



Office of the Mayor
City of Los Angeles

ANTONIO R. VILLARAIGOSA

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Contacts:
Office of the Mayor
Janelle Erickson (213) 978-0741

Phoenix Realty Group
Francie Murphy (858) 350-5152
francie@fmassociates.com

Dan Peoples (858) 552-1456
dan@fmassociates.com

MAYOR VILLARAIGOSA ANNOUNCES \$65 MILLION PENSION FUND INVESTMENT IN WORKFORCE HOUSING

***Public-Private commitment will create housing for middle-income families
across greater Los Angeles***

(Los Angeles) – Following the narrow defeat of Measure H, Mayor Antonio Villaraigosa announced an innovative public-private commitment to create housing developments for middle-income families across the greater Los Angeles area. Investments will target housing affordable to Los Angeles' middle-income workforce, including teachers, firefighters, and nurses.

Mayor Villaraigosa was joined by executives from LA's largest public pension funds - Los Angeles City Employees Retirement System (LACERS); Los Angeles County Employee Retirement Association (LACERA); Los Angeles Department of Fire and Police Pensions (LAFPP) - to announce the commitment of a combined \$65 million in Genesis Workforce Housing Fund II, a private equity real estate fund managed by Phoenix Realty Group that will create workforce housing developments targeted toward middle-income families across the greater Los Angeles area.

“If we want good schools and safe streets, we need to commit ourselves to making Los Angeles a place where a teacher or a policeman can afford to buy a house and raise a family.” said Mayor Villaraigosa.

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The Genesis Workforce Housing Fund II is being created following the success of Phoenix Realty Group's (PRG's) \$103-million Genesis Workforce Housing Fund (Genesis I), which was launched in March 2003. Genesis I was the first institutional source of capital to focus solely on for-sale and rental housing for the middle-income workforce in the greater LA area, and it has already invested in more than a dozen projects in Los Angeles offering for-sale and rental housing.

The new Genesis II fund, when fully invested at \$150 million, will supply 2,250 housing units valued at \$750 million across greater Los Angeles. These homes are predominantly for first-time buyers making from 80 to 200 percent of the region's median income.

"We are proud to be spearheading the effort to invest in Genesis Workforce Housing Fund II," said Eric L. Holoman, president of LACERS board of administration. "First and foremost, it meets our investment goals as a strong fund with an experienced fund manager. At the same time, it promotes workforce housing, a critical component of continued economic growth throughout the greater Los Angeles area."

"The fund is an excellent addition to our investment fund portfolio, with attractive, risk-adjusted returns that earned the recommendations of our real estate investment consultant and our board," said Sean Harrigan, President, Board of Commissioners, LAFPP. "It's a win for both the LAFPP and for current police officers, firefighters and other city workers seeking high-quality, affordably priced, entry-level homes in neighborhoods close to their jobs."

"We are pleased to be part of a team that can put together targeted real estate deals in urban and infill areas of Los Angeles, meeting our investment objectives while demonstrating the careful due diligence, asset management and financial reporting we need to serve our members," said Lisa Mazzocco, Chief Investment Officer, LACERA.

"The first Genesis Workforce Housing Fund has shown that institutional investors can create real value in urban areas and make socially responsible contributions to the community," said J. Michael Fried, PRG chief executive officer. "By committing \$65 million to the formation of the new Genesis II, these three Los Angeles pension funds are clearly demonstrating their commitment to providing housing for working families in Southern California."

PRG president Keith B. Rosenthal added, "This fund will allow us to connect the Los Angeles pension fund investors with community-based developers, aggregating middle-market investments in an institutional-size portfolio."

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The benefits extend to the general public as well, noted Xavier Gutierrez, PRG senior vice president. “We estimate that the fund’s developments will yield \$27 million in sales tax revenue, annual property tax revenues of more than \$1.3 million and more than 3,750 construction jobs.”

The press conference was held at Puerta del Sol, a workforce housing community that is the fastest-selling new housing development in Los Angeles County and represents the type of development that will be funded with city and county pension investments. Phoenix Realty Group financed Puerta del Sol through the first private equity real estate fund solely targeting workforce housing development in greater Los Angeles.

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