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**Via Facsimile and U.S. Mail**

May 12, 2010

Anne Stausboll  
Chief Executive Officer  
California Public Employees' Retirement System  
CalPERS Headquarters  
Lincoln Plaza North  
400 Q Street  
Sacramento, CA 95811

Dear Ms. Stausboll:

I am writing to you as a member of the New York City Council, representing Stuyvesant Town and Peter Cooper Village ("ST-PCV"), where I am also a life-long resident of the community.

As you may know, the ST-PCV complex, in which your organization invested along with Tishman Speyer Companies, Blackrock, Inc., and others, defaulted on its debt obligations and is in the process of being foreclosed upon. As you may also know, the ST-PCV Tenants Association, along with its professional advisors, Paul, Weiss, Rifkind, Wharton & Garrison LLP and Moelis & Company, is marshalling the resources necessary to put forward a tenant-led restructuring plan with the goal to protect and preserve this historic community as a stable, sustainable place for middle-income families.

I was surprised to learn that California Public Employees' Retirement System ("CalPERS") would have invested in such an aggressive, and ultimately illegal, plan to transform a historically middle-class enclave, full of working New Yorkers, into what was termed a "market rate master community" without regard for the more than 11,000 households and 25,000 residents who would be impacted. In the process, the new owners sent legal notices to thousands of long-time, legitimate tenants claiming that they did not truly live in their rent-stabilized apartments. While the investor group created a culture of fear and conflict in the community, elected leaders and the tenants association

provided frightened tenants with counsel and support on how to remain in their homes. The legality of these notices was successfully challenged, the rent escalations were halted and the entire investment is collapsing under its flawed and failed premises. Published reports have CalPERS' \$500,000,000 equity investment in ST-PCV valued at \$0, and the property is currently in the midst of a foreclosure proceeding. The situation is troubling, but given the flawed assumptions under which the investment was made, it was unavoidable.

I take note of and applaud CalPERS' April 19, 2010 policy announcement which will prevent participation in future real estate transactions that would seek to inappropriately displace households in rent-regulated apartments as a component of their investment strategy. I think this is an admirable position and one that should be emulated by other similar organizations.

To that end, CalPERS should consider participating as an investor in our tenant-led restructuring plan. Joining this bid could offer CalPERS an attractive, stable, long-term investment opportunity and the ability to publicly demonstrate its commitment to its new fiscal policy. This would send a message to the investment community that you are serious – and it will help end the uncertainty about the future of our homes.

I look forward to hearing from you, and to setting up a discussion with our professional team to explore your support and involvement in this most important of endeavors.

Sincerely,

A handwritten signature in blue ink, appearing to read "Daniel R. Garodnick", with a stylized flourish at the end.

Daniel R. Garodnick

cc: Hon. Arnold Schwarzenegger, Governor of California  
Al Doyle, President, ST-PCV Tenants Association  
Meredith Kane, Paul, Weiss, Rifkind, Wharton and Garrison LLP  
Bill Derrough, Moelis & Company