

Ethics

A Historic Home

Scenario: The city manager was an enthusiastic promoter of historic preservation in the community and had his eye on a unique property that had languished in the city's downtown area for the past several years. With a significant investment of his personal savings, he could renovate the property, converting part of it into his personal residence. The rest of the building would need to be renovated for other purposes, perhaps for another residence that could be rented. The manager wanted to discuss the ethical issues he might need to consider if he pursued his dream home.

Response: Many members choose to limit their real estate investments to their personal residence simply because avoiding some of the questions that may arise can be difficult. There might be special tax incentives for this neighborhood, for example, if the building were in a neighborhood targeted for historic preservation. Another challenge might be the expense of getting such an old property into full compliance with building code standards.

If the city manager decides to purchase this property, it will be important to disclose this investment openly and completely. He will need to avoid any appearances that he could have profited in any way from information he might have had about it as city manager. He will want to be doubly careful to avoid any appearance of a conflict of interest in any of his actions, and to remove himself from any discussions of zoning matters that might affect this property.

This guideline for Tenet 12 on investments is lengthy because this is an area that is ripe for problems. The key statements in the guideline reads: "Members should not invest or hold any investment, directly or indirectly, in any financial business, commercial, or other private transaction that creates a conflict with their official duties." Another cautionary message is that "purchases and sales which might be interpreted as speculation for quick profit ought to be avoided."

Disclosure is important at all times: "Because personal investments may prejudice or may appear to influence official actions and decisions, members may, in concert with their governing body, provide for disclosure of such investments prior to accepting their position as local government administrator or prior to any official action by the governing body that may affect such investments."

