

CalPERS Proposed Real Estate Policy Revision
April 5, 2010

Section VIII: Investment Selection

D: Investment Parameters

1. *Subject to the provisions of Section VIII.D.7 below, CalPERS will not participate in private real estate investment strategies that rely on or result in eliminating rent-regulated multi-family housing units, converting such units to market rate units, or raising rents above regulated levels as determined by the appropriate governing authority.*
2. *This Section is intended to prevent the displacement of low-income or workforce households in rent regulated units. However, this Section is not intended to prohibit investment in strategies that create new, or redevelop existing rent-regulated housing units, including, without limitation, strategies that include demolition of existing rent-regulated housing units, provided that:*
 - a. *Any rent-regulated housing units that are demolished as part of such investment or project are replaced with new rent-regulated housing units.*
 - b. *Any persons lawfully residing in rent-regulated units who are displaced as a result of such strategies receive relocation benefits in accordance with relocation requirements as mandated by the local housing authority or by state or federal relation laws, if applicable.*
3. *This Section shall not prohibit investment in existing low income housing tax credit or multi-family housing revenue bond financed assets with regulatory agreements that limit, among other things, allowable rent increases.*
4. *Rent increases permitted by federal, state, or local law, regulation, ordinance or agreement for rent-regulated properties shall be deemed appropriate and consistent with this Policy.*
5. *This Section shall not prohibit lawful eviction for cause (e.g., illegal activity, tenant safety issues or non-payment of rent) or activities that are necessary to carry out the creation of new or redevelopment of existing rent-regulated housing units described in Section VIII.D.2 above.*

6. *If the Staff determines that an investment manager makes investments that are materially inconsistent with this Section, Staff will consider all reasonably available remedies and recommend to the Board such actions to address the violation in manner that is consistent with the Board's fiduciary duty, including not making any new investments with that manager.*
7. *Nothing in this Section shall require the Board to take any action that is inconsistent with the Board's fiduciary duty.*
8. *This Section shall become effective on the date of adoption and shall apply to investments made on or after that date. Investments made before the effective date of this Section shall also be subject to this Section to the fullest extent appropriate, as determined by Staff taking into account existing contractual commitments and all other relevant factors.*

Policy Revision Implementation

Should the Investment Committee approve the proposed policy revision, staff will implement the new policy through the following process:

1. Staff will review multi-family rent-regulated investment proposals for consistency with the revised policy. All new investment manager agreements will refer to, and where appropriate attach, the revised Real Estate Policy.
2. Staff will forward the revised policy to all existing investment managers, highlighting the new language including the effective date.
3. Staff will review investments made before the effective date to determine appropriate implementation of the policy relating to existing investments.
4. Staff will take appropriate steps, including on-going coordination with investment managers, to identify or avoid potential policy violations.
5. Staff will periodically review the outcome of the revised policy. Should additional monitoring be necessary, staff will propose additional appropriate measures.