



# NYC Fire Pension Fund Investment Meeting (Public)

**Schedule** Monday, April 15, 2024 9:30 AM — 1:00 PM EDT  
**Venue** Zoom Meeting  
**Organizer** Kim Boston

## Agenda

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**PUBLIC AGENDA -**

Welcome and Opening

**Attorney/Client:**

# Responsible Property Management Standards:



## OFFICE OF NEW YORK CITY COMPTROLLER BRAD LANDER

Steven Meier, Deputy Comptroller - Asset Management / Chief Investment Officer

Bureau of Asset Management | 1 Centre Street Room 800, New York, NY 10007-2341 | [www.comptroller.nyc.gov](http://www.comptroller.nyc.gov)

Telephone: (212) 669 – 3257 | Email: [smeier@comptroller.nyc.gov](mailto:smeier@comptroller.nyc.gov)

**TO:** Trustees of the New York City Fire Pension Fund (Fire)  
**FROM:** John Adler, Alison Hirsh, BAM Investment Committee  
**DATE:** April 15, 2024  
**RE:** Responsible Property Management Standards

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The Bureau of Asset Management (BAM) is recommending that TRS, NYCERS, Police, Fire, and BERS (collectively “the Boards” or “Systems”) adopt the attached Responsible Property Management Standards Policy (“RPMS Policy”) as part of their Investment Policy Statement (IPS) for Real Estate. The RPMS Policy is designed to ensure that managers selected by the Systems take prudent and careful action to support and encourage fair practices towards residents living in properties owned or funded by investment managers on behalf of the Boards. These Responsible Property Management Standards, consistent with fiduciary duty, aim to improve the long-term quality and sustainability of residential rental real estate investments and reduce housing instability for residents, while providing sufficient flexibility to manage investment risks and attain target financial returns. The form and applicability of the RPMS Policy is modeled after the Systems’ Responsible Contractor Policy that has been in place for many years.

Property management practice in residential rental real estate varies considerably across the industry and is further complicated by an inconsistent patchwork of state and local landlord tenant laws. The absence of robust standards exposes the Boards to a variety of risks including higher capital and operating costs associated with low resident satisfaction, higher turnover rates, difficulties retaining management employees, and a growing array of regulatory and reputational challenges.

The RPMS Policy provides assurance that the residential properties in which the Boards invest through diversified national portfolios are maintained and operated to a consistent standard of quality that provides expected financial returns, assures fair and equitable treatment of tenants, and enhances long-term value.

BAM developed this RPMS Policy with the help of an external consultant and through multiple consultations with many stakeholders, including the Systems’ residential real estate managers and consultants, tenant advocacy and policy groups, real estate market experts, and industry associations. They all provided thoughtful and practical feedback that was incorporated into the policy BAM is recommending. Trustees have attended multiple presentations about the developing standards over the course of the past 18 months.

If approved, BAM will promptly implement the RPMS Policy on behalf of the Boards for all prospective private real estate equity funds.

### DISCLOSURES



**OFFICE OF NEW YORK CITY COMPTROLLER BRAD LANDER**  
BUREAU OF ASSET MANAGEMENT

The information contained in this investment memo is confidential, may not be distributed to unauthorized persons, and may contain material non-public information pertaining to certain investment activities and portfolio companies. Past performance does not guarantee the future performance of any manager or strategy. The performance results and historical information provided herein may have been adversely or favorably impacted by events and economic conditions that will not prevail in the future. Therefore, these results are not indicative of the future performance of any strategy, index, fund, manager or group of managers. This program does not constitute investment advice and should not be viewed as a recommendation to purchase or sell any investment product included herein.

**NEW YORK CITY FIRE PENSION FUND**  
**STATEMENT OF INVESTMENT POLICY**  
**FOR**  
**RESPONSIBLE PROPERTY MANAGEMENT STANDARDS**  
**APRIL 2024**

*This Policy is effective immediately upon adoption and shall apply on a prospective basis to all Applicable Investments, as defined in Section II below.*

**I. INTRODUCTION**

The Responsible Property Management Standards Policy (“the RPMS Policy”) is designed to ensure that managers selected by the New York City Fire Pension Fund take prudent and careful action in accordance with the RPMS Policy, as described herein. The New York City Fire Pension Fund, through the RPMS Policy, supports and encourages fair practices towards residents living in properties owned or funded by managers. The Responsible Property Management Standards (“RPMS”), consistent with fiduciary duty, aim to improve the long-term quality and sustainability of residential rental real estate investments and reduce housing instability for residents, while providing sufficient flexibility to manage investment risks and attain target financial returns. Notwithstanding any other considerations set forth in the RPMS Policy, managers must always manage assets for the exclusive benefit of and with loyalty, honesty, good faith, and fairness towards all holders of ownership interests in such investments, including, without limitation, investors, plan participants, and beneficiaries.

The New York City Fire Pension Fund has a deep interest in the living conditions of residents living in properties owned or funded by managers selected by the New York City Fire Pension Fund. Property management practice in residential rental real estate varies considerably across the industry and is further complicated by an inconsistent patchwork of state and local landlord tenant laws. The absence of robust standards exposes investors to a variety of risks including higher capital and operating costs associated with low resident satisfaction, higher turnover rates, difficulties retaining management employees, and a growing array of regulatory and reputational challenges.



With New York City Fire Pension Fund's diversified national portfolio, the RPMS provides assurance that the properties in which New York City Fire Pension Fund invests are maintained and operated to a consistent standard of quality that provides target risk-adjusted financial returns, assures fair and equitable treatment of tenants, and enhances long-term value. Implementing a uniform set of standards for quality property management protects the long-term sustainability and profitability of rental housing market investments.

## **II. APPLICABLE INVESTMENTS AND PHASING**

"Applicable Investments" are equity investments (and associated advisor or partner and subcontractor contracts and bids arising out of those investments) in the private real estate asset class, including partnerships, joint ventures, co-investments, and direct investments entered into after the effective date of this RPMS Policy in domestic residential rental real estate, whether single family, multi-family, or other forms of residential rental real estate. Prospective real estate funds in which New York City Fire Pension Fund invests shall commit to adopting this RPMS Policy, consistent with their fiduciary duties as enunciated in Section IV below. Adopting this Policy means committing to abide by the Principles, Standard Practices, and Disclosures as described in Section V below, consistent with their fiduciary duties, and making best efforts to comply with the Best Practices also described in Section V.

This RPMS Policy specifically excludes all other types of investments, including mezzanine debt, hybrid debt, international investments, secondary funds, and indirect, specialty and mortgage investments lacking equity features, and their respective advisors, although the System strongly encourages all managers to comply with the entire policy to the extent possible. The practicality, schedule, and method of extending this RPMS Policy in the future, beyond those investments described herein, shall depend on factors that include the structure of the investment and the degree of control New York City Fire Pension Fund can exercise.

## **III. DEFINITION OF THE RESPONSIBLE PROPERTY MANAGEMENT STANDARDS**

The Responsible Property Management Standards are designed to ensure that managers take prudent and careful action in accordance with the RPMS Policy, provided that such action remains consistent with the

discharge of a manager's fiduciary duties. There are four components to the RPMS: Principles, Standard Practices, Best Practices, and Disclosures.

There are seven (7) *Principles*:

1. Implement consistent and fair tenant screening and selection practices.
2. Offer clear and fair leases; reduce undue burdens of security deposits.
3. Maintain safe, quality, accessible housing.
4. Foster positive tenant-landlord relations.
5. Honor tenants' rights to free speech and free association.
6. Optimize tenant stability.
7. Minimize evictions and other negative exits.

Each principle is associated with one or more Standard Practices, which represent the minimum expectations. Beyond the Standard Practices, the principles are supported by several Best Practices, which are intended to provide a road map for managers of Applicable Investments seeking to further elevate property management quality over time. For the purposes of the RPMS, a "Standard Practice" is a norm or common approach, policy, procedure and/or process employed as an established practice to produce a consistent desired outcome. Whereas a "Best Practice" is a method or approach that experience and research have shown is likely more effective at producing a desired outcome. The RPMS are not intended to conflict with any Federal, State, or local law or regulation, and are designed to augment such laws and regulations to further enhance tenant protections, thereby resulting in greater stability of occupancy, which redounds to the benefit of investors, plan participants, and beneficiaries.

Finally, the principles and practices are accompanied by a set of public Disclosures. The Disclosures are designed to increase market transparency and enable prospective tenants to make more informed choices. The Disclosures are intended to be public and are in addition to any disclosures that might be provided in the normal course of investor due diligence.

#### **IV. INITIAL REQUIREMENTS OF THE RESPONSIBLE PROPERTY MANAGEMENT STANDARDS POLICY**

- A. **Duty of Loyalty** - Notwithstanding any other considerations, assets will be managed for the exclusive benefit of and with loyalty, honesty, good faith and fairness toward the Applicable Investments and all holders of the ownership interests in such Applicable Investments, including, without limitation, plan participants and beneficiaries.
- B. **Prudence** - The Trustees, the Comptroller’s Office Staff (“Staff”), and Managers and Advisors are charged with the fiduciary duty to exercise the care, skill, prudence, and diligence appropriate to the task.
- C. **Competitive Return** - All investments and services must be made and managed in a manner that produces a competitive, risk-adjusted rate of return.
- D. **Local, State, and National Laws** – Managers, contractors and subcontractors shall observe all local, state, and national laws (including, by way of illustration, those related to insurance, withholding taxes, labor, anti-discrimination, environmental, occupational health and safety, and the right to organize unions).

## V. **PRINCIPLES, STANDARD PRACTICES, BEST PRACTICES AND DISCLOSURES**

The RPMS consists of the following Principles, Standard Practices, Best Practices and Disclosures:

### **Principle 1.0 — Implement consistent and fair tenant screening and selection practices.**

Standard 1.1 — Ensure compliance with federal, state, and local fair housing, civil rights, and consumer protection laws.

- Disclosure: Violations of federal, state, and local fair housing and civil rights laws.

Standard 1.2 — Provide plain language explanation of application fees, screening criteria, and documentation requirements.

Best Practice 1.2.1 — Minimize application fees such that they accurately reflect the actual costs incurred by the manager and its agents in the evaluation and processing of an application.

Standard 1.3 — Disclose all tenant financial obligations including rent, utilities, fees, etc. at the time of application.

Best Practice 1.3.1 — Offer draft lease terms or key information, e.g., term, rate, deposits, late fees, limits on occupancy, etc., and other communications in plain language and offer translated copies in multiple languages to non-English speaking tenants.

Standard 1.4 — Accept Housing Choice Vouchers and do not use source of income as a tenant screening criteria.

Best Practice 1.4.1 — Explore utilization of and reporting of positive screening criteria, e.g., positive rental payment history data, as a potential offset for items such as a low credit score, and limit use of public records of bankruptcies, foreclosures, and eviction filings (not successful evictions).

Standard 1.5 — Share screening criteria before accepting an application and limit criminal background checks to convictions (not arrests) for serious offenses.

Best Practice 1.5.1 — Limit the use of criminal convictions (not arrests), except for in the case of serious offenses, as a singular criteria for denial of a rental application, adopt reasonable lookback periods (a maximum of ten years), mitigate the utilization of screening criteria and criminal background data that is discriminatory in nature and allow applicants the opportunity to provide mitigating evidence.

Standard 1.6 — Limit collection of personal data to decision-critical information.

Best Practice 1.6.1 — Prohibit use of proprietary screening algorithms that do not routinely utilize algorithmic bias detection to test for discriminatory bias and, as necessary, employ mitigation practices. Utilize alternative credit scoring models demonstrated to reduce bias.

Standard 1.7 — Ensure application and screening process is consistent across all properties under the same ownership.

Best Practice 1.7.1 — Minimize the impact of past evictions, bankruptcies, and foreclosures in screening.

Standard 1.8 — Disclose the reason(s) to the applicant when an application is rejected and, if applicable, require third party vendors to also follow similar disclosure procedures.

**Principle 2 — Offer clear and fair leases; reduce undue burdens of security deposits.**

Standard 2.1 — Provide a minimum 1-year renewable lease with clear explanation of all lease terms, tenant rights and responsibilities.

- Disclosure: Contract rents benchmarked against HUD [fair market rents](#) and [income limits](#) for each property including adjustment for unit sizes.

Standard 2.2 — Provide at least 30-day notice for rent increases and limit increases on one-year renewals of existing leases to no more than the 12-month change in CPI + 5% . In circumstances where the asset managers deem an increase exceeding the 12-month change in CPI + 5% necessary in accordance with fiduciary duty, a minimum 60-day notice will be provided, and the increase will be reported to the investors.

Best Practice 2.2.1 — Provide at least 30-day notice for rent increases and limit increases on new leases to no more than the 12-month change in CPI + 5% and refer tenants unable to afford rent increases to relocation assistance services and resources and provide relocation assistance to tenants unable to afford rent increases. In circumstances where the asset managers deem an increase exceeding the 12-month change in CPI + 5% necessary in accordance with fiduciary duty, a minimum 60-day notice will be provided, and the increase will be reported to the investors.

Standard 2.3 — The lease must not include hidden fees or other unfair or deceptive practices.

Best Practice 2.3.1 — Ensure that any additional fees, such as those for pets, parking, and amenities, are not in excess of market rates.

Standard 2.4 — Limit security deposits to a maximum of 1.5x monthly rent and return security deposits within 14 days of departure, or provide notice within 14 days of departure of the amount of the security deposit to be returned and return the security deposit within 30 days.

Standard 2.5 — Fully disclose security deposit policies including conditions, process, and timelines for return; prohibit mid-lease increases in security deposits.

Best Practice 2.5.1 — Allow early lease termination under a defined set of circumstances clearly specified in the lease agreement.

### **Principle 3 — Maintain safe, quality, accessible housing.**

Standard 3.1 — [Keep all properties up to habitability standards as described in Section 302a of the Revised Uniform Residential Landlord and Tenant Act \(2015\).](#)

- Disclosure: Local health and safety violations.

Best Practice 3.1.1 — Upgrade/maintain properties to meet green building standards such as the [Enterprise Green Communities Criteria](#).

Standard 3.2 — Ensure that heat and air conditioning are available at all times required by applicable laws.

Best Practice 3.2.1 — Provide air conditioning in all units in locations that regularly experience [extreme heat conditions as defined by FEMA](#).

Standard 3.3 — Provide a user-friendly process for reporting, tracking, and resolving maintenance and repair issues.

Best Practice 3.3.1 — Allow for repair deductions from rent under defined circumstances.

#### **Principle 4 — Foster positive tenant-landlord relations.**

Standard 4.1 — Establish and monitor service levels for response and resolution of repair and maintenance issues.

- Disclosure: Average time to resolve maintenance requests.

Standard 4.2 — Provide at least 24 hours' notice for access to premises, except as requested by the tenant or in case of emergencies.

Standard 4.3 — Deploy periodic tenant satisfaction surveys leveraging tools like the Kingsley Resident Survey, National Apartment Association Survey of Operating Income & Expenses in Rental Apartment Communities, etc.

- Disclosure: Property management staff turnover.

Best Practice 4.3.1 — Results of the periodic tenant satisfaction surveys accessible for tenants and investors and aggregated similarly to the Kingsley Resident Survey, National Apartment Association Survey of Operating Income & Expenses in Rental Apartment Communities, etc.

#### **Principle 5 — Honor tenants' rights to free speech and free association.**

Standard 5.1 — Commit to neutrality in tenant organizing and explicitly prohibit harassment and retaliation.

Best Practice 5.1.1 — Recognize and negotiate with tenant unions/organizations.

- Disclosure: Information on existing tenant union/organization and current contact information for the tenant union/organization.

Best Practice 5.1.2 — Allow the use of common spaces for tenant meetings and organizing activities.

**Principle 6 — Optimize tenant stability.**

*Standard 6.1* — Track and monitor the reasons for tenant moves.

- Disclosure: Tenant exits by reason for move.

*Best Practice 6.1.1* — Reasons for tenant moves accessible for investors.

*Standard 6.2* — Refer residents to rental assistance and other services that support stable tenancy. Include information on rental assistance and services in late payment and pre-filing notices.

- Disclosure: Median annual rent increase by unit size.

*Best Practice 6.2.1* — Engage with strategic partners to provide and/or refer tenants to comprehensive resident services programs to enhance financial capability, health, and well-being.

*Best Practice 6.2.2* — Facilitate reporting of **all** rent payment history to the major credit bureaus.

*Best Practice 6.2.3* — Offer tenants the right to purchase when a property is put up for sale. Applicable only to single family rental properties, not multifamily rental properties, and where the ownership structure allows for individual unit transactions.

**Principle 7 — Minimize evictions and other negative exits.**

*Standard 7.1* — Clearly define and communicate causes for eviction based on tenant responsibilities defined in the lease.

- Disclosure: [Eviction filing rate](#) benchmarked against aggregate rates calculated by the [Eviction Lab](#).

*Standard 7.2* — Provide a late notice within the first two weeks of the month in which a tenant has failed to pay rent.

*Best Practice 7.2.1* — Implement repayment plans for tenants in arrears.

*Best Practice 7.2.2* — Use mediation and conflict resolution processes to resolve landlord-tenant disputes.

*Standard 7.3* — Provide 30 days pre-filing notice before filing for eviction of tenants who are in arrears on rent and allow an opportunity to cure of at least 14 days.

Best Practice 7.3.1— Offer opportunities for redemption following an eviction judgment or proceeding the actual event.

Standard 7.4 — Prohibit harassment and other activities intended to pressure residents to move such as performing construction work outside of normal business hours etc. or neglecting hazardous conditions.

## **VI. INVESTMENT POLICY RESTRICTIONS**

The System will not make investments that have the potential of reducing the long-term quality and sustainability of residential rental real estate investments and increasing housing instability for residents, and will seek investments in which the manager, advisor or partner demonstrates a commitment to standards of good conduct, and will reject investments that would pose a reputational risk to the System or bring public or regulatory scrutiny.

## **VII. TRANSITION, MONITORING, RESPONSIBILITIES AND ENFORCEMENT**

- A. **Notification** - The System and/or Staff shall provide a copy of this policy to all current and prospective managers of Applicable Investments.
- B. **Contracts and Renewals** - All contracts entered into after the effective date of this Policy and pertaining to Applicable Investments, including renewals of such contracts, shall reference this Policy. The New York City Fire Pension Fund will take into account compliance with this policy in considering manager contract renewals or re-ups.
- C. **Responsibilities** - The responsibilities of Staff, managers of Applicable Investments, and property managers and subcontractors are defined as follows:
  - 1. The Staff and/or consultants shall have the following responsibilities:
    - a. Review the managers' reports regarding compliance with the Policy.
    - b. Report to the System's Board of Trustees on incidents of non-compliance of Applicable Investments with the Policy and make recommendations for corrective action as necessary.
  - 2. Managers of Applicable Investments shall have the following responsibilities:
    - a. Communicate the Policy to all property or asset managers.



- b. Report, on an annual basis, to the Staff, any deviations from the standard practices and/or the utilization of any of the best practices as outlined in the RPMS including their own efforts as well as those by property or asset managers and their subcontractors.
  - c. Monitor and enforce the Policy, including the investigation of potential violations.
  - d. Select property managers in a manner consistent with this Policy.
3. Property or asset managers of Applicable Investments shall have the following responsibilities:
- a. Abide by the Policy consistent with the commitment made by the Managers of Applicable Investments.
  - b. Communicate the Policy to any interested party, including actual tenants, prospective tenants, or organizations representing actual or prospective tenants.
  - c. Provide property or asset level annual report information to Managers.

**D. Enforcement –**

- 1. If the Staff receives complaints alleging a violation of this Policy, it shall gather information relating to the complaint and forward it, as appropriate, to the Board. Complaints will be taken seriously. Staff will expect managers to provide prompt communication and full information.
- 2. If the Staff becomes aware of a formal determination by a law enforcement or regulatory agency or a court, that a manager, property or asset manager or subcontractor of an Applicable Investment has violated applicable laws, regulations, or standards, either directly or by failing to take appropriate steps to prevent or remedy violations and that constitutes a violation of this Policy, then:
  - a. The Staff will consider all reasonably available remedies and recommend to the Board any appropriate ones that they believe will address the violation in a manner that satisfies the Board's fiduciary duties of loyalty and prudence; and
  - b. The Staff may place the manager on a watch list. If the manager, even after discussions with the Staff and/or consultants, does not modify its pattern of conduct, and/ or cause its property or asset manager(s) or subcontractor(s) to modify their conduct, the Board shall consider this pattern of conduct along with other information when it reviews the manager's contract for possible renewal, or when considering investment in a subsequent fund or partnership of the manager. The key indicator is a pattern of conduct that is inconsistent with the provisions of the Policy. Incidents of non-compliance will be reported to the System's Board of Trustees on a timely basis, and no less than quarterly.



# FIRE INVESTMENT MEETING

## PUBLIC SESSION



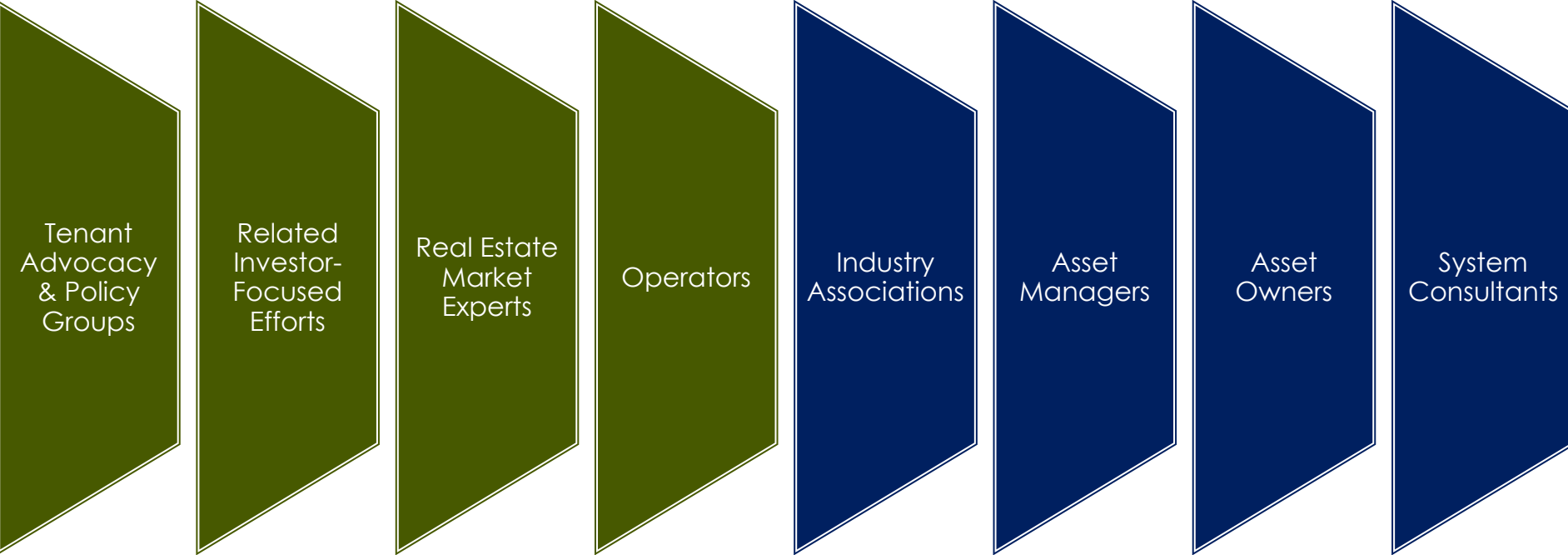
April 15, 2024

# PROJECT GENESIS & GOALS

- Improve long-term risk-adjusted returns
- Align with emerging regulatory environment and reduce reputational risk
- Enhance the long-term sustainability of the residential rental housing market through improved resident stability and well-being
- Establish an investment policy and reporting framework for NYC systems



# STAKEHOLDER ENGAGEMENT PROCESS



# ASSET MANAGER FEEDBACK SESSIONS

In 2023 we held individual feedback sessions and held a working group meeting with the following asset managers.



# WHAT WE HEARD FROM ASSET MANAGERS

1. Broad support and enthusiasm for this work.
2. A willingness to think collaboratively and create linkages between related efforts, e.g., MIC Impact Framework.
3. Thoughtfulness and curiosity in considering practical implications of implementation.
4. Identification of areas where they meet or exceed standards.
5. Spotlight on relatively challenging standards, and we made adjustments based on that feedback.
6. Suggestions of areas where there is room for higher standards than those suggested.



# FRAMEWORK



Investment  
Policy  
Statement &  
Reporting  
Requirement



# PRINCIPLES

- 1.0** Implement consistent and fair tenant screening and selection practices
- 2.0** Offer clear and fair leases; reduce undue burdens of security deposits
- 3.0** Maintain safe, quality, accessible housing
- 4.0** Foster positive tenant-landlord relations
- 5.0** Honor tenants' rights to free speech and free association
- 6.0** Optimize tenant stability
- 7.0** Minimize evictions and other negative exits





# PROPOSAL

The Bureau of Asset Management (BAM) is recommending that the Fire Pension Fund adopts the proposed Responsible Property Management Standards Policy (“RPMS Policy”) as part of their Investment Policy Statement (IPS) for Real Estate.

The form and applicability of the RPMS Policy is modeled after the Systems’ Responsible Contractor Policy that has been in place for many years.

If approved, BAM implement the RPMS Policy on behalf of the Boards for all prospective private real estate equity funds as soon as practically feasible.



**QUESTIONS?**