

F A I R R E N T C O A L I T I O N

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(415) 845-7447

June 15, 2009

Mr. Rob Feckner, President
CalPERS Board of Administration
P.O. Box 942701
Sacramento, CA 94229-2707

Re: Page Mill Properties II, LP placement memorandum

Dear President Feckner and members of the board:

As a limited partner, CalPERS has, as you know, committed \$100 million to Page Mill Properties II, LP, an opportunistic real estate fund that now owns roughly 50% of the rental housing stock in East Palo Alto.

In less than two years, Page Mill has driven up the vacancy rate in this 1800 unit portfolio tenfold, in part through evictions, and in part through systematic harassment of tenants. In 2008 alone, Page Mill initiated eviction proceedings against 10% of its tenants, resulting in 99 completed evictions and the forcible displacement of over 370 low-income residents. This eviction rate is over seven times higher than the average for the rest of San Mateo County. The vacancy rate in these units has risen from 2% to the current rate of 24%: of the original 6,800 tenants in these units, over 1,500 people have been forcibly displaced by Page Mill's business practices. (For reference, East Palo Alto's total population size prior to the crisis was roughly 32,000.) In response to this crisis, the East Palo Alto City Council and SEIU Local 521 have both passed resolutions condemning Page Mill's predatory practices.

Limited publically available documentation indicates a business plan targeting a 20-30% annual return on investment through commercial development and condominium conversions with little or no consideration given to the housing needs of low-income tenants.

As a signatory to the UN Principles for Responsible Investment, and custodian of the CURE program which implicitly recognizes the value of promoting affordable housing for California's citizens, how does CalPERS justify these types of business practices? Sadly, the gap between the stated goals of these programs and the business practices of Page Mill Properties II are clear.

Over the past two years, Tenants Together, the Fair Rent Coalition, members of the press, and CalPERS' beneficiaries have requested copies of the placement memorandum and

partnership agreement for this investment. Thus far, these requests have been met with a disingenuous two pronged argument: first, that the documents are trade secrets; and second, that the public interest served by not disclosing the documents clearly outweighs the public interest served by disclosure of these documents (i.e. the balancing test).

CalPERS' primary objection to making the private placement memorandum and partnership papers public is that they are protected as trade secrets. However, in June of 2007, in *Page Mill Properties v. Luzon*, the San Mateo County Superior Court found that Page Mill had a business strategy to purchase property and that this does not constitute a trade secret. Furthermore, it is clear from additional case records that documents relevant to this business plan were neither marked confidential nor treated with confidentiality protocol.

Furthermore, the subjective and arbitrary nature of the "balancing test" is only overcome when the costs of disclosure far outweigh the public benefit. What is the cost of disclosure? Is the loss of affordable housing for over 6000 low-income Californians trivial? Don't these individuals have a right to know what is planned for their community so that they can make informed decisions regarding housing, jobs, and schools? The balance to which CalPERS appeals is between some possible, unstated benefit to CalPERS or Page Mill and real, documented damage done to thousands of people in East Palo Alto.

Given that CalPERS has invested public employee pension dollars in a business plan that has resulted in the displacement of well over 1500 residents, has reduced the affordable housing stock in our community, and has negatively impacted the City's budget as a result of Page Mill's frontal attacks on the City's Rent Stabilization Ordinance, we once again call on CalPERS to release the placement memorandum and partnership papers for this investment, and strongly object to CalPERS' continuing refusal to do so.

The citizens of East Palo Alto, and indeed all Californians, deserve transparency and accountability in their government institutions.

Sincerely,

Christopher Lund, Ph.D.
Director of Communications

CC: Dean Preston, Theodore Eliopoulos, Laurie Weir, Mayor Ruben Abrica