

B U I L D I N G



T O G E T H E R

THE COMMUNITY PRESERVATION CORPORATION
FISCAL YEAR 2015 ANNUAL REPORT

Uncommon Expertise. Unmatched Impact.

CPC believes housing is central to transforming underserved neighborhoods into thriving, vibrant communities.

CPC is a nonprofit affordable housing and community revitalization finance company providing flexible capital solutions, fresh thinking, and a collaborative approach to the complex issues facing communities. Our deep, strategic relationships with government agencies, local community groups, banks, and other investors position CPC as a trusted partner who works hand in hand with housing providers to create customized financing solutions.

Our goal is to be more than just a lender. At CPC we work as a partner to provide technical expertise, support, and flexible solutions that help meet the capital needs and broader community revitalization goals of our customers, local stakeholders, and the communities we serve.

Since 1974, CPC's creative solutions have revitalized countless neighborhoods and resulted in wide-reaching economic impact that improves people's lives.

**01 Interfaith Towers,
66 Washington Street,
Poughkeepsie, NY**



To Our Partners



For more than four decades CPC has been providing innovative and flexible lending solutions to help meet the demand for stable, quality housing in cities and neighborhoods across New York State.

In Fiscal Year 2015, the CPC team closed 60 loans totaling more than \$370 million, including \$141 million in construction loans, to create and preserve approximately 4,300 units of quality, stable housing. We are proud of the diversity of our loans, and that our renewed focus on investing in the places and projects where we can be the most effective in revitalizing underserved neighborhoods is paying dividends.

As a company we were focused on pursuing new opportunities to expand our toolbox, increasing our impact across the state, and collaborating across our partner base to accomplish our mission.

This year CPC was chosen by our federal and state government partners to administer key programs on a statewide level. Freddie Mac selected us to participate as an originator in their Small Balance Loan (SBL) program to meet the unique financing needs of small multifamily properties by providing long-term capital to this underserved segment of the market. CPC was also designated by the state to oversee \$20 million in funding through the Small Project Affordable Rental Construction Program (SPARC) to restore and create housing in communities impacted by Superstorm Sandy, Hurricane Irene, or Tropical Storm Lee.

Addressing the physical and financial health as well as long-term sustainability of multifamily housing is critical to our mission of strengthening communities and preserving the housing stock. Together with Bank of America and the Robin Hood Foundation, we are piloting a program to bring a stable source of capital to the New York City market for the acquisition and

rehabilitation of small distressed properties in targeted neighborhoods. We are also working to solve the challenges of financing sustainability measures in new construction and rehabilitation projects through CPC Sustainability, an initiative focused on integrating energy efficiency and water conservation savings into the first mortgage underwriting process.

The scope of our achievements in FY15 has shown that CPC can still leverage our expertise to bring in business and transact at a high level. More than that, we have affirmed that at CPC we are trusted partners and we are problem solvers.

Our success is tied to our talent for working hand in hand with government, community stakeholders and our borrowers to understand their unique needs and to deliver solutions that address some of the most challenging housing and community revitalization issues facing the areas we serve.

Over the past few years we have transformed from a company in the midst of a turnaround to a fully capitalized, financially strong, mission-driven organization. With a renewed focus and a great team in place, we are confident that CPC is well positioned to continue our positive impact in communities across New York and the region into next fiscal year and beyond.

Michael Hegarty
Chairman

Rafael E. Cestero
President & CEO

Our Approach to Community Revitalization

In 1974, when CPC made its first loan, our goal was to help owners and developers of small multifamily buildings in New York City revitalize their neighborhoods with safe, affordable housing. We knew then that it would require working jointly with government agencies, local community groups, banks, pension funds, and other partners to help property owners secure the funding needed to build stronger communities.

“We rely on CPC for its local expertise and 40-year experience to connect with small building owners on the ground to meet the increasing capital needs of smaller apartment communities.”

—

David Brickman,
Executive Vice President,
Freddie Mac Multifamily

More than four decades later, the value of our collaborative approach is greater than ever.

This fiscal year, CPC helped finance the creation or preservation of 4,300 units of affordable housing throughout New York State. As a nonprofit affordable housing and community revitalization finance company, we’ve developed deep, strategic partnerships over the years that have been critical to our thoughtful approach to preserving and nurturing affordable housing. These include Freddie Mac, New York State Homes and Community Renewal (HCR), the State of New York Mortgage Agency (SONYMA), and the New York City Department of Housing Preservation Development (HPD), as well as pension funds such as the New York City Retirement Systems (NYCRS) and the New York State Common Retirement Fund (CRF).

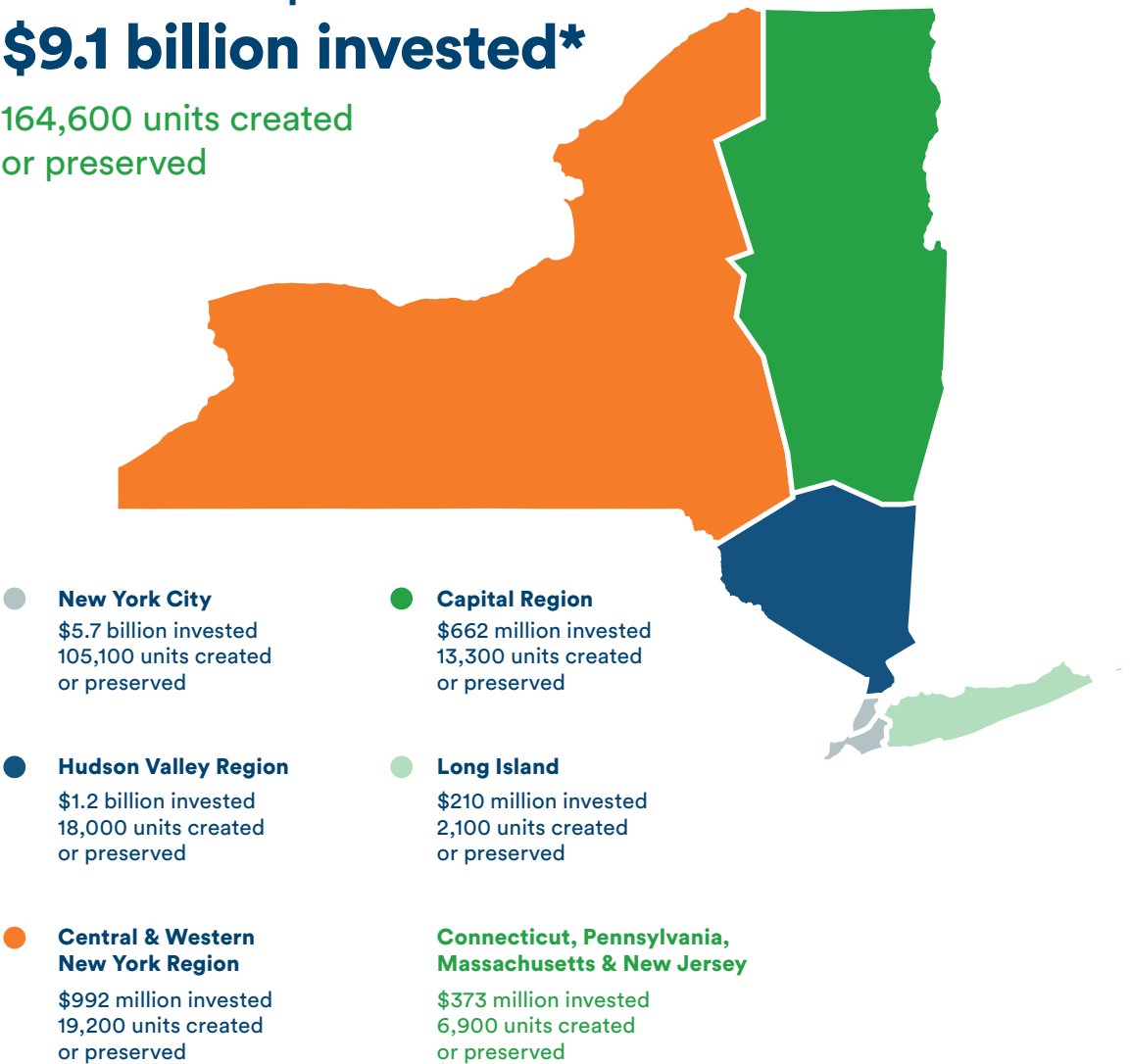
Through competency, creativity, and collaboration, we have developed an exceptional track record of helping to transform neighborhoods marked by failing or vacant buildings into thriving communities in which to live, work, and raise families. We couldn’t accomplish this without vital partners who share our commitment to protecting the quality and stability of housing across New York.

Revitalizing New York State

Since our inception, CPC has contributed to the preservation or creation of affordable housing, initiated numerous downtown revitalizations, and improved the quality and energy efficiency of the multifamily stock.

Since inception:
\$9.1 billion invested*

164,600 units created
or preserved



*Public and Private Funds

Success Stories

NEW YORK CITY

Aquinas Housing/2060 Crotona Parkway and 975 East Tremont Avenue, Bronx, NY (below)

One of our most vulnerable and rapidly growing populations, senior citizens often face the challenge of living on a fixed income while expenses such as housing, medical care, and other necessities continue to increase.

Located at 2060 Crotona Parkway and 975 East Tremont Avenue, the buildings were originally financed under the U.S. Department of Housing and Urban Development (HUD) 202 program in the late 1980s and early 1990s and are currently in need of capital improvements and upgrades. Partnering with HPD, CPC provided an \$11 million construction and NYCERS permanent loan that is SONYMA insured, as part of a project to rehabilitate and preserve the affordability of 136 units of low-income senior housing in these two buildings in the West Farms community of the Bronx.

The partnership between CPC and HPD helped refinance the HUD debt and provided the not-for-profit sponsor, Aquinas Housing Corporation, the funding necessary for the moderate rehabilitation of both buildings.

The project also benefits from a 20-year Housing Assistance Payment (HAP) contract, a federal rental subsidy program that ensures the tenants will not pay more than 30% of their income toward rent. The New York City Council has approved an Article XI tax exemption that reduces the project's annual real estate taxes, also helping to ensure its long-term affordability.

We are proud to work with not-for-profit organizations and our partners in government to preserve the existing affordable housing stock so that senior citizens and other New Yorkers can live with dignity.

01 160 West 142nd Street, Harlem, NY

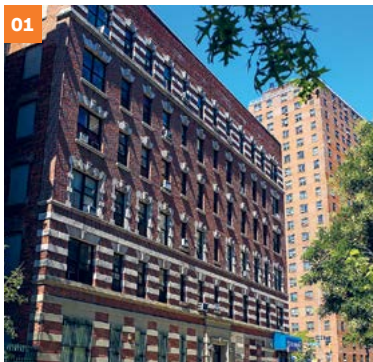
One of CPC's first loans under Freddie Mac's new Small Balance Loan (SBL) program, the \$2.235 million loan will support the refinancing of this 22-unit moderate-income, mixed-use rental building.

02 Ocean Towers, 2960 West 24th Street, Brooklyn, NY

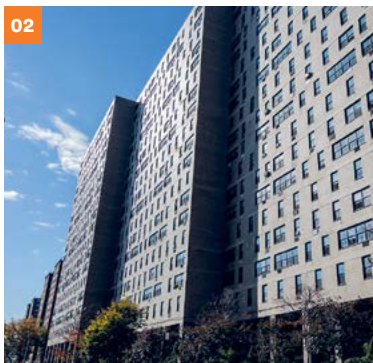
CPC provided a \$36 million SONYMA-insured NYCERS permanent loan to help fund the acquisition and rehabilitation of 360 units of affordable housing.



01



02



FY 2015

**\$157.3 million
invested**

**1,746 units
financed**

1641 Andrews Avenue, Bronx, NY (above right)

1641 Andrews Avenue underscores our decades-long commitment to investing in the revitalization of communities throughout the Bronx, and our continuing work to ensure the preservation of the borough's existing multifamily housing.

Located in the Morris Heights neighborhood, this 60-unit rental building was originally constructed in 1925 and was in need of a moderate rehabilitation. CPC partnered with HPD to provide a financing package that included a CPC construction loan of \$1.2 million and a SONYMA-insured NYCERS permanent loan. This allowed building owner and longtime CPC partner, Bronx Pro, managed by Peter Magistro, to complete rehabilitation work that includes replacing major systems such as the heating plant, water supply, roofing, insulation, and exterior doors, as well as upgrading the individual units to include new kitchens, baths, interior doors, windows, lighting, and flooring.

With the financing in place, tenants can look forward to moving into a newly renovated building and apartments when the work is complete. With units affordable at 50%–80% of Area Median Income, the tenants can also be assured that their rents will remain affordable and that the property will continue to serve the affordable housing needs of the community well into the future.

HUDSON VALLEY

34 Mill Street, Middletown, NY (below left)

The Mill at Middletown is being adapted from a late 19th-century mill that was originally a factory specializing in producing hats and silk. Once a hub of economic opportunity, this property, which has been vacant since the early 1980s, is now poised to again serve the community, with 42 new units of affordable rental housing, commercial, and community space.

With CPC providing a \$7.3 million construction loan and a SONYMA-insured \$1.8 million permanent loan through the New York State CRF, the developer was able to begin work on the renovation and conversion of the main mill building into rental apartments. When completed, the Mill at Middletown will serve dozens of hardworking families earning between 30% and 50% of the Area Median Income. The project will also include a new community room and a Fresh Start Café, which will provide on-site job training in the culinary arts, thus reviving the original mill's legacy of economic opportunity and job creation.

CPC partnered with Middletown and their Business Improvement District (BID) on this project, and has financed a number of other revitalization projects in the downtown area. The Mill at Middletown, which is a short distance from major transportation and within walking distance to area shopping and other amenities, will help serve as a catalyst for continued growth and investment in the community.

Our commitment to partnering with the communities we serve and working to understand their needs is the hallmark of how we do business.

01 Interfaith Towers, 66 Washington Street, Poughkeepsie, NY

CPC provided a \$2.1 million construction loan and a SONYMA-insured \$1.8 million permanent loan through the New York State CRF for the rehabilitation of this 135-unit building that serves low-income senior citizens.

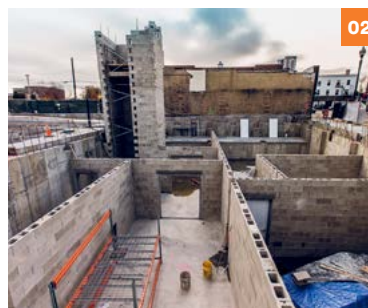
02 The Lombardi, 371 North Avenue, New Rochelle, NY

CPC provided a \$10.5 million construction and SONYMA-insured permanent loan through the New York State CRF to help finance a 48-unit building, with 10% of apartments affordable to low-income households.

FY 2015

**\$97 million
invested**

**1,198 units
financed**





03 **Winners Circle at Saratoga Phase III**

CPC provided a \$23 million Freddie Mac permanent loan to Kaydeross Village, LLC, to complete 190 units of residential housing.

04 **245 Broadway, Schenectady, NY**

CPC provided a SONYMA-insured \$2.25 million permanent loan through the New York State CRF to help finance the construction of a mixed-use building with retail space and 18 new rental apartments.

CAPITAL REGION

118 Jay Street, Schenectady, NY (above right)

More than half of New York State's population lives in small multifamily buildings of 5–49 units. As a result, CPC has made it a priority to understand the challenges facing small building owners and to provide products tailored to their needs.

118 Jay Street is a 16-unit masonry building located directly across from City Hall in the downtown section of Schenectady. Although central to neighborhood amenities, the building has remained vacant for a number of years and was in need of significant rehabilitation.

Recently, Schenectady has been experiencing revitalization, with an infusion of new public- and private-sector investment. As economic opportunity has increased, so has the demand for quality housing. Additionally, downtown Schenectady recently lost two mixed-use buildings to a fire, making 118 Jay Street crucial to restoring housing stock.

With a CPC construction loan of \$450,000 and a SONYMA-insured \$495,000 permanent loan through the New York State CRF, 118 Jay Street owners Noah Smith and Theodore Haber had the funding necessary to rehab the building's apartments, major systems, and commercial space, and to provide energy-efficient upgrades that will benefit its long-term operating costs.

As long-time CPC partners, Smith and Haber knew that CPC could provide the capital and terms they needed to see their vision through to fruition.

FY 2015

**\$74.1 million
invested**

**1,008 units
financed**



CENTRAL AND WESTERN NEW YORK

500 Seneca Street, Buffalo, NY (above left)

The 500 Seneca Street project is located in Buffalo's emerging Hydraulics District, formerly a warehouse district that is now experiencing successful redevelopment activity. 500 Seneca Street presented an opportunity to take a vacant warehouse and transform it into a large mixed-use building to help continue the area's revitalization. However, this project presented a number of unique challenges.

The site, which was a confirmed brownfield, required environmental remediation before construction could begin. Additionally, the large scale of the project and the fact that the site was deemed historically significant, requiring construction to adhere to strict guidelines, called for a development team with the financial strength, experience, and capacity to complete a project of this nature. It also required a lender who understood the history of the community and the importance of investing in its growth.

The project was CPC's first with 500 Seneca Street, LLC's development team, comprising Sam Savarino, David Franjoine, Dennis Franjoine and Robert Zuchlewski, who together have decades of construction and development experience in Western New York. With a \$24 million construction loan from CPC that included a \$9 million Citibank participation and a SONYMA-insured \$18.68 million permanent loan through the New York State CRF, the development team was able to fund the conversion to a mixed-use property featuring 108 apartments affordable to the local workforce, as well as 110,000 square feet of new office and retail space.

This partnership transformed a vacant warehouse on a brownfield site into a positive resource that provides housing and economic opportunity to the community.

01 Beaver Meadow Apartments Phase I: 15963 Eimicke Place, Watertown, NY

CPC provided a \$15 million SONYMA-insured permanent loan to finance the creation of 168 units in Phase I of the Beaver Meadow Apartments, helping to expand housing around Fort Drum military base.

02 Buffalo Foundry Lofts, 1738 Elmwood Avenue, Buffalo, NY

CPC provided a SONYMA-insured \$7.35 million permanent loan through the New York State CRF to transform a vacant warehouse into 46 apartments and 33,000 square feet of retail and office space.

Bevier Building

42 South Washington Street, Rochester, NY

(below left)

The National Register-listed Bevier Memorial Building, located in Downtown Rochester, was designed by Claude Bragdon and completed in 1910. It was originally built to house the Rochester Athenaeum and Mechanics Institute's School of Art and Design, predecessor to the Rochester Institute of Technology (RIT).

The building survived the urban renewal of the 1960s, when many older properties were leveled for new construction projects. However, after RIT vacated the property, the building sat empty for 15 years.

With a vision to rehabilitate the building, Franklin Properties, LLC, led by longtime CPC borrower Doug Sutherland and his business partner Patrick Dutton, closed on a \$2.7 million construction loan and a SONYMA-insured permanent loan through the New York State CRF. In partnership with the City of Rochester and the County of Monroe Industrial Development Agency, this project created 15 loft-style apartments and 5,000 square feet of ground-floor office space.

The Bevier Building exemplifies CPC's commitment to restoring historic structures and revitalizing downtowns throughout the state.

Huntley Building

409-412 Stolp Avenue, Syracuse, NY

(below right)

The Huntley building was part of a federally subsidized rental portfolio known as the Eljay Apartments. After years of mismanagement by the previous owners, HUD foreclosed on the portfolio, turning it over to the City of Syracuse to find local developers to revitalize the properties.

Funding to rehabilitate the 42-unit Huntley building will come from a \$1.5 million construction loan from CPC and a SONYMA-insured private pension fund permanent loan, as well as financing from the City of Syracuse, Onondaga County, and the Syracuse Economic Development Corporation. Along with Federal and State Historic Rehabilitation Tax Credits, the project developer—the Strathmore Huntley Group, LLC—now has financing to perform a gut rehabilitation of the property, creating quality rental housing for working-class families.

Through our Syracuse field office, CPC has a strong history of helping communities throughout Central and Western New York create and preserve housing for their unique needs.

FY 2015

**\$43.6 million
invested**

**339 units
financed**



Our Commitment to Serving Small Buildings

Throughout our history, CPC has focused on the unique needs of small buildings and the integral role they play in the communities we serve.

“Small multifamily buildings are home to millions of New Yorkers and are a critical piece of the state’s housing stock. At CPC we’re committed to working with our borrowers to provide flexible lending solutions and the technical resources they need to keep their buildings financially and physically stable for the long term.”

—
Rafael E. Cestero
President & CEO
The Community
Preservation Corporation

Small multifamily buildings are a critical piece of our state’s housing stock and provide homes to millions of people in communities from Long Island to Buffalo. Because many of these buildings are either subsidized, rent stabilized, or in neighborhoods with already low market rents, they often provide a haven of affordability to low- and moderate-income households.

As these buildings continue to age and maintenance and operational costs continue to rise, or as unforeseen events occur, many small multifamily building owners find they often lack the access to funding and resources that are available to larger developers and property owners for capital repairs and sustainability upgrades, and refinancing.

To address the need for healthy, stable, and viable housing, CPC has developed a commonsense financing methodology that integrates energy efficiency and water conservation methods into construction loans, allowing us to **underwrite the projected savings** into the mortgage. This will help to ensure stable ownership of multifamily rental buildings, preserve rental affordability, and create more sustainable communities.

With our funding partners we are piloting a program to bring a stable source of capital to the New York City market for the **acquisition and rehabilitation of small distressed properties** in targeted neighborhoods. Bringing a new product to the market, CPC was recently chosen by Freddie Mac as one of a select group of seller/servicers to participate in its **Small Balance Loan (SBL)** program, which provides mortgages ranging from \$1 million to \$5 million for the acquisition or refinancing of small multifamily properties with five or more units. For **construction loans under \$1 million**, we’ve streamlined and simplified the construction review process to cut down on paperwork, offer more flexibility, and provide a potential for additional cost savings.

CPC has partnered with the City of New York to administer its **Multifamily Build It Back (BiB) Program** and with the State of New York to administer its **Small Project Affordable Rental Construction Program (SPARC)** to help rebuild and repair residential properties affected by natural disasters, and ensure that neighborhoods return stronger and more resilient than before. Importantly, this recovery funding will help fill a gap for smaller projects and properties that often lack access to capital and other critical resources.

These programs are integral to CPC’s mission of addressing the acute gap in the market by providing flexible lending solutions that are tailored to the unique needs of small building owners, allowing them to secure the long-term physical and financial sustainability of their properties.

Creating Partnerships and Investing in Neighborhoods

Responsible, long-term ownership of multifamily buildings can ensure that they will remain financially strong and physically sound.

In underserved or changing neighborhoods this can help preserve affordability, reduce displacement, and serve as a force for stabilizing and revitalizing the community.

Our Equity Investments platform endeavors to increase CPC's positive social impact throughout New York State by investing alongside like-minded partners to support long-term housing preservation projects that meet our mission-driven financial and community revitalization goals.

This initiative will leverage CPC's record as an innovative housing finance partner, and its relationships within the affordable housing industry and government, to provide communities and owners with a source of patient equity financing that is aligned with the investment horizon and goals of well-managed workforce rental housing.

CPC's investment in preserving the Parkchester complex in the Bronx is our flagship example of how mission-oriented investments in multifamily property can transform a neighborhood, while generating a return that can be reinvested in other community revitalization projects.

In 1968, the previous owner converted the complex into two condominiums, Parkchester South with 8,286 units and Parkchester North with 3,985 units. When the borough fell on hard times in the 1970s, many of the condo units went unsold, retail tenants left, and the complex slid into disrepair and financial distress.

A CPC subsidiary, CPC Resources Inc. (CPCR), with its partners, affiliates of real estate developers Morton Olshan and Jeremiah O'Connor, formed a joint venture to acquire 6,360+ unsold units, the retail space, and parking garages. These assets became collateral to borrow funds for the necessary repairs and improvements.

The \$250 million revitalization of Parkchester's 171 buildings, 12,271 residential units, and 500,000 square feet of retail space was a ten-year undertaking by CPCR, its partners, and the condo owners—a partnership that endures to this day.

The revitalization of Parkchester as a haven of working-class housing has been a catalyst for opportunity and stability within the neighborhood.

Parkchester
\$250 million
revitalization

12,271
residential
units



Financials

CPC & CPCR CONSOLIDATED FINANCIAL HIGHLIGHTS (\$000s)

Unaudited results for the 12 months ended June 30, 2015

Assets

Unrestricted Cash	\$ 21,158
CPC Loan Portfolio	\$ 172,047
Investment in Real Estate	\$ 122,933
Other Assets	\$ 27,490

Liabilities & Fund Balance

Bank Debt	\$ 162,037
Other Liabilities	\$ 2,226
Fund Balance	\$ 179,365

Revenues

Net Interest Income	\$ 2,962
Commitment Fee	3,598
Servicing Revenue	6,949
Mortgage Servicing Rights, net	1,305
Real Estate Distributions	6,938
Grants & Other Revenue	4,611
Total Revenue	\$ 26,363

Operating Expenses

Salaries and Benefits	\$ 17,164
Provision for Loan Losses	(630)
Other Operating Expenses	7,257
Total Operating Expenses	23,791
Operating Income	2,572
Income Taxes Including CPCR REIT Conversion	55,703
Fair Value Changes and Other Income	64,123
Depreciation, Amortization and One-Time Costs	(3,338)
Net Income	\$119,060

Total Revenue

\$26,363

Operating Income

\$2,572

CPC Leadership

CPC / CPCR LEADERSHIP TEAM

Rafael E. Cestero

President & CEO

Sadie McKeown

Executive Vice President

Chief Operating Officer

Daniel Brandt

Executive Vice President of Risk

Management

Chief Financial Officer

Richard A. Kumro

Executive Vice President

General Counsel & Secretary

Carolyn Au

Senior Vice President

Director of Portfolio Services

Wanda Chin

Senior Vice President

Chief Credit Officer

Richard Conley

Senior Vice President

Originations Director

Jeff Ely

Senior Vice President

Administration

Patrick Lockhart

Vice President

Financial Consolidation

& Reporting

Thomas McGrath

Senior Vice President

Director of Upstate Revitalization

Doug Olcott

Senior Vice President

Regional Director, Hudson Valley

Nicholas V. Petragani, Jr.

Senior Vice President

Regional Director,

Central & Western New York

Arthur Phidd

Vice President

Information Technology

Elizabeth Propp

Senior Vice President for

Investments & Acquisitions

Robert Riggs

Senior Vice President

Regional Director,

New York City Originations

David Rothberg

Senior Vice President

Financial Planning & Analysis

Michael Skrebutenas

Senior Vice President

Strategic Initiatives

& External Affairs

Regional Director,

Capital Region

Jaime Sharrock

Vice President

Strategic Initiatives

& External Affairs

BOARD OF DIRECTORS

Michael Hegarty*

CPC Chairman

Senior Advisor

CCMP Capital Advisors, LLC

Bruce A. Beal, Jr.*

President

Related Companies

Robert J. Duffy

President & CEO

The Rochester Business Alliance

Ingrid Gould Ellen

Faculty Director

NYU Furman Center for

Real Estate and Urban Policy

Todd A. Gomez

Senior Vice President

Bank of America

Carol M. Joseph

Real Estate/Legal Consultant

Felice Michetti

Chairperson & CEO

Grenadier Realty Corp.

D. Kenneth Patton*

Dean of Real Estate (ret.)

New York University

Real Estate Institute

Ronald F. Poe*

President

Ronald F. Poe & Associates

Gregory R. Reimers

REB, Market Manager

JP Morgan Chase Bank

Arthur H. Seter, CFA

Senior Vice President & Deputy

Chief Investments Officer

New York Life Insurance Company

John Somers

Executive Vice President (ret.)

TIAA-CREF

Anders M. Tomson

President

Capital Bank

Michael J. Wechsler*

Managing Director/Centerline

Financial (ret.)

Centerline Capital Group

Alan Wiener*

Managing Director

Wells Fargo Multi-Family Capital

* CPC Resources Board Members

Headquarters & NYC Region

Robert Riggs

28 East 28th Street
9th Floor
New York, NY 10016
646.822.9428

Equity Investments

Elizabeth Propp

28 East 28th Street
9th Floor
New York, NY 10016
212.869.5300

Hudson Valley Region

Doug Olcott

2 Church Street
Suite 207
Ossining, NY 10562
914.747.2570

Capital Region

Michael Skrebutenas

54 State Street
Suite 201
Albany, NY 12207
518.463.1776

Central & Western NY Region

Nicholas V. Petragnani, Jr.

315 North Clinton Street
Syracuse, NY 13202
315.476.3173 (Syracuse)
716.853.0266 (Buffalo)

Rochester Office

Miriam Zinter

510 Clinton Square
Rochester, NY 14604
585.939.7602

©The Community Preservation Corporation
communityp.com

Photography: Ronald L. Glassman
Concept/Design: Suka NY/sukacreative.com

