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
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

Community Lending Partners of New Jersey, Inc.

Community Loan Fund of New Jersey, Inc.
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

Foreclosure
NEXT EXIT
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:
- 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

ONE PORTFOLIO LENDER

47 NON-PERFORMING MORTGAGES
93 HOUSING UNITS

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

47 NON-PERFORMING MORTGAGES
93 HOUSING UNITS

ONE PURCHASER:
COMMUNITY ASSET PRESERVATION CORPORATION

NON-TRADITIONAL FINANCING

New Jersey Community Capital
LISC Greater Newark-Jersey City
Prudential Social Investment
Enterprise Community Partners
NeighborWorks America

$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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Investing in communities... Investing in change.