

# The Community Preservation Corporation



To Our Members • 2 Building Communities • 6 Big Six Towers • 16 Fiscal Charts • 9, 13, 18 CPC Lending Areas • 22



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# 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
<b>Total</b>	<b>\$204,018,575</b>

### 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
<b>Total</b>	<b>7,367</b>

### Permanent Conversions (dollars)

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

### 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 B. 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. A \$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

