



# NEW JERSEY COMMUNITY CAPITAL

**...transforming at-risk communities through  
strategic investments of capital and knowledge...**

## **THE COMMUNITY ASSET PRESERVATION CORPORATION A “SPECIAL PURPOSE” ORGANIZATION**

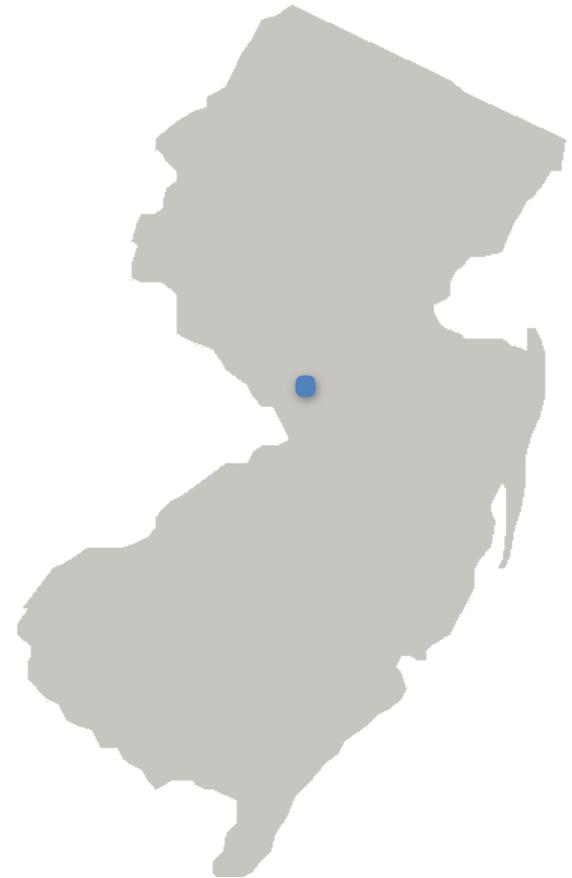
**Wayne T. Meyer, President  
New Jersey Community Capital**

**Models of Surviving and Thriving CDCs  
Federal Reserve Bank of Philadelphia  
August 9, 2011**

# What is New Jersey Community Capital?

**A nonprofit lender with \$180 million under management that provides financial and technical assistance to organizations and communities that are left out of the financial mainstream.**

**A Community Development Financial Institution (CDFI) certified by the U.S. Department of Treasury, the only one serving the entire State of New Jersey.**



# We Make Loans Through Two Revolving Loan Portfolios



# NJCC Meets the Needs of Underserved Markets

## We Provide:

- Affordable financial products, services, and technical assistance
- Options for investors interested in receiving both a financial and social rate of return
- The capacity to leverage capital from other public and private sources by reducing the risk associated with transactions
- Intermediary services of structuring financing to make projects viable

## We create systemic change in the financial services industry through:

- Demonstration of the viability of investments in low-income communities
- Innovative products that show new strategies to meet needs of underserved markets
- Financial/technical support to assist borrowers in joining the economic mainstream
- Knowledge and research on underserved markets to influence public policy and advocate for low-income communities

# New Jersey's Housing Problem



# Foreclosures in New Jersey

## The Data:

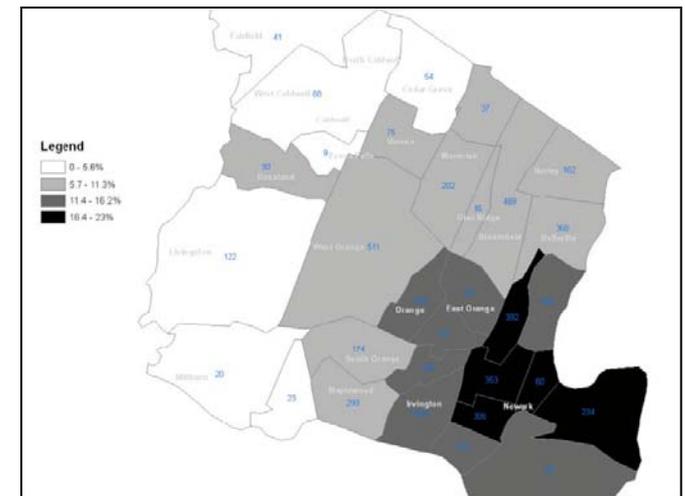
- **179,873** estimated outstanding subprime loans
- **56,394** subprime ARMs
- Over **50,000** foreclosures through Jan. 2009
- Over **\$150 million** in tax revenue losses
- Over **\$10 billion** in property value losses

## The Impact in Essex County:

- **13,657** foreclosure filings, Jan. 2005 to Aug. 2008
- Over **6,000** foreclosures as of 2009
- Over **3,000** homes lost
- Over **\$2 billion** in property value losses

## The Results:

- Reduced neighborhood stability
- Cost-burdened families in need of new affordable housing
- Insufficient public and non-profit capacity to revitalize hardest-hit communities



# A Solution to the Foreclosure Crisis: CAPC

## Community Asset Preservation Corporation (CAPC)

- A public-purpose, nonprofit real estate organization formed in 2009
- A subsidiary of New Jersey Community Capital
- Five year goal of acquiring 750-1000 residential living units statewide

## Mission of CAPC

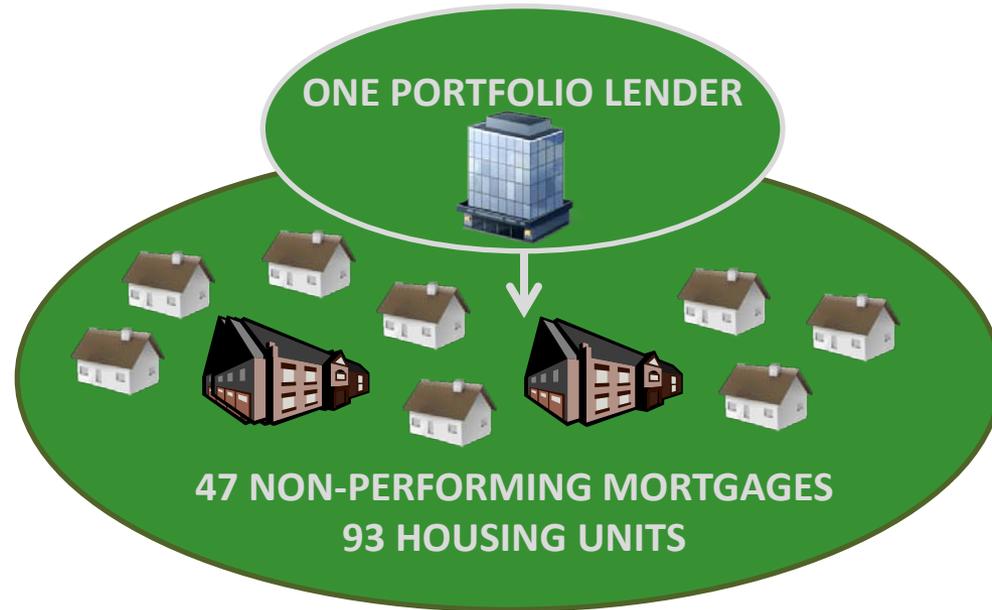
- Stabilize vulnerable neighborhoods
- Preserve individual community assets
- Protect homeowners/tenants from the toxic effects of the foreclosure crisis
- Increase the availability of affordable housing

## CAPC's Fundamental Strategies

- Discounted bulk purchase arrangements of bank-owned foreclosed properties
- Non-traditional financing through strategic public-private partnerships
- Mixed-market property disposition/revitalization through a variety of tools

# The Model: Operation Neighborhood Recovery

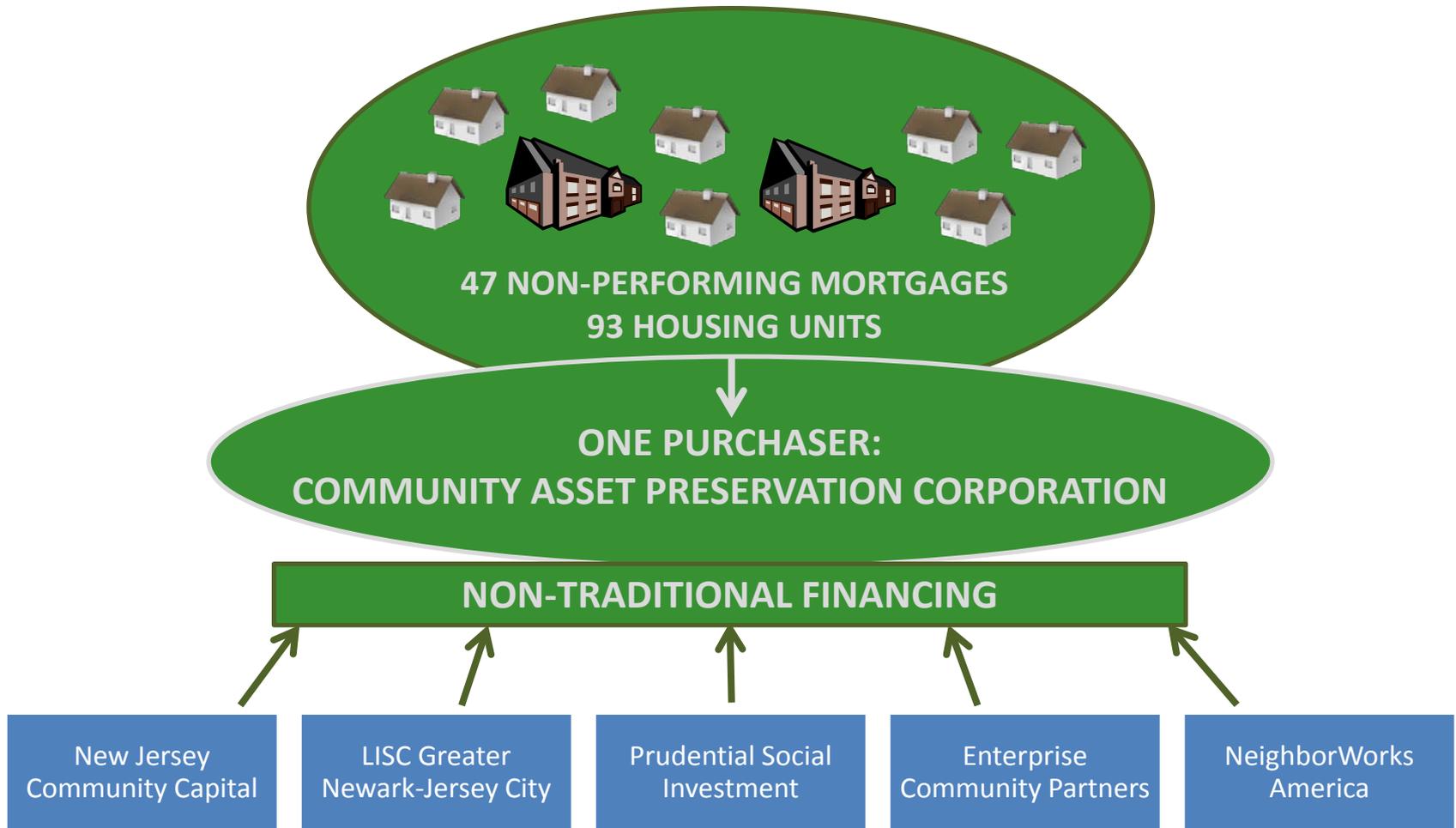
## The Opportunity



## The Situation

Concentrated in Essex County cities of Newark, Irvington, Orange, and East Orange  
Investor-owned—mostly vacant, some occupied by tenants  
All deteriorated, many vandalized, some beyond repair  
All on precipice of New Jersey's long foreclosure process

# The ONR Model: Discounted Bulk Purchases



**\$5.4 Million of Financing. No Public Subsidy.**

# CAPC Property Disposition Strategies

## Partnering with Non-Profits

- Conveyance of properties to local CDCs to rehabilitate
- EXAMPLE: HANDS, Inc.

## Joint Ventures

- Public-private partnerships to spur redevelopment
- EXAMPLE: Community Asset Preservation Alliance of Jersey City

## Alternative Strategies

- Refinancing or modification of loans to resident homeowners
- Lease-to-purchase arrangement with occupant
- Direct sale of property as affordable housing
- Affordable property rental
- Land banking strategies
- Demolition of property

# CAPC Successes

## Success of ONR

- CAPC has cleared titles to most of the 47 properties
- 24 properties have been conveyed to local community developers
- Demonstration of the viability of bulk purchase model to foster large-scale community revitalization efforts.

## CAPC's Continued Success

- Acquisition of 73 properties (153 units) in just two years
- Leveraging of approximately \$18 million in development costs
- Maintenance of \$5 million in credit facilities
- Creation of a replicable, scalable approach to revitalization of distressed communities across the country



# Pros and Cons of the CAPC Approach

## Pros: Why CAPC can Be Successful in Other Places

- Discounted bulk purchase model: capacity to match the scale of the problem
- Catalytic effect of strategic, high-impact interventions
- Sustainable without reliance on public subsidies
- Fosters meaningful, multi-sector partnerships moving forward

## Cons: What Pitfalls Programs Like CAPC May Face

- Reluctance of banks to embrace bulk purchase model
- Inadequate capacity of many CDCs to redevelop properties quickly
- Difficulties coordinating many different partners, each with their own interests
- Complications of carrying a significant number of properties at one time

# CAPC: Lessons for the Field

1. Understand the local real estate market
2. Appreciate the community
  - Know the community's strengths and weaknesses
  - Understand the local organizational capacity
  - Respect the voices of local community members and organizations
  - Actively invest in community-building
3. Plan ahead (neighborhood preservation strategies) but act fast
4. Meet prerequisites to make large-scale bulk purchases
  - Relationship with lenders—understanding that banks want to see the numbers
  - Buy-in from community development sector, public sector
  - Preparedness to support non-profits with technical assistance, joint ventures
  - Anticipation of carrying costs, need for land banking
  - Preparation for wide variety of exit strategies

# Questions?

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