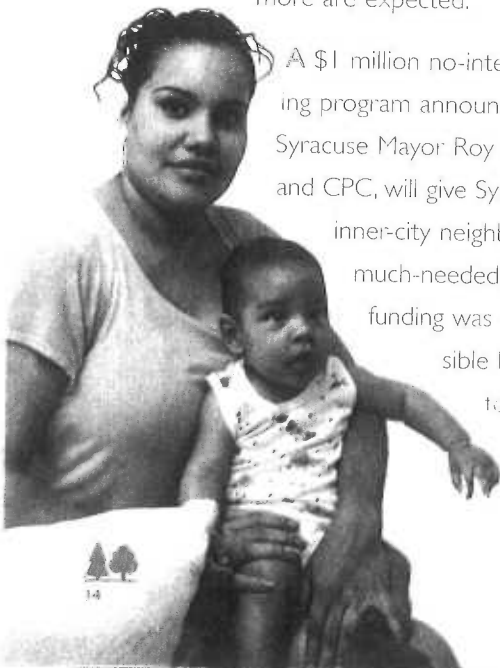
CLC Central has expedited the processing of construction loans for rural housing, using existing Rural Development plan reviews and inspections, eliminating the need to hire an engineer. Two such loans have already successfully closed, in the villages of Phoenix and Frankfort, and more are expected.

A \$1 million no-interest financing program announced by Syracuse Mayor Roy Bernardi and CPC, will give Syracuse's inner-city neighborhoods a much-needed boost. The funding was made possible by a grant to CPC

from the U.S. Treasury Department's Community Development Financial Institutions Fund. The funding will be used to supplement CPC loans for affordable rental properties in Syracuse's six Community Development target areas. Those neighborhoods include Brighton, Southwest, Near Westside, Washington Square, Near Northeastside and Near Eastside.

WESTERN REGION

The CLC Western Region closed 12 loans for an investment of more than \$9 million. This translates into 421 new units of affordable housing in fiscal 1998.



The continuing University Home Ownership Program is demonstrating that home ownership in low- and moderate-income communities in Buffalo is viable as well as desirable. As part of this Program initiative, CLC in partnership with Kensington-Bailey Neighborhood Housing Services has infused \$208,300 to rehabilitate one two-family and six single-family homes. These were sold to private owners with financing from Marine Midland Bank and the Federal Home Loan Bank. CLC is working to expand this program in the coming year.

Two Small Building Loans were closed as well, in Buffalo and Rochester. With the streamlining of

reviews and approvals, the program will become increasingly important to the Western Region in the upcoming year. Larger projects are also on the horizon as Buffalo rehabilitates its city center. CLC is working with the City and State to play a part in the revitalization of the downtown area.

CLC is also providing, through the state pension fund with SONYMA insurance, long-term financing for several low-income housing tax credit projects where lenders, such as Chase Manhattan Bank and KeyBank, are both the construction lender and tax credit purchaser.



New Jersey

CPC crossed the Hudson River this year to open its first office out of New York State in Jersey City. To serve the expanded lending area, CPC has raised \$60 million from current and new investors to serve New Jersey.

The initial focus in New Jersey will be to restore deteriorated apartment houses in Hudson, Essex, Passaic, and Union counties, while continuing to reach out to other areas. This office will try to replicate the system used successfully to rehabilitate some of New York's most distressed neighborhoods. *(Continued on page 18.)*

Left page top: Sixty affordable single rooms for Albany area veterans are housed in three Victorian mansions. The recently opened Tyler Arms provides full services including three meals a day and a telephone line clinic. CLC provided a \$370,000 permanent loan.

Left page center: Built in the 1890's and with much of its period detailing intact, the 47 buildings in the Historic Pastures are being redeveloped into affordable multifamily rental housing with construction and permanent financing from CLC of \$1,725,000.

Left page bottom: Through its new expedited financing program, CLC was able to provide a \$1,100,000 construction loan to Austin Court Apartments to complete the final phase of the complex.

Left: For nearly two centuries the historic Madison Barracks has played many important roles as a frontier post, military depot, hospital, military training center and even home to Ulysses S. Grant. Thanks to a \$1.1 million permanent loan provided by CLC, the third phase in the overall redevelopment of the project is complete with the rehabilitation and conversion of five buildings into 32 rental apartments.

Big Six Towers

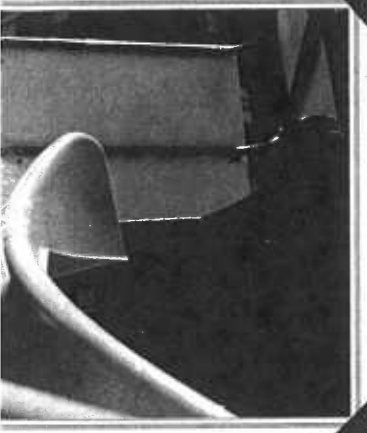
The residents of Big Six Towers were able to hold a block party in May to celebrate the rescue of their 981-apartment moderate-income cooperative from almost certain foreclosure. Led by CPC, with help from local elected officials, a \$21 million loan was arranged from CPC, the City's Department of Housing Preservation and

Development and Freddie Mac, to restore the project's financial stability and complete needed repairs.

The \$21 million loan is being used to pay off a myriad of debts, as well as to refinance the underlying mortgage. The looming debt would have wiped out the equity of nearly 1,000 families, turning the Mitchell-Lama coop into a city-owned rental. The failure would have been the largest coop default in the city's history.

Big Six's problems began, ironically, with what seemed to be a responsible plan to build a revenue-generating addition onto its shopping center. Funds for the addition were raised from the sale of debentures to shareholders and from coop cash flow. However, costs more than tripled from \$3 to \$10 million, amidst charges of gross mismanagement. Debts and arrearages piled up. The strategic intervention and new loan have resolved the crisis, providing





funds for certain needed repairs and placing the coop on a sound financial footing.

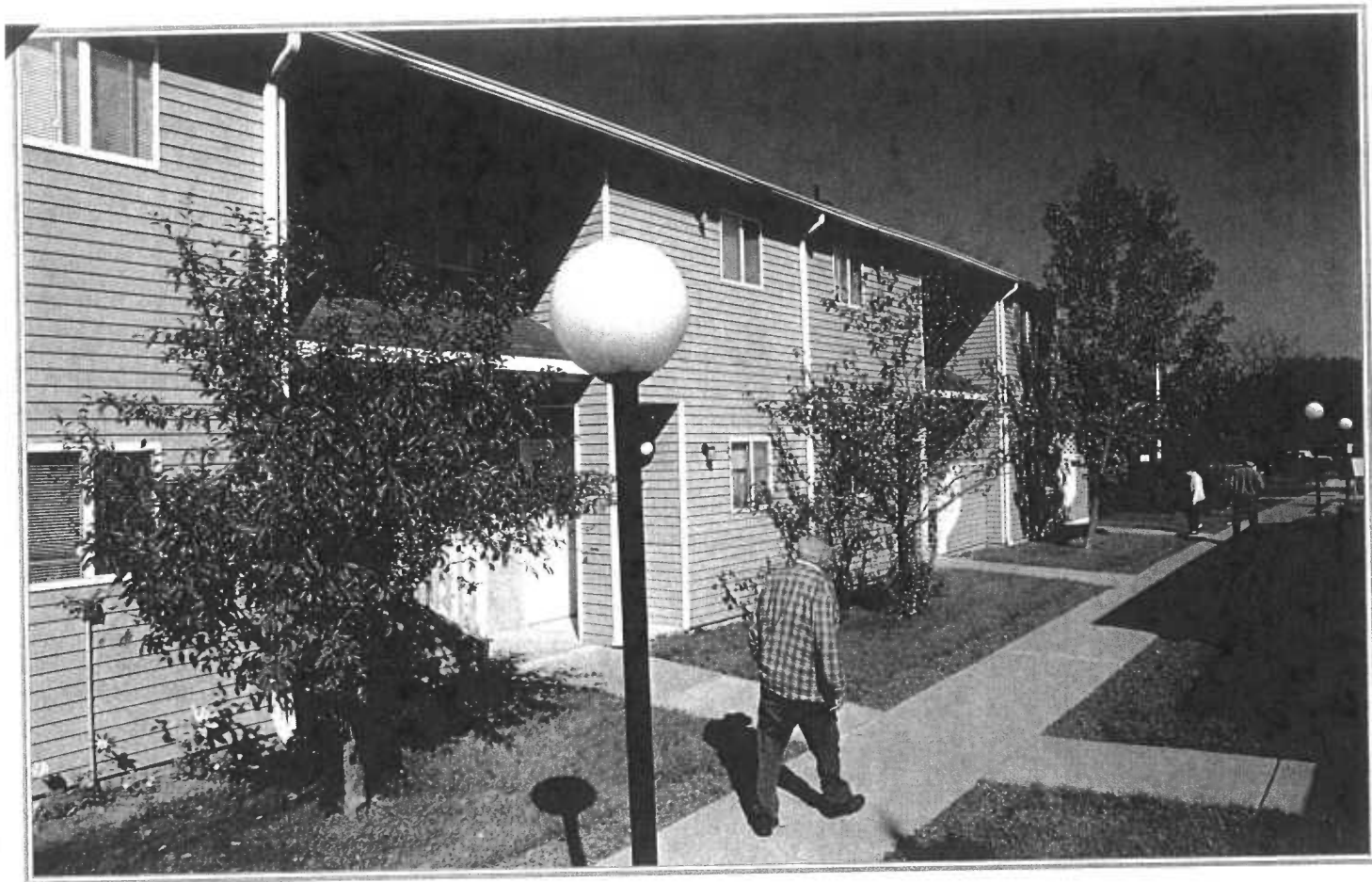
The one-, two-, three- and four-bedroom apartments sell for \$4,000 to \$10,500, and demand is so high, they are sold by lottery.

A cluster of seven 17- and 18-story buildings, the 1963 signature cooperative, sponsored by the New York Typographical Union Local 6, will continue to serve families and the community for generations to come.



Top Center: The Big Six rescue team from left to right: Jim O'Connor, Senior Vice President, The Insignia Residential Group; Robin Weinstein, Deputy Commissioner, HPD; Commissioner Richard Roberts, HPD; John Gillooly, Big Six coop board president; Queens Borough President Claire Shulman; Michael D. Lappin, President and CEO, The Community Preservation Corporation; Councilman Walter McCaffrey; Congressman Thomas Manton; Tom Watt, Senior Vice President, Freddie Mac.

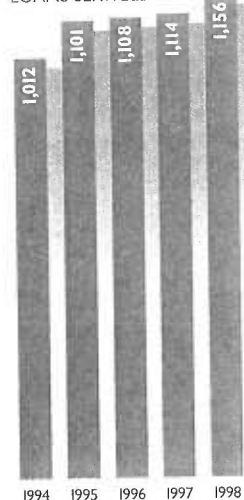
Big Six's residents, young and old, come out to celebrate the rescue of their cooperative from financial disaster.



Above: Wedgewood Apartments, 70 units of exceptional senior rental housing in the town of Bridgeport, Onondaga County, refinanced its underlying mortgage with a CLC/Freddie Mac loan of \$1,625,000.

Right top: CLC is providing a \$65,000 permanent loan to refinance the existing first mortgage and part of the rehabilitation costs for this property which was built in 1910. The City of Buffalo is providing \$47,000 of HOME funds.

LOANS SERVICED



Right bottom: The first New Jersey CPC loan was financed through Freddie Mac for \$31.6 million. The loan proceeds were used to purchase, moderately renovate and refinance the property located in Irvington,

(Continued from page 15.)

In cooperation with state, local and community development officials, as well as property owners and com-

munity groups, the office will target small to mid-size apartment buildings in low- and moderate-income neighborhoods. A major chal-

lenge facing the New Jersey

office is to bring together

the complex web of

public support — direct

subsidy, credit enhance-

ment and possibly real

estate tax relief — with

private investment to make

large scale upgrading possible.

The office is directed by New

Jersey native, Justin Peyser.

New Initiatives

Recognizing CPC's significant positive impact on New York's low- and moderate-income communities, we were officially certified as a Community Development Financial Institution (CDFI) by the Community Development Financial Institutions Fund of the U.S. Treasury Department and awarded a \$2 million grant. The CDFI program channels federal investments into private sector institutions serving distressed communities.

The \$2 million grant will be used to supplement CPC loans and invested in small multifamily properties in two target areas in New York State. One half of the grant will be used to

finance small properties in neighborhoods of the South Bronx — Mott Haven, Melrose, Morrisania and Hunts Point. The other \$1 million will be used to finance small buildings in Syracuse's six Community Development target areas. CPC has also formed a partnership with a Syracuse nonprofit, Home Headquarters, which will contribute \$250,000 in Community Development Block Grant funds received from the City of Syracuse to finance properties in the same target areas.

Last year, President Clinton signed into law an agreement to renew Section 8 housing subsidies. While

agreeing to maintain this important affordable housing resource, Congress called for HUD to lower the cost of project-based subsidies, a form of Section 8 that supports more than one million families nationwide. To fulfill this order, HUD developed Portfolio Reengineering, a program which focuses on properties in which Section 8 subsidizes rents higher than those charged by other buildings in the neighborhood. For the program to succeed, HUD must lower or "mark-to-market" these higher rents, while ensuring that the changes do not displace tenants or threaten the physical and financial health of the buildings themselves.



CPC was chosen from among leading non-profits that work on affordable housing to be HUD's first partner. The partnership began in September 1997 with a portfolio of 24 properties in 12 states; four sites were added to the portfolio in November 1998. As of November 1998, restructurings have been





Above: CPC's \$1,250,000 loan will refinance and help fund a moderate rehabilitation of 1035 Boynton Avenue in the Soundview section of the Bronx, along with 936 Intervale Avenue (not shown) in Hunts Point.

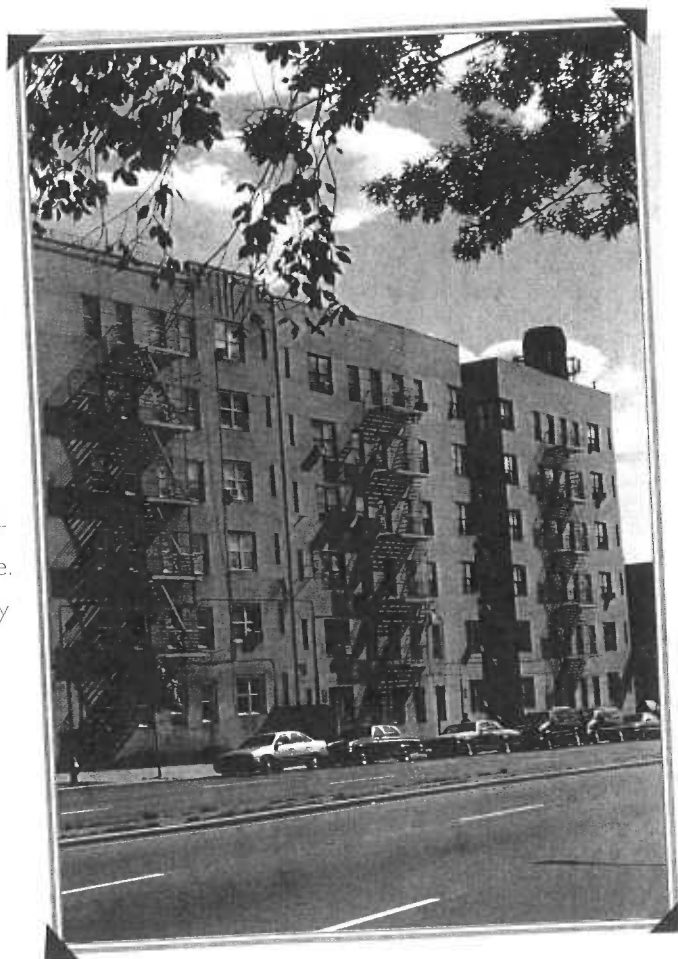
Right: Two separate loans totaling \$2.29 million provided by CPC, will refinance the existing loan and fund minor repairs for 730 and 740 Grand Concourse in the Bronx.

completed for seven properties, and nine others are expected to close by the end of December.

CPC's Small Building Loan Program — featuring reduced fees, faster processing, simpler forms and extensive technical support, promises to be an increasingly important program for our lending activities in upstate New York. The program, which began one year ago, provides rehabilitation financing for owners of buildings with

20 units or less. By simplifying the process and making funding readily available for the small building owner, CPC has been able to provide significant assistance to neighborhoods' affordable housing needs.

CPC plans to expand its program to provide permanent take-outs for loans originated by other lending institutions. One such promising initiative is the Fannie Mae Mini-Loan Program where banks such as Chase and Republic pool their loans with our own originations for securitization by Fannie Mae. The New York City pension funds have agreed to forward purchase such securities.



Public Policy

Relatively minor changes in the law can have a dramatic impact on CPC's and other lenders' efforts to preserve available affordable housing.

Higher costs resulting from regulation can place financial pressure on low- and moderate-

income buildings. CPC's current focus is on two regulatory issues: lead paint remediation, and water and sewer costs.

Lead paint remediation standards are under discussion in various legislative forums. The key challenge is balancing the health benefits of remediation

strategies with the thin economics of the affected housing. The cost and availability of liability insurance for lead paint claims (a requirement if additional investment is needed for upgrading) exacerbate the problem.



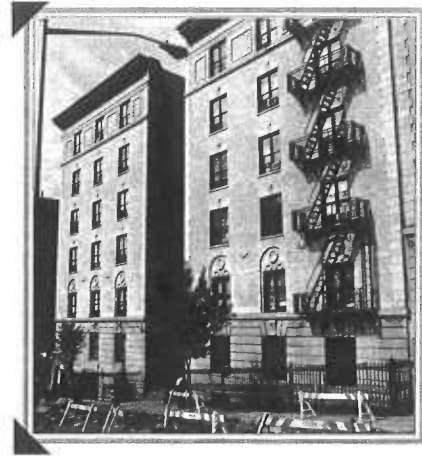
Water rates have tripled in New York City in the past 10 years. A moratorium continuing the New York City Water Board's current flat rate or frontage pricing structure will provide the time needed to devise alternatives to the proposed change from the flat rate system to metered pricing.

In New York City, where tenants do not pay for the cost of their own water usage, a single meter in an apartment building's cellar monitors building-wide consumption.

The change to individual meters could result in a shift in costs to owners in the affordable housing sector because these buildings tend to house larger families and have

higher daytime occupancy along with other factors that can increase usage. Bills tied wholly to usage could not only bankrupt low- and moderate-income buildings but, by reducing cash flows, eliminate the possibility of investment in conservation improvements such as replumbing.

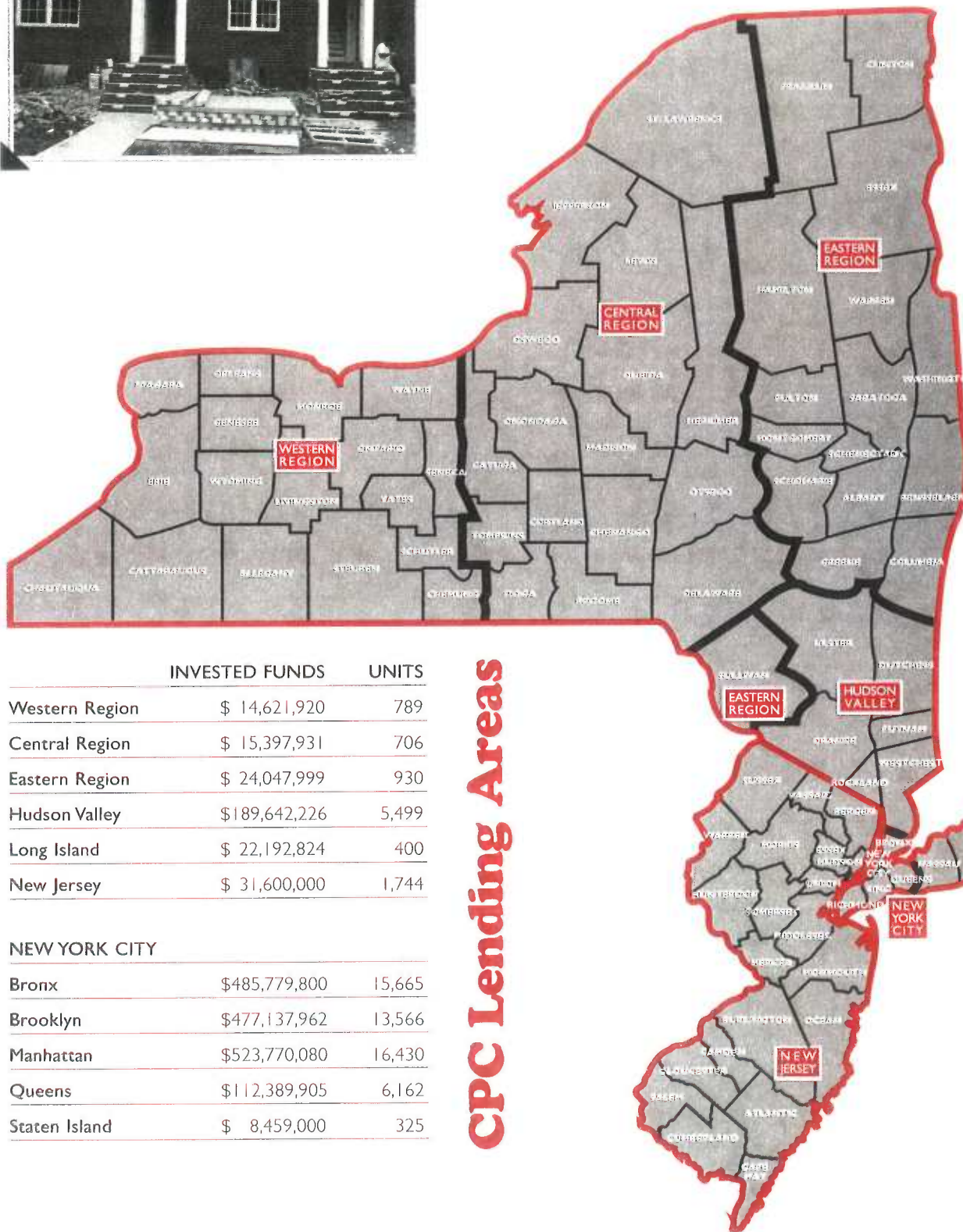
The city, CPC, and its partners in the Affordable Housing Coalition for Water/Sewer Reform are exploring solutions that would effectively and equitably cap bills for affordable housing buildings at levels which could be supported by their rent rolls and the limited incomes of their tenants.



Above: After the new owner bought this distressed property in the Hamilton Heights section of Manhattan she made numerous repairs to bring it back to health. CPC is refinancing the costs of the renovation and acquisition with a Fannie Mae 30-year fixed rate loan.

Below: Constructed circa 1925, 225 Parkside Avenue in the Prospect Lefferts Garden section of Brooklyn is in excellent condition. By refinancing the existing Freddie Mac loan with new Freddie Mac financing for \$3.2 million, funds will also be made available for the replacement of the roof and other minor repairs.





	INVESTED FUNDS	UNITS
Western Region	\$ 14,621,920	789
Central Region	\$ 15,397,931	706
Eastern Region	\$ 24,047,999	930
Hudson Valley	\$189,642,226	5,499
Long Island	\$ 22,192,824	400
New Jersey	\$ 31,600,000	1,744

NEW YORK CITY

Bronx	\$485,779,800	15,665
Brooklyn	\$477,137,962	13,566
Manhattan	\$523,770,080	16,430
Queens	\$112,389,905	6,162
Staten Island	\$ 8,459,000	325

CPC Lending Areas



Financial Overview

The Community Preservation Corporation ("CPC") completed the fiscal year ended June 30, 1998 with an excess of revenues over expenses of approximately \$3.7 million. CPC's fund balance, primarily the result of accumulated reserves from all years, now totals approximately \$29.9 million. This financial stability enables an assertive pursuit of CPC's objectives: 1) It furnishes a reserve against possible losses on construction and permanent loans held in portfolio by CPC. CPC's construction and permanent loan balances were \$133.0 million and \$48.6 million, respectively, at fiscal year-end. 2) It satisfies the various capital requirements under the revolving credit agreement with CPC's members and supplies the mandated financial strength for CPC's continued eligibility as an FHA-approved lender. 3) It provides the minimum capital requirements for seller/servicer status for Fannie Mae and Freddie Mac. 4) It enables CPC to expand its range of services.

There are three major sources of CPC's net income: interest spread on construction loans; commitment fees; and servicing fee income. Servicing fee income has made a larger contribution to income in recent years, largely reflecting cumulative portfolio growth from past originations. CPC serviced \$1.6 billion in mortgages by year-end for its own account and on behalf of participants, investors and other servicing clients.

Prospects for the future, while favorable, continue to be subject to fluctuations in several areas: cyclical economic trends including, in particular, employment trends for New York City residents and the rising government levies on housing, especially taxes and water/sewer billings; the supply of public subsidies, including entitlement programs for low-income households; and the efficient functioning of government agencies affecting rental housing.

A complete copy of the Corporation's Audited Financial Statement will be furnished upon written request. Written requests should be mailed to:

Eric P. Graap
Treasurer & Chief Financial Officer
The Community Preservation Corporation
5 West 37th Street
New York, New York 10018



Below: Bayside Gardens, a vacant and abandoned property in Bayside, Queens is one of the first properties CPC financed under the NYC Housing Development Corporation's new Housing Opportunities Program. CPC's loan of \$1,000,000 was used to acquire and renovate the property.

Below: This vacant four-story apartment building at Erie College Boulevard is being gut renovated thanks to a \$400,000 loan from CPC. The loan was provided in conjunction with NYCD's Participation Loan Program.





Above: The Hudson Valley office is directing its resources and energies this year into revitalizing former industrial towns along the Hudson River. The renovation of 24, 28, 32 City Terrace is part of the overall effort by CPC, Orange County and the City of Newburgh to restore many of its historic vacant row houses. CPC's loan is \$190,000, the county provided \$13,000 of HOME funds, and the City provided \$30,000 of CDBG funds.

Right: 340-352 West 163rd Street, a walk-up apartment building in Washington Heights, will receive rehabilitation funding from a variety of public and private sources. CPC has provided \$343,250 in construction financing and HUD provided \$477,000 as well as a HOME grant of \$2,175,170. HUD will provide permanent financing for the CPC portion of the construction loan.

Bottom: New rental housing for low-income families recently constructed in Maseron, Wayne County, provides 90 new apartments for families in an area dominated by single family homes. The \$1.4 million permanent loan was securitized by Fannie Mae. The mortgage-backed securities were sold to CPC's insurance companies.

The Community Preservation Corporation and Subsidiary Consolidated Balance Sheets

June 30, 1998 and 1997

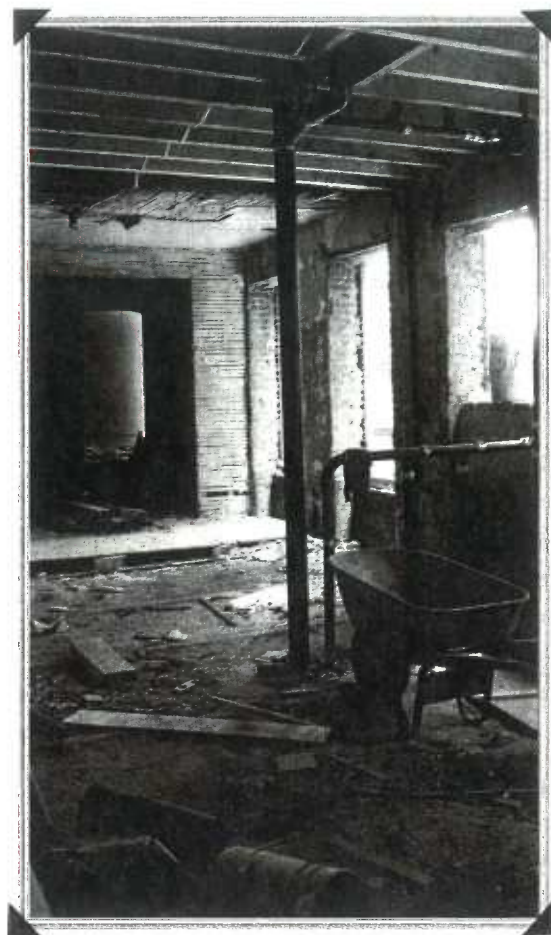
ASSETS	1998	1997
<i>Investment in First Mortgage Loans</i> , net of deferred commitment fees and allowance for possible investment losses:		
Construction loans	\$132,998,623	\$120,914,140
Permanent mortgage loans	48,570,398	57,035,717
Permanent mortgage loans—pledged under collateral trust notes payable	15,586,922	7,802,891
Total	197,155,943	185,752,748
<i>Cash and Cash Equivalents</i> , including restricted funds of \$48,621,172 and \$66,095,103 in 1998 and 1997, respectively	97,347,959	74,196,529
Accrued Interest Receivable	1,640,189	1,358,389
<i>Other Receivables</i>	2,934,807	2,523,517
<i>Other Assets</i> , net	7,852,828	4,493,239
Total Assets	\$306,931,726	\$268,324,422
LIABILITIES AND FUND BALANCE	1998	1997
<i>Liabilities:</i>		
Notes Payable under revolving credit agreement—unsecured	\$116,612,500	\$115,164,000
Collateral trust notes payable	15,586,922	7,802,891
Construction loan participations payable	5,873,965	—
Accounts payable and accrued	3,738,297	3,248,738
Participants' deposits	31,892,045	45,720,329
Due to noteholders	31,294,213	3,240,623
Escrow, deposits and other liabilities	72,048,149	66,931,563
	277,046,091	242,108,744
<i>Commitments and Contingencies</i>		
Fund Balance	29,885,635	26,216,278
Total Liabilities and Fund Balance	\$306,931,726	\$268,324,422

**The Community Preservation Corporation and Subsidiary
Consolidated Statements of Support, Revenues and Expenses
and Changes in Fund Balance**

For the Years Ended June 30, 1998 and 1997

REVENUES AND PUBLIC SUPPORT:	1998	1997
Interest on first mortgage loans	\$18,026,138	\$16,838,095
Interest on pledged first mortgage loans	828,054	139,071
Servicing fee income	3,694,039	3,628,879
Interest on short-term investments	1,312,148	1,409,267
Commitment fees	354,925	270,356
Other revenues	1,263,732	1,013,467
Public Support	125,000	21,500
Total revenues and public support	25,604,036	23,320,635

EXPENSES:	1998	1997
Interest expense	10,141,533	10,126,559
Interest expense on collateral trust notes payable	828,054	139,071
Interest expense on construction loan participations	86,190	—
Employee compensation and benefits	6,485,413	5,180,873
Office expenses	1,190,014	1,122,177
Professional fees	663,069	688,845
Depreciation and amortization	956,368	833,996
Income tax expense	73,427	202,698
Other expenses	1,510,611	1,579,723
Total expenses	21,934,679	19,873,942
Excess of revenues and public support over expenses	3,669,357	3,446,693
Fund Balance, beginning of year	26,216,278	22,769,585
Fund Balance, end of year	\$29,885,635	\$26,216,278





A construction loan of \$1.45 million will be used to completely rehabilitate 55 East 137th Street, a vacant building in East Harlem. The rehabilitation will include new layouts and a replacement of all the systems. This is the sixth project that the Developer has financed through CFC.

The Community Preservation Corporation and Subsidiary Consolidated Statements of Cash Flows

For the Years Ended June 30, 1998 and 1997

CASH FLOWS FROM OPERATING ACTIVITIES:	1998	1997
Excess of revenues and public support over expenses	\$3,669,357	\$3,446,693
Adjustments to reconcile excess of revenues and public support over expenses to net cash provided by operating activities—		
Depreciation and amortization	956,368	833,996
(Increase) decrease in accrued interest receivable	(281,800)	80,151
Increase in other receivables	(411,290)	(598,287)
(Increase) decrease in other assets	(540,355)	139,165
Increase in accounts payable and accrued expenses	489,559	293,895
Net cash provided by operating activities	3,881,839	4,195,613

CASH FLOWS FROM INVESTING ACTIVITIES:	1998	1997
First mortgages originated	(206,128,508)	(133,952,870)
Repayments of first mortgage loans	32,575,921	16,597,537
First mortgage loans sold	162,149,392	90,209,292
Purchase of fixed assets	(448,693)	(1,624,303)
Increase in other assets	(3,326,909)	(1,221,893)
Net cash used in investing activities	(15,178,797)	(29,992,237)

CASH FLOWS FROM FINANCING ACTIVITIES:	1998	1997
Increase in notes payable under revolving credit agreement, net	1,448,500	17,264,937
Collateral trust notes issued, net	7,784,031	7,802,891
Construction loan participations	5,873,965	—
Decrease in participants' deposits	(13,828,284)	(7,640,510)
Increase (decrease) in due to noteholders	28,053,590	(2,901,410)
Increase in escrow, deposits and other liabilities	5,116,586	4,405,673
Net cash provided by financing activities	34,448,388	18,931,581
Net increase (decrease) in cash and cash equivalents	23,151,430	(6,865,043)
CASH AND CASH EQUIVALENTS, beginning of year	74,196,529	81,061,572
CASH AND CASH EQUIVALENTS, end of year	\$97,347,959	\$74,196,529

Investment in First Mortgage Loans and Related Commitments

The following is a summary of closed first mortgage loans in which CPC has participated, as of June 30, 1998 and 1997 (000's omitted except for number of loans):

1998	CONSTRUCTION	PERMANENT	TOTAL
Number of loans	167	580	747
Funded Commitments:			
Total funded balance, net of repayments	\$256,913	\$785,630	\$1,042,543
Less—			
Participants' interests in loans originated prior to July 1, 1997	122,459	396,453	518,912
Mortgage loans sold	—	270,449	270,449
Mortgage loans pledged prior to December 31, 1996	—	54,400	54,400
Corporation's portion	134,454	64,328	198,782
Allowance for possible investment losses	(996)	—	(996)
Net deferred commitment fees	(459)	(171)	(630)
Investment in first mortgage loans	\$132,999	\$64,157	\$197,156

1997	CONSTRUCTION	PERMANENT	TOTAL
Number of loans	172	503	675
Funded Commitments:			
Total Funded balance, net of repayments	\$273,672	\$737,477	\$1,011,149
Less—			
Participants' interests	151,271	344,300	495,571
Mortgage loans sold	—	236,971	236,971
Mortgage loans pledged prior to December 31, 1996	—	91,186	91,186
Corporation's portion	122,401	65,020	187,421
Allowance for possible investment losses	(900)	—	(900)
Net deferred commitment fees	(587)	(181)	(768)
Investment in first mortgage loans	\$120,914	\$64,839	\$185,753

144 West 144th Street is one of seven vacant and abandoned buildings (five in Harlem, two in Brooklyn) that were approved to receive loans totaling more than \$10 million for complete gut renovations. The financing package includes funding from CPC, HDC and HPD.



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*Resigned during 1997-98

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**Resigned during 1997-98*

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Anders Tomson, *Vice President*
Michelle Raymond, *Community Preservation Officer*

Western Region

William J. Connors, *Vice President*
Michelle Andrzejewski, *Community Preservation Officer*

**CLC is an unincorporated division of
The Community Preservation Corporation.

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*Resigned during 1997-98

***CPC Resources, Inc. is a wholly owned subsidiary of
The Community Preservation Corporation.

CPC Offices

CENTRAL

5 West 37th Street
New York, NY 10018
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MANHATTAN/BRONX

3154 Albany Crescent
Bronx, NY 10463
(718) 601-6600

BROOKLYN/QUEENS/ STATEN ISLAND

175 Remsen Street
Brooklyn, NY 11201
(718) 522-3900

HUDSON VALLEY

245 Saw Mill River Road
Hawthorne, NY 10532
(914) 747-2570

LONG ISLAND

6851 Jericho Turnpike
Suite 230
Syosset, NY 11791
(516) 364-4800

CLC DIVISION

Central Region

120 East Washington Street
Syracuse, NY 13202
(315) 476-3173

Eastern Region

39 North Pearl Street
Floor 3
Albany, NY 12207
(518) 463-1776

Western Region

403 Main Street
Suite 615
Buffalo, NY 14203
(716) 853-0266

NEW JERSEY

75 Montgomery Street
5th Floor
Jersey City, NJ 07302
(201) 547-5626

Participating Institutions

COMMERCIAL BANKS

The Adirondack Trust Company
Amalgamated Bank of New York
Arab Bank plc
Ballston Spa National Bank
Banco Popular de Puerto Rico
Bank of the Hudson
The Bank of New York
Bank of Tokyo-Mitsubishi Trust
Company
Bankers Trust Company
BSB Bank and Trust Company
The Canandaigua National
Bank and Trust Company
Canadian Imperial Bank
of Commerce
Cattaraugus County Bank
Central National Bank of
Canajoharie
Champlain National Bank
Charter One Bank FSB
The Chase Manhattan Bank
ChinaTrust Bank (USA)
Citibank, N.A.
Citibank (NYS)

City National Bank & Trust Company
Ellenville National Bank
European American Bank
Evergreen Bank, N.A.
First National Bank of Cortland
The First National Bank of Jeffersonville
First National Bank of Scotia
First State Bank of Canisteo, N.Y.
First Union National Bank

Fleet Bank, National Association

Glens Falls National Bank and Trust
Company

The Herkimer County Trust Company

Hudson River Bank and Trust Company

The Industrial Bank of Japan Trust
Company

KeyBank National Association

Manufacturers and Traders Trust Company

Marine Midland Bank

Morgan Guaranty Trust Company of
New York

Premier National Bank

Republic National Bank of New York

Sterling National Bank

Saratoga National Bank & Trust Company

Solvay Bank

Summit Bank

Tioga State Bank

The Trust Company of New Jersey

Union State Bank

United States Trust Company of
New York

US Trust Company of New Jersey

Waterhouse National Bank

In 1995, CPC provided a \$1,450,000 loan that made possible the acquisition and renovation of 460 East 21st Street in the Flatbush section of Brooklyn, after it had been foreclosed. Today, CPC is again coming to the rescue to refinance the property with a \$1,500,000 loan through our Special Purchase Program with Fannie Mae.





The Freddie Mac loan on this rental property in Jamaica, Queens is being refinanced by CPC through its Freddie Mac Multifamily Cash Program.

SAVINGS INSTITUTIONS

Apple Bank for Savings
 Astoria Federal Savings & Loan Association
 Canton Federal Savings & Loan Association
 Carver Federal Savings Bank
 Catskill Savings Bank
 Cohoes Savings Bank
 The Dime Savings Bank of New York, FSB
 The Dime Savings Bank of Williamsburgh
 Elmira Savings Bank, FSB
 Emigrant Savings Bank
 Fairport Savings & Loan Association
 Flushing Savings Bank
 Fulton Savings Bank
 Greene County Savings Bank
 GreenPoint Bank
 Home Savings of America, FSB
 Independence Community Bank
 Jamaica Savings Bank FSB
 Lake Shore Savings and Loan Association
 Lockport Savings Bank
 Maple City Savings and Loan Association
 Mohawk Community Bank
 North Fork Bank
 Oswego City Savings Bank
 Pioneer Savings Bank
 Provident Bank
 Putnam County Savings Bank
 Queens County Savings Bank
 Rhinebeck Savings Bank
 Ridgewood Savings Bank
 Rome Savings Bank
 Roosevelt Savings Bank
 Savings Bank of the Finger Lakes, FSB
 The Savings Bank of Utica
 Staten Island Savings Bank
 Walden Savings Bank

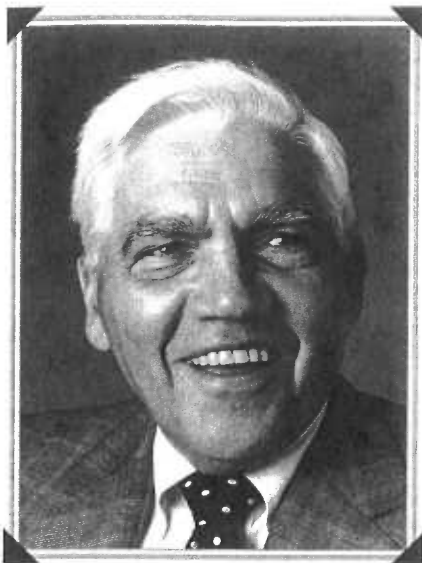
INSURANCE COMPANIES

The Equitable Life Assurance Society of the United States
 The Guardian Life Insurance Company of America
 Metropolitan Life Insurance Company
 Mutual Life Insurance Company of New York
 New York Life Insurance Company
 TIAA-CREF

Additional Investors

New York City Employees Retirement System
 New York City Police Pension Fund
 New York State Common Retirement Fund
 Pension Fund of the United Methodist Church
 Teachers Retirement System of the City of New York

Design: Jill Singer Graphics
 Editors: Steven Alschuler, Lloyd Kaplan, Brenda Ratliff
 Photography: Elena Borstein, Ronald R. Glassman, Dan Vecchio, Todd Weinstein
 Printing: Hull Printing Company



In Memoriam

We are saddened and will miss Harry D. Garber, former Vice Chairman of the Equitable Life Assurance Society and a longtime director of CPC, who passed away this spring.

Mr. Garber was a founding director of Housing Partnership Mortgage Corporation (HPMC), created by CPC in 1986 to bring the resources of New York's life insurance companies to bear on the City's affordable housing problems. HPMC merged with CPC in 1989 and Mr. Garber joined CPC's board of directors at that time. He served as chairman of CPC's board of directors from 1992 to 1994.

Harry was a tireless and enthusiastic supporter of CPC's mission and a guiding force behind its growth and success in bringing the capital markets into New York's disadvantaged communities. His friendship and wise leadership will be deeply missed.



The Community Preservation Corporation
5 West 37th Street • New York, New York 10018
(212) 869-5300

