



New York City High Performance Building: Making it Happen

Green Lending: A Contradiction in Terms?

- Discovering the Obstacles
- Meeting the Challenges
- Creating a Green Mortgage Delivery System

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The Community Preservation Corporation (CPC)

- Non-profit 501 c(3) mortgage finance company
- Founded in 1974 by NY clearinghouse banks
- Sponsored by more than 70 banks and insurance companies in NY, NJ and CT
- CPC Mission:
 - Provide an economic platform of investment to spur recovery in distressed communities
 - Develop and enhance public/private partnerships



History and Performance: The CPC Model Works

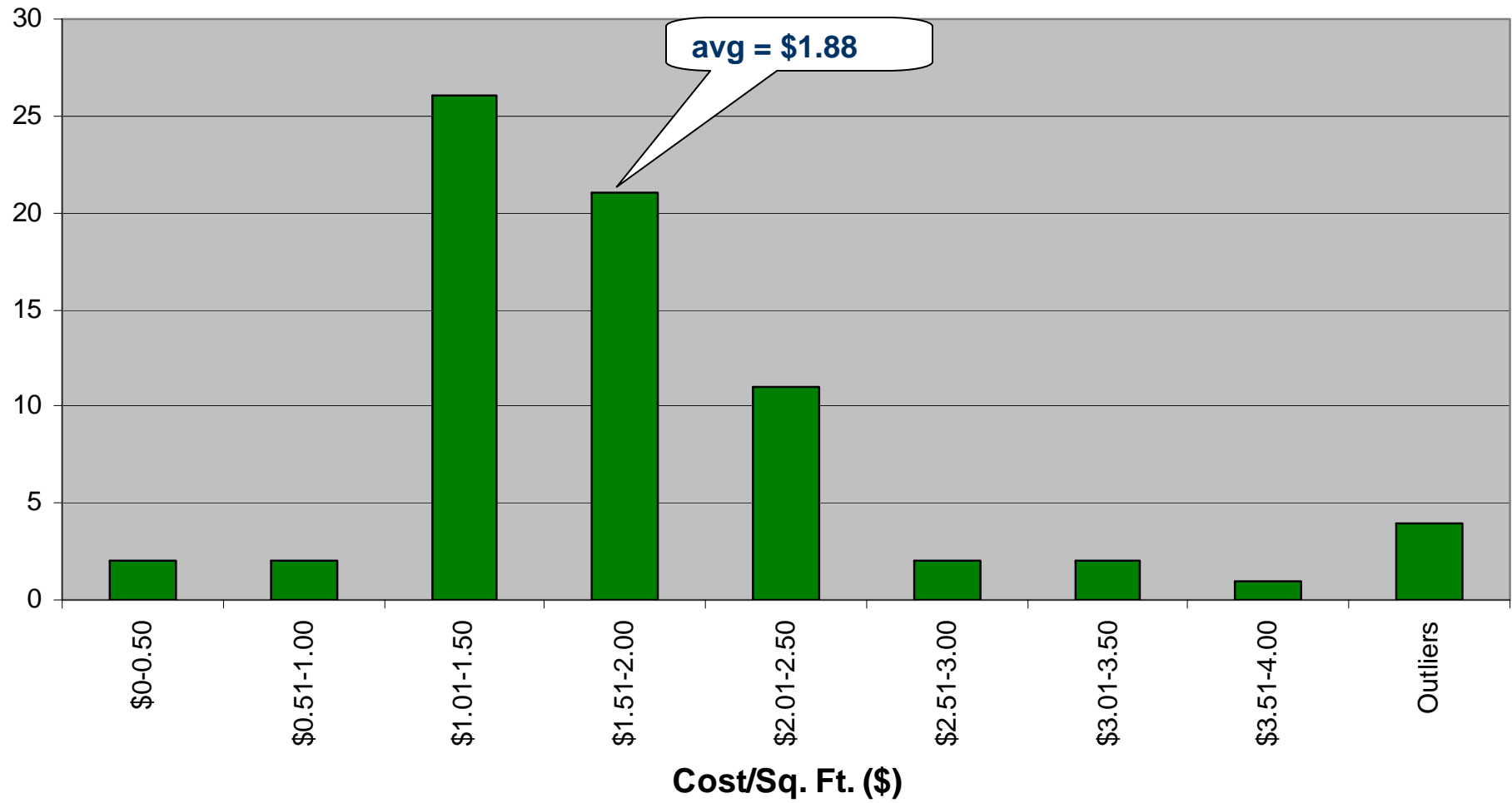
- Since inception more than 139,000 units of low and moderate income housing have been financed
- Public/private investment of over \$7.9 billion
- Loan losses of less than 2% since 1974
- CPC investment has had a dramatic impact in low income neighborhoods across the state
 - Created an opportunity for private investment to return to distressed communities



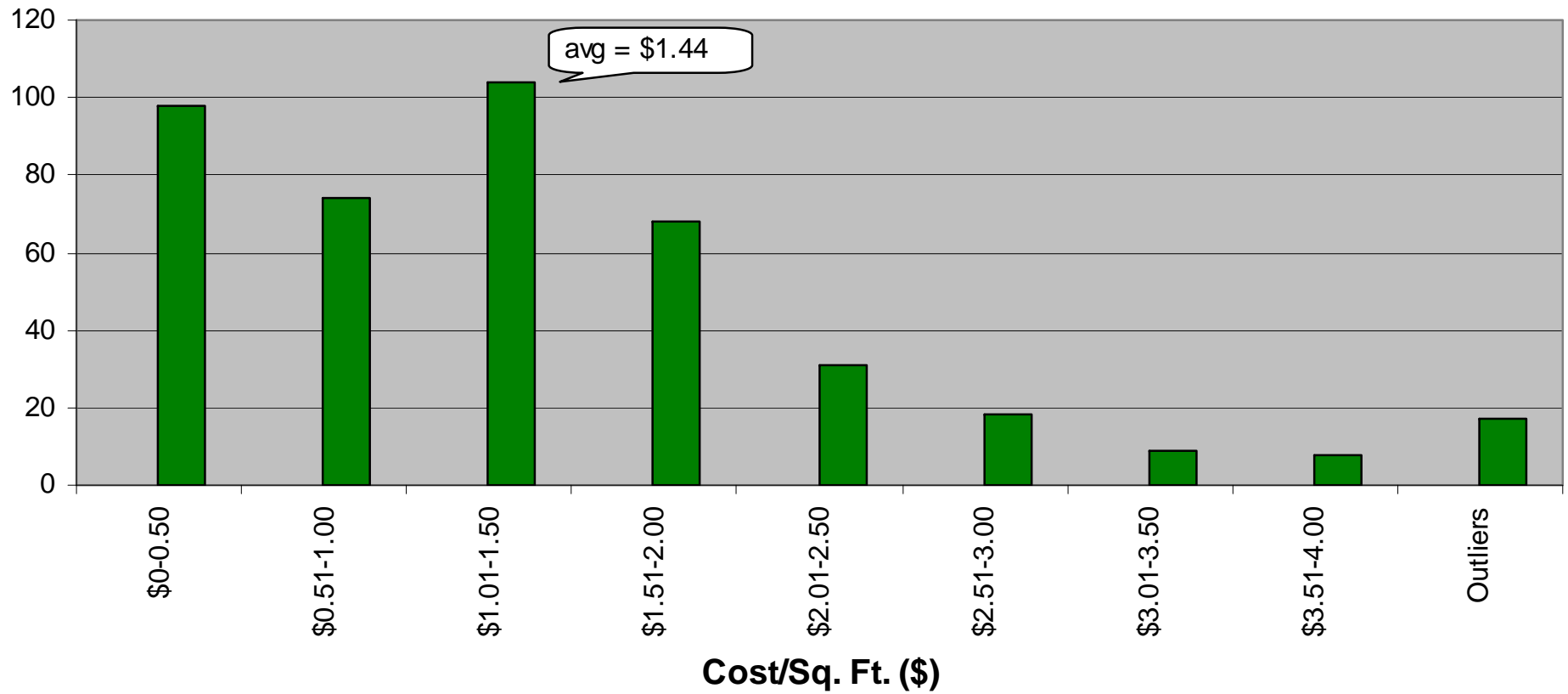
2007: How Green Is Our Portfolio?

- Green becoming a bigger focus
 - Federal, State and Local Governments
- More than 62,000 units in our portfolio
- Historic Focus: How much does energy cost?
- New Focus:
 - How much energy do our buildings USE?
- Enter Consultant
 - Put CPC's portfolio under the green lens...

CPC buildings - Fuel (#2, #4 & #6) Costs Per Sq. Ft.

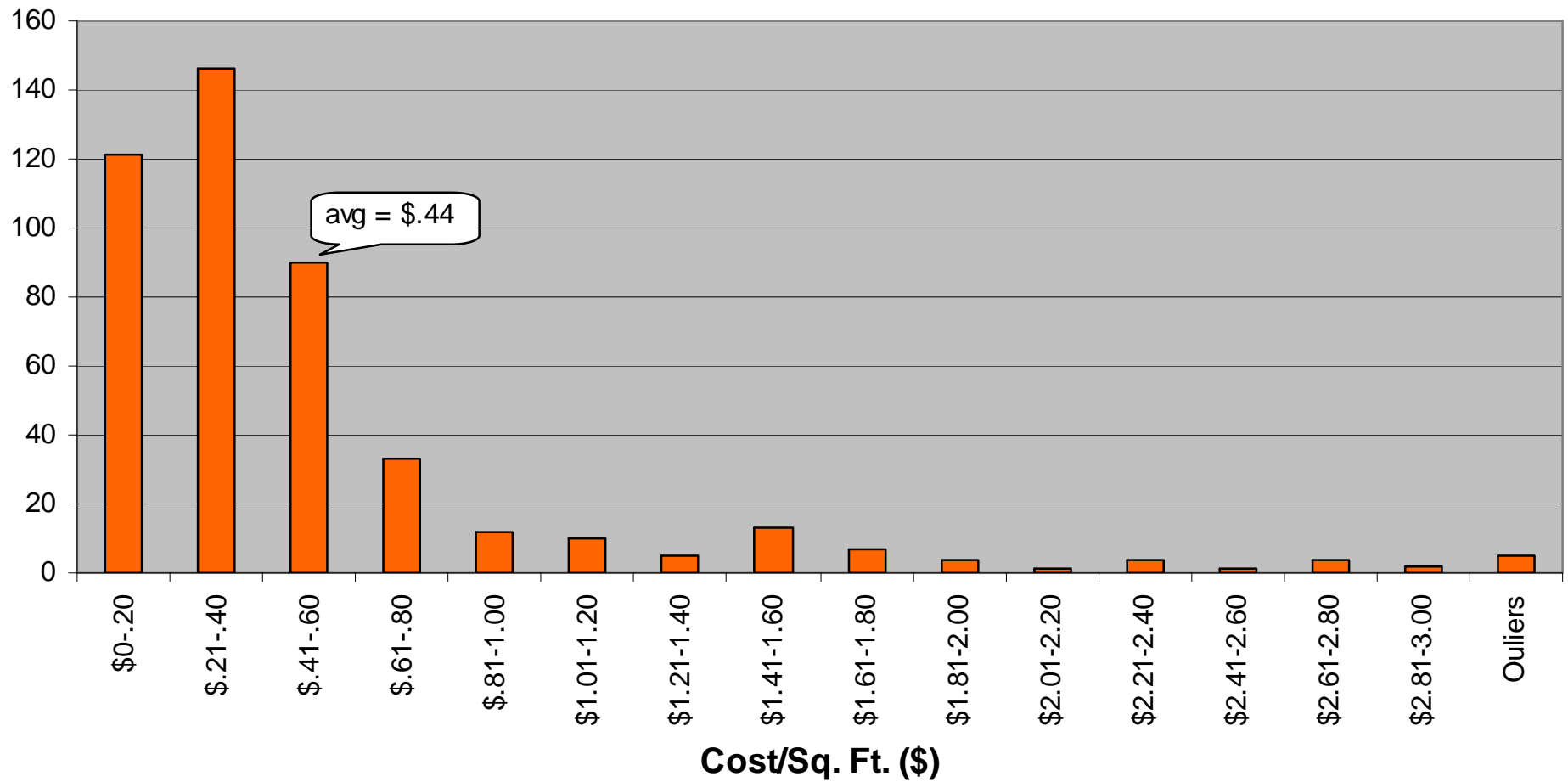


CPC buildings - Fuel/Gas Costs Per Sq. Ft.

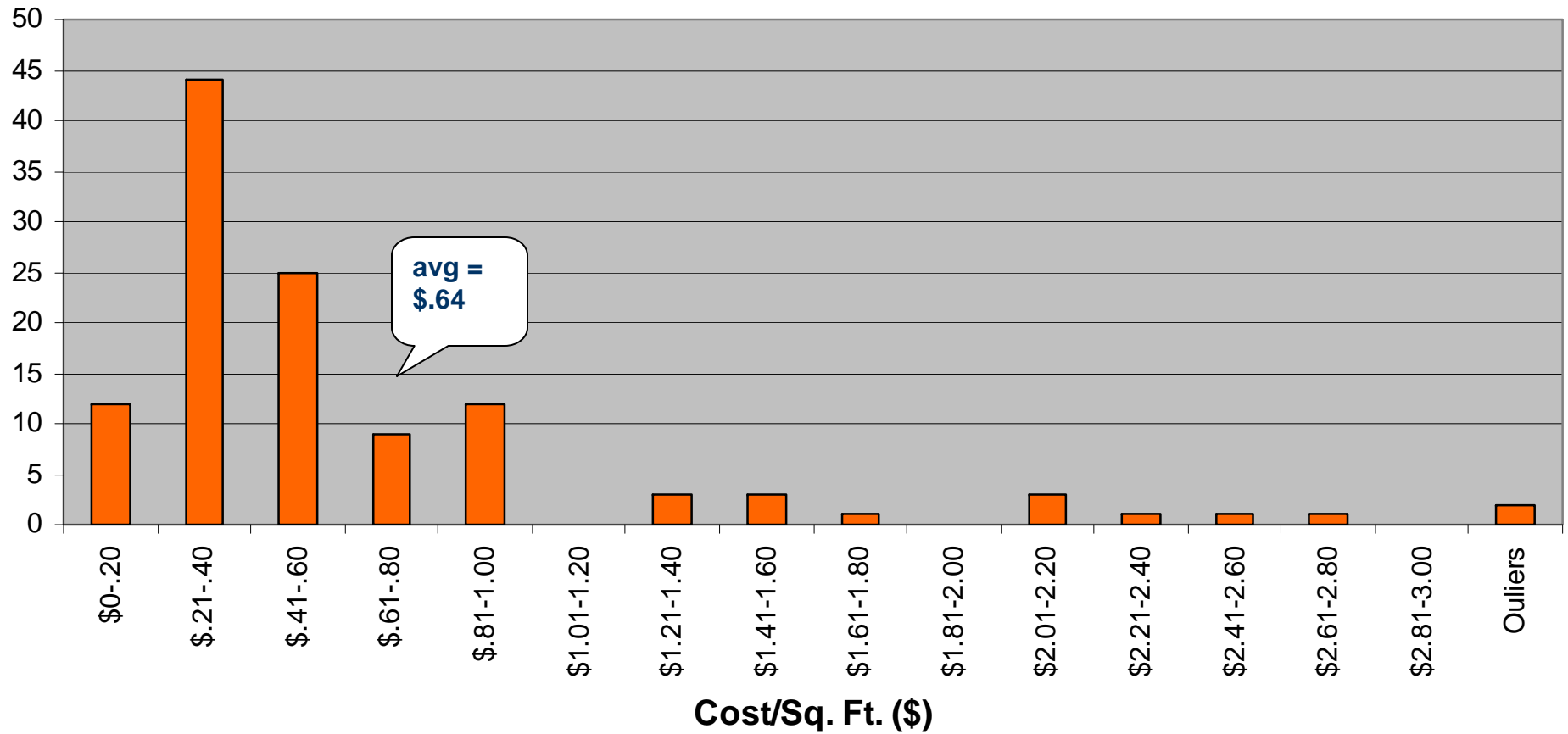




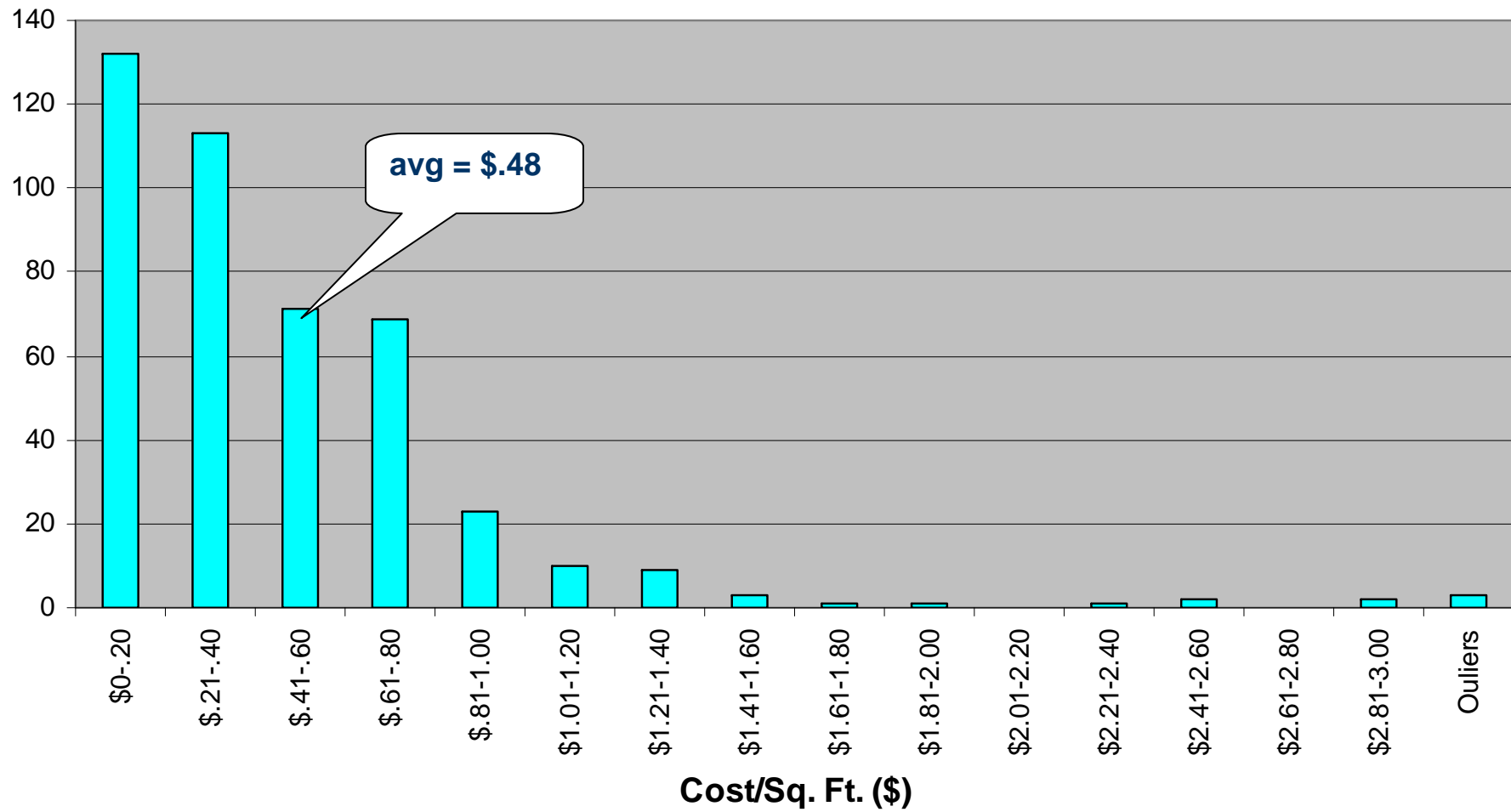
CPC Buildings - Electric (Walkup) Costs Per Sq. Ft.



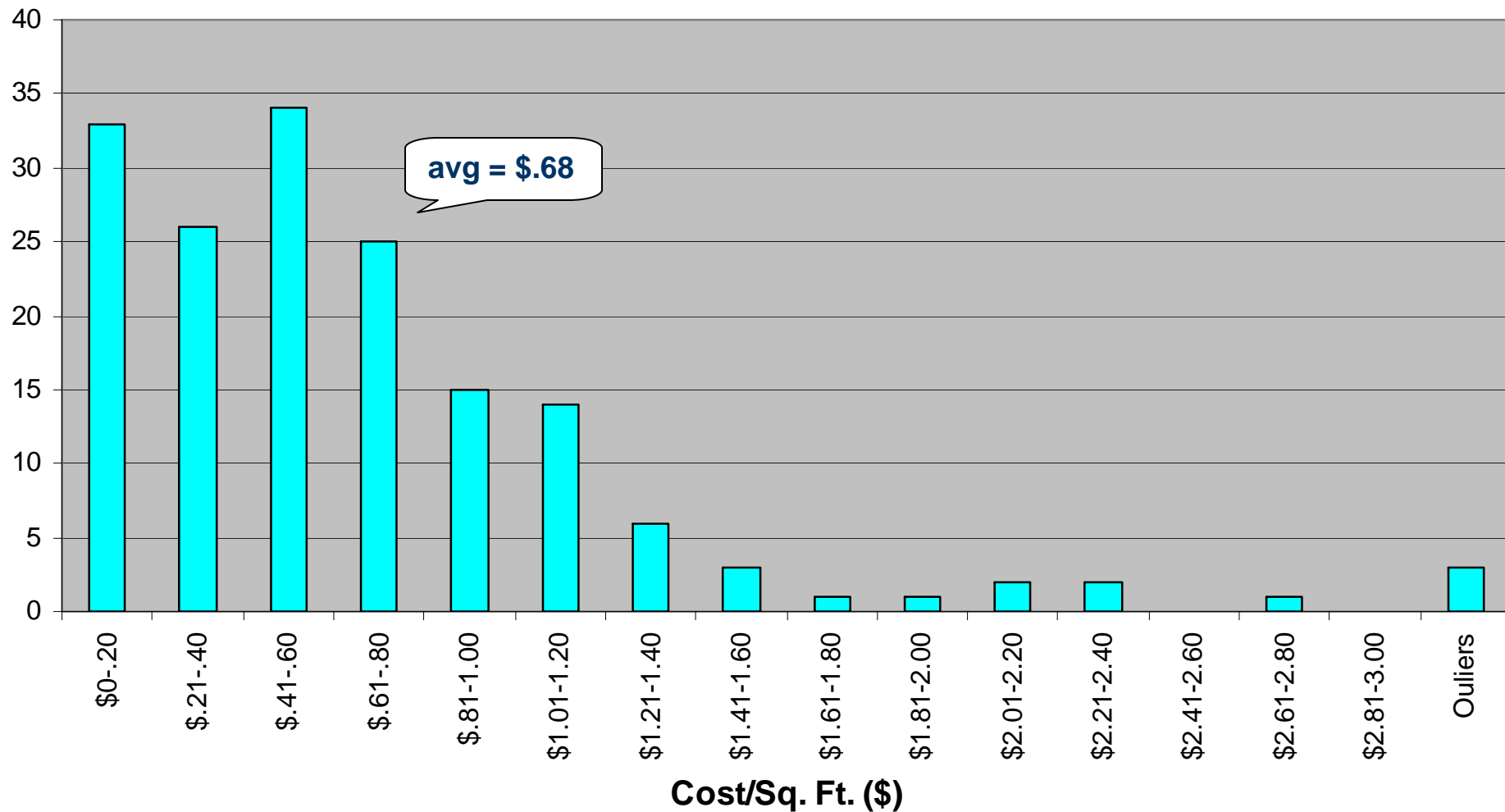
CPC Buildings - Electric (Elevator) Costs Per Sq. Ft.



CPC Buildings - Water and Sewer Costs Per Sq. Ft.




CPC Buildings - Water Meter Costs Per Sq. Ft.



Major Areas of Energy Inefficiency

Details that need more attention in every retrofit, rehab, and new construction job





Technical Inefficiency

1. **Tighten the buildings.** Increase airsealing & firestopping in all apartment and common areas
2. **Good Systems.** More efficient and properly sized heating, air conditioning, and hot water makers.
3. **Upgrade building controls.** More efficient heating, cooling, and hot water controls
4. **Save Water.** Better toilets, showerheads, aerators for water and hot water savings.
5. **Better Air.** Upgrading of ventilation systems where present
6. **Brighter spaces.** Complete apartment, common area, and exterior lighting retrofit
7. **Better Building Enclosure.** Better specifications for windows and insulation



Owner to Banker Psychology

8. **Get Help from Building Professionals. You Don't Know Everything. Ask For Help. And Get Everyone Together in the same room to talk.**
9. **Talk to your peers that can help. Better coordination with existing programs: State, Federal, Utilities**



2008 CPC Adopts a Green Lens: Prioritize Multifamily Retrofits

- An identified need in our communities
- Cuts across all neighborhoods, locations and property types
 - Urban, suburban, rural
- Recession based economic issue
 - All properties need to save money
- Reduction of green house gas
 - 30% comes from existing buildings – great opportunity to achieve carbon reduction



Does CPC Have a Role to Play?

- CPC is well positioned to attack the problem
- We finance and refinance existing buildings
- We have more than 62,000 units of housing in our existing loan portfolio
- We have a captive audience
- **Create a program and implement a plan**
 - This should be easy...



Create a Program: “The CPC Green Initiative”

- ONE BILLION DOLLARS!
- Construction and permanent financing
 - Target Market - occupied multifamily properties
 - Audits - benchmark the buildings, create a usage database
 - Monitor the retrofits and measure the savings
- Create a “One Stop Shop” for retrofit financing
 - Fold in the public incentives
 - Make retrofit part of the standard mortgage process



Implement a Plan:

1. Identify Green Investment Partners

- Freddie Mac PILOT Program in NYC
 - \$500 million
 - 25-35 basis point break on the rate
 - Higher leverage – up to 80%
- New York City and State Pension Funds
 - 30 year fixed rate financing
- State of New York Mortgage Agency
 - Mortgage insurance for our loans
- Deutsche Bank, HSBC, Morgan Stanley, Amalgamated Bank, Met Life Bank, M&T Bank
 - \$150 million Construction Line of Credit



Implement a Plan: 2. Create an Investment Platform

- The CPC “One Stop Shop”
 - Bring on the expertise
 - Include energy in our tech. asst. package
 - Educate the staff so they can educate the customer
 - Public/private partnerships
 - Reach out to government and learn their programs
 - Provide the private capital - make loans
- Goal: minimize the brain damage to owners
 - Keep it simple so they will go along



Implement a Plan:

3. Provide the Retrofit Financing

- Green our borrowers
 - Save them money and make them aware
- Green Our Mortgage Staff
 - Finance the retrofits – create enthusiasm
- Green our Servicing Department
 - Add energy data to our database
- Prove the Benefits of Green Investment
 - Make our investors an economic return
- Reduce Green House Gas Emissions



It Ain't Easy Being Green!

- Obstacles Arise Across the Spectrum
 - 1. Resistance
 - 2. Lack of Education
 - 3. Lack of Flexible Public Programs
 - 4. Frozen Financial Markets
 - 5. Marginal Economics



Why Not Change the Mortgage System

- The majority of buildings have one thing in common:
A Mortgage!
- Make an audit and retrofit part of the loan process
 - Third party report like an Appraisal or a Phase One
 - Can't borrow the money without it
- The Private Sector (money) needs to require and demand the retrofit
 - Legislatively: Green Reinvestment Act
 - Capitalistically: Green Mortgage Backed Security



CPC's Green Initiative Approach

- Utilize the CPC risk sharing model
- Keep the investments conservative
 - Existing, cash flowing buildings
 - No speculation
- Build a pipeline – prove the model
- Carbon reduction problem = Disinvestment problem in New York City in 1974
- Point out to investors the business potential
 - Follow the legislative mandates



CPC Green Initiative Goals

- CPC's Program is meant to do all of this
- Make standard long term financing the glue that brings it all together
 - If the financing requires it – it has to get done
 - Appraisal, environmental report, engineering report and now – AUDIT!
- Create a new mortgage delivery system
 - Engage capitalism



The End Result in the Ideal World

- Retrofit mortgage delivery system is adopted by other lenders
- CPC model is replicated across the country
- Freddie Mac rolls out its PILOT to other Seller/Serviceers
- People are educated and system is improved as it goes along
- Education, streamlining and financing push past the tipping point - achieve retrofit at scale
 - Finally the delicious and nutritious fruit is harvested!

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Case Studies

