

Date

Pension Fund

City, State, Zip

Dear XXX,

The New York City Pension Funds and my office recently announced the adoption of important real estate investment principles to preserve affordable housing and protect tenants of low and moderate-income housing. I would like to take this opportunity to share details of our initiative and encourage your fund to implement similar policies in order to advance our shared goal of achieving double bottom-line returns for our retirees while creating and advancing opportunities for affordable housing.

Last fall, affordable housing and tenant advocates brought to the attention of my office a distressing trend of rapidly rising sales prices and quick sales among subsidized, formerly subsidized and rent-stabilized residential properties, including buildings in which the New York City Plans had investment interests. Housing and tenant advocates coined the term “predatory equity” to describe this trend, based on their concerns that the projected debt service for these transactions could not be supported without pressuring low-rent tenants to move out in favor of new market-rent tenants.

By working with housing and tenant advocates, my office learned of aggressive tactics used by certain real estate managers, including dramatically increasing rents, campaigns to make tenants fill out confusing forms, and hiring of new building managers that were unresponsive to tenant needs.

As a fiduciary, my office’s first responsibility is to pursue prudent investments that deliver appropriate risk-adjusted returns for our retirees. However, it is my firm conviction that it is possible to pursue long-term growth of pension assets while at the same time taking an active role in maintaining affordable housing and protecting tenants that live in affordable housing buildings.

Accordingly, my office and the Pension Funds have expanded our commitment to the preservation and creation of affordable housing in the City by taking the following actions:

- Reaffirming the firm commitment of the Pension Funds to affordable housing, including the long term preservation of affordability in underlying real estate fund investments and the selection of reputable operating partners to manage affordable housing investment opportunities, to our new and existing real estate fund managers;
- Adopting an “investment opt-out,” under which the Pension Funds can decline investments in individual properties that might adversely affect tenants and affordability;

- Engaging building management to ensure fair treatment of tenants, especially in circumstances when ownership changes; and
- Encouraging the submission of a Request for Proposals (RFP) for Economically Targeted Investment (ETI) Programs for new affordable housing opportunities through the Pension Funds. ETI investments are expected to provide the Pension Funds with a market rate of return for specific quantitative or qualitative benefits to New York City and, in particular, its low-and-moderate income communities and populations.

I ask that you join me in instituting practices such as the ones listed above that support the housing needs of low-and-moderate income families.

If you are interested in learning more about our efforts, feel free to contact me or Yvonne Nelson in my Real Estate Bureau at (212) 669-7326.

Very truly yours,

William C. Thompson, Jr.