

# Leveraging Sustainability

Financing Energy Efficiency  
Through Utility Cost Savings

**Building Bridges to Net Zero**  
**October 29, 2015**



# Who are we?

The Community Preservation Corporation (CPC) is a non-profit, affordable housing and neighborhood revitalization lender founded in 1974 to address the renovation needs of aging and deteriorating multifamily housing stock in New York's distressed neighborhoods.

CPC believes that stable and sustainable affordable housing is the foundation of strong communities and we strive to contribute to comprehensive neighborhood revitalization through our lending and partnerships.



## What do we do?

CPC provides construction and permanent financing to owners of multifamily housing in low and moderate income neighborhoods.

We use our flexible financing to support the preservation of existing and new construction of affordable rental housing throughout New York State.

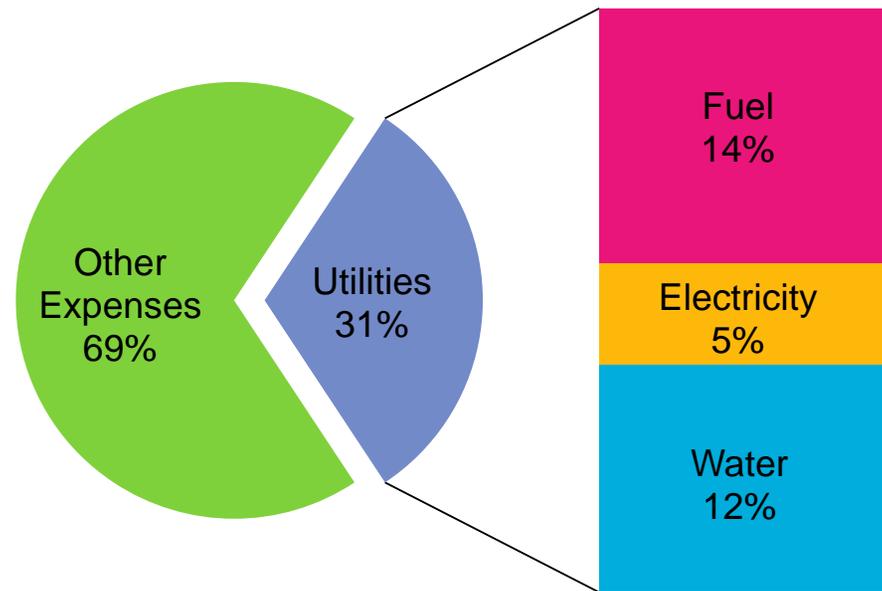
Over our 41-year history, CPC has contributed to the preservation or creation of over 157,000 units of affordable housing, initiated numerous downtown revitalizations, and improved the quality and energy efficiency of the multifamily stock.



## Why Sustainability?

As rents and utility costs have outpaced wages, the demand for affordable housing has grown dramatically, along with the number of New Yorkers suffering from rent burden: 56% of households are rent burdened and paying more than a third of their income in rent and utilities. Additionally, utility costs account for roughly 31% of the average operating expenses of a multifamily building and the cost keep climbing, straining budgets for owners, managers and developers. Energy efficiency and water conservation has never been more critical to the economic and environmental sustainability of our communities, and the long-term affordability of our housing stock.

All Expenses v. Utility Costs  
*CPC's current M&O standards are derived from Income and Expenses statements annually submitted by our permanent loan holders.*

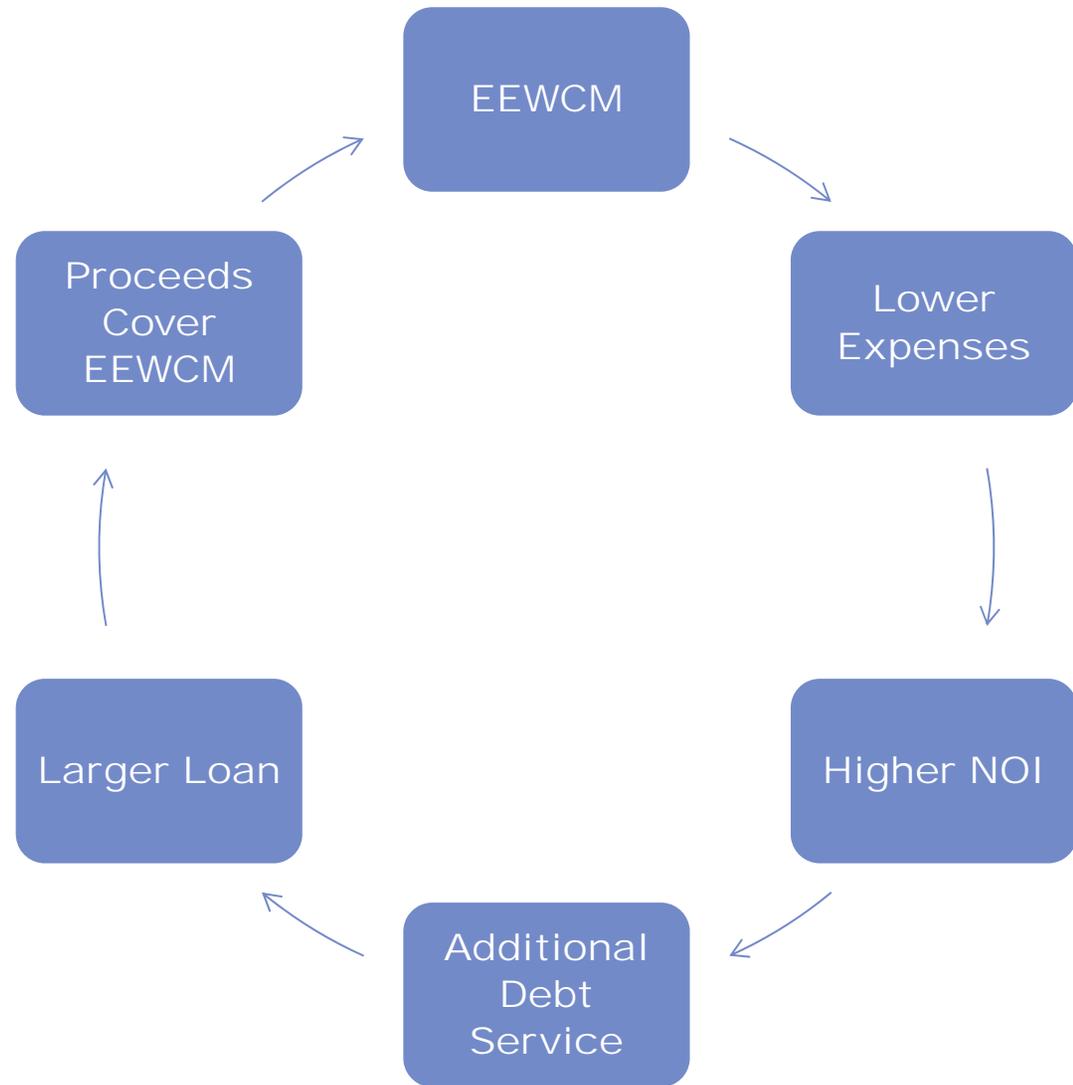


Fuel (Oil & Gas)	\$ 8,473,584.00
Electricity	\$ 3,349,131.00
Water	\$ 7,543,529.00
Utilities Sub Total	\$ 19,366,244.00
All M&O Expenses	\$ 61,719,053.00

## But How???????

CPC has developed a financing methodology that can be **integrated** into the standard multifamily originations process to incorporate energy efficiency and water conservation measures into construction and permanent loans, monetize on potential savings, and add leverage to the **first mortgage**.

By using the projected savings of energy and water retrofit measures in our **underwriting**, CPC provides clients with the additional low cost, long term, capital needed to achieve quality retrofits and develop high performance buildings, locking in energy and water savings to insure **long term economic stability** of a property.

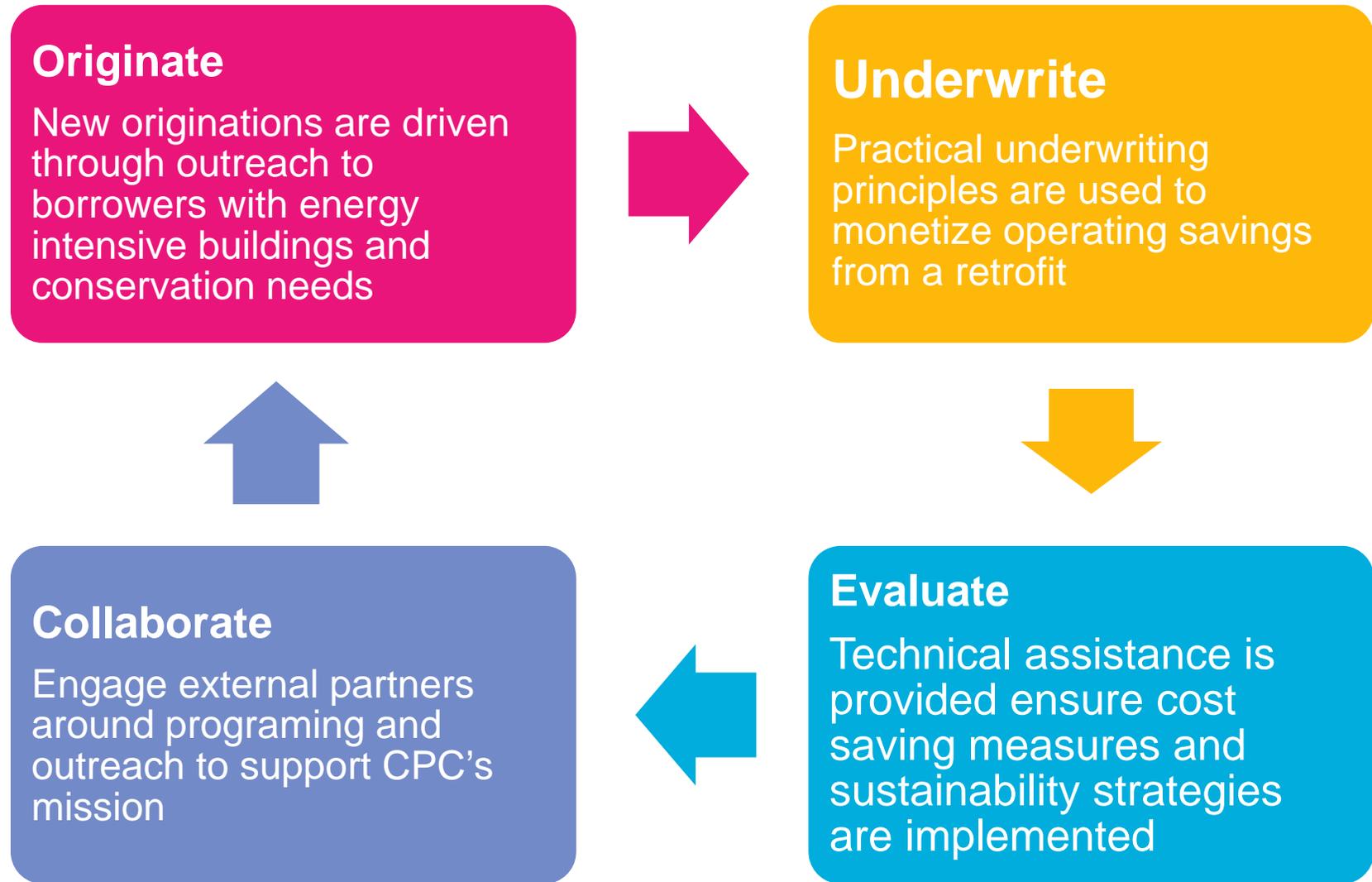


NOI: Net Operating Income

EEWCM: Energy Efficiency & Water Conservation Measures



## A Comprehensive Initiative



# Underwriting

## Approach:

- CPC will increase the size of the first mortgage to cover the additional cost of an energy and water retrofit by underwriting savings.
- Provides economic stability by reducing building expenses.
- Owners are able to retrofit their buildings without the need for incentives.

## Process:

- Projected utility cost savings, as indicated in an energy audit or green physical needs assessment (GPNA), will be incorporated into the loan's underwriting at a 50% discount.
- Percentage savings discount may be adjusted based on project metrics and risk factors.
- New Construction and Gut Renovations will reviewed for energy savings potential through an energy model.

## Projected Savings

- Identified in an Energy Audit, Model, or GPNA

## Risk Discount

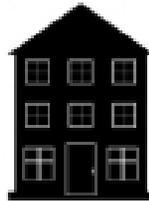
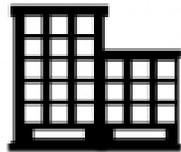
- CPC applies discount

## Underwrite Savings

- Captured as reduced operating expense



CPCX



Last year there were  
761 multifamily real  
estate transactions in  
NYC. That's 47,885  
units and \$12.6B



$$47,885 \times \$4,000 = \$191,540,000$$

**ADDITIONAL INVESTMENT EACH YEAR**

**8,500**

cars off the road

**40,000**

metric tons of 

