



July 14, 2003

AFRH Chief Operating Officer Fact Sheet No. 3

Subject: Cost Savings and Revenue Generating Plan for the AFRH-Washington Campus

Applicability: AFRH-Washington Residents/AFRH-Washington Staff

The following list of initiatives provides information on potential lease options that will result in significant cost savings and the generation of revenue at the AFRH-Washington campus. Cost savings and revenue realized from these initiatives directly impact the AFRH Trust Fund and each resident.

Current and Ongoing Initiatives

Smithsonian (Greenhouse): For many years the Smithsonian has leased the greenhouses on the AFRH-Washington campus to house their National Orchid Collection. This has proved to be a successful lease arrangement and serves as model for the additional lease options we are exploring. The Smithsonian pays an annual fee to lease the greenhouses. Additionally, the Smithsonian lease includes their support in providing the beautiful flower gardens on the AFRH-Washington campus.

Army Corps of Engineers: In calendar year 2002, the AFRH-Washington campus entered into a 3-year lease with the Corps of Engineers for them to occupy space on the first floor of Sherman North. The Corps of Engineers has a 3-year contract with the District of Columbia (DC) School system to replace/repair roofing on DC area schools. The Army Corps of Engineers pays an annual rental fee to the AFRH for the spaces they occupy. Additionally, the Corps of Engineers used their own funds to renovate their Sherman North spaces. The Corps also pays for maintenance to their spaces which is over and above their rental fee. Both the AFRH Trust Fund and the AFRH-Washington residents benefit from the cost avoidance (renovation/maintenance, etc.) and the rental fees that the Corps of Engineers pay as tenants. The Corps of Engineer folks are good tenants and we welcome the opportunity to partner with them.

National Trust for Historic Preservation: In calendar year 2000, the AFRH-Washington entered into an agreement with the National Trust for Historic Preservation which resulted in the National Trust agreeing to raise funds to restore the former Anderson Cottage, which is now officially referred to as the Lincoln's Retreat, the Soldier's Home. The National Trust hopes to raise \$8 million dollars to fully restore this National Monument to its former condition. We understand that the National Trust has already raised in excess of \$4 million toward the restoration project. Restoration work

has already begun. The funds raised by the National Trust result in a substantial cost reduction to the AFRH Trust Fund, plus it more appropriately puts the restoration under the supervision of the National Trust and its expert staff. The National Trust is also serving as a marketing agent for the AFRH. As they perform the restoration, they are also advertising the Home's existence as they obtain donations from individuals who strongly support historic preservation. The National Trust folks have also invited Congressional members and members of the DC Government to visit our campus. The National Trust will also lease the former Administration Building to house their museum which supports Lincoln's Retreat initiative. The National Trust may also be interested in supporting future restoration initiatives on the AFRH-Washington campus. Again, this is good for the Trust Fund which supports each resident. This partnership has proven to not only be culturally enriching to our Agency, but also extremely beneficial in areas such as marketing, cost avoidance, and further enhancing the visual appeal of the AFRH-Washington campus for the residents and future residents.

Quarters 2 is also being leased to the National Trust to house the person responsible for restoring Lincoln's Retreat, the Soldier's Home. The AFRH Trust Fund will receive a monthly rental fee from the rental of Quarters 2.

Initiatives Under Consideration/Negotiation

Charter School: We are currently in the final stages of negotiation with the DC Charter School System. Currently there are two schools under this program which plan to occupy space on the AFRH-Washington campus – DC Prep and Tri-Community. These schools will occupy the Grant Building and the basement of the Stanley Hall. We also plan to make available the former Security Building, which is now vacant, to the Charter School System. We expect approximately 200 students to be enrolled in these schools by this Fall. Leasing space to the Charter School System will create a positive revenue stream to the AFRH Trust Fund. The Schools will also be responsible for their own maintenance and utilities. The Grant Building, even when vacant, required AFRH funds to maintain it. This financial responsibility will now be picked up by the Charter School System, however the AFRH will still own the Grant and the land on which it is situated.

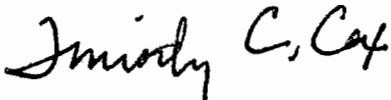
U.S. Vet (Cloudbreak, DC, LLC): The Cloudbreak, DC, LLC group has requested the option to rent the Ignatius Guest House to carry out their mission of providing rehabilitative services to veterans who have had previous drug/alcohol problems. Approximately 24 veterans will be housed in these spaces during their transitional rehabilitation. Most of these veterans are employed and will pay a set percentage of their income toward their support while they stay at Ignatius. Most of these individuals have been "clean" for 12/18 months, or more. In the past, the AFRH incurred an \$80,000 deficit to run the Ignatius Guest House. Under the new model, the Cloudbreak group will be responsible for maintenance and utilities for the Ignatius Building, as well as a monthly rental fee due to the AFRH Trust Fund each month. This initiative will relieve the AFRH Trust Fund of supporting the payment of utilities, maintenance charges and

operating fees formerly associated with the Ignatius Building. This is a pilot project and will be reevaluated before any future options are agreed to. It is important to remember that this is a lease transaction and the AFRH will continue to own the Ignatius Building and the land that it sits on.

PLEASE NOTE: Originally the U.S. Vet (Cloudbreak) group was interested in leasing the Grant Building. Leasing the Grant did not occur and is **no longer being considered** by the AFRH and the Cloudbreak Group. Cloudbreak is aware that that their website contains outdated information regarding their former proposal to lease the Grant. This information will be removed and more up-to-date information posted in its place.

Washington Hospital Center/Veterans Administration/Children's Hospital: The AFRH has been approached by all three of the above entities regarding possible lease options for portions of AFRH-Washington land bordering Irving Street. While we have no written definitive plans drawn up or agreed to at this time – residents should know that there is interest by these organizations. Our goal is to explore these opportunities to determine which proposals would best mesh with our established mission, enhance the AFRH Trust Fund, and also bring potential services closer to our residents. More information will be provided to residents as proposals are submitted.

Residents will be kept abreast of the initiatives shown above, and any future initiatives that are proposed. As Chief Operating Officer I am not only committed to ensuring the financial well-being of the Home, but I also have a fiduciary responsibility to the AFRH and each of its residents. I believe we have a viable plan and, in fact, are well on our way to a healthy financial future.


Timothy C. Cox
Chief Operating Officer