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## **CALPERS BANS REAL ESTATE INVESTMENTS THAT DISPLACE TENANTS Major Milestone In Campaign to Cut Off Funding to “Predatory Equity” Schemes**

Yesterday, California Public Employee Retirement Service (CalPERS), the nation’s largest pension fund, adopted a policy to ban investments in real estate deals that are premised on displacing tenants. According to the new policy, “CalPERS will not participate in private real estate investment strategies that rely on or result in eliminating rent-regulated housing units, converting such units to market rate units, or raising rents above regulated levels as determined by the appropriate governing authority.” The CalPERS’ board overwhelmingly approved the policy, with only one board member voting in opposition.

“This is a major milestone in our campaign to stop investments in predatory real estate schemes that displace tenants from their homes,” stated Dean Preston, Executive Director of Tenants Together, California’s statewide organization for renters’ rights.

Tenants Together, in conjunction with the East Palo Alto Fair Rent Coalition, has been leading a campaign to stop CalPERS from investing in “predatory equity” deals that seek to generate short-term profit through the displacement of tenants. Predatory equity is a particularly nasty form of real estate investment in which investors pay more for rent-regulated housing than can be justified by the actual rental income at the time of purchase, as part of a plan to force rent-regulated tenants out of their homes and replace them with higher-rent tenants or purchasers. It is a business model premised on the displacement of tenants.

Since 2008, Tenants Together has urged CalPERS to adopt “predator-free” investment criteria. Tenants Together launched its campaign to stop pension funds from investing in predatory equity deals after learning that CalPERS had invested \$100 million in a scheme led to generate short term profits in the City of East Palo Alto by driving out tenants living in rent controlled housing. Organizers soon learned of huge investments (\$500 million from CalPERS) in a similar scheme in New York City. These schemes displaced thousands of tenants and did great damage to CalPERS’ reputation as a socially responsible investor. Tenants Together has been publicly critical the pension fund’s involvement in these evictions.

The predatory equity schemes not only harmed tenants, but also proved to be bad investments on purely economic terms. CalPERS lost every dollar invested in these speculative deals, including \$100 million in East Palo Alto and \$500 million in New York City. In repeated letters to CalPERS and in testimony before the CalPERS board, tenant advocates had predicted the collapse of these investments.

In February 2010, Assemblymember Tom Ammiano (D-San Francisco) introduced AB 2337, the Socially Responsible Investment Act, to ban predatory equity investments by the state’s public employee pension funds. Preston praised Ammiano’s leadership on the issue: “Assemblymember Ammiano deserves enormous credit for championing this bill to ensure that public employee pension funds stop investing in predatory schemes that displace renters.” Tenants Together is co-sponsoring the legislation, along with the Fair Rent Coalition. The bill will be heard in the Assembly PERS committee on April 21, 2010.

“CalPERS’ investment partner evicted me and my neighbors for no good reason,” said Christopher Lund, Communications Director for the Fair Rent Coalition. “It’s shameful that public employees are having their retirement funds used to throw residents of East Palo Alto out of our homes. I’m very pleased that CalPERS is taking this step to prevent these investments in the future.”

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