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MEMORANDUM

TO Christina Brown

FROM Amy M. Glassman

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RE Summary of Premier Controls and Opportunities

The Alexandria Redevelopment and Housing Authority (ARHA) seeks City Council approval for the formation of Premier Affordable Housing (Premier), which will be a 501(c)(3) nonprofit organization. Per your request, below is a discussion of intended uses of Premier as well as the various controls that will be in place to ensure Premier's actions are consistent with ARHA's mission.

Uses

- Apply for grants that ARHA cannot apply for but for which 501(c)(3)s are eligible. These grants may come from foundations, corporate giving, or other philanthropic entities. Grants could range from grants for resident services to development funds.
- Engage as developer of affordable housing projects
- Form single purpose entities that control affordable housing development owners

Why Premier?

- 501(c)(3) status can access funds and resources that ARHA cannot, which will then be used to further ARHA's mission
- Premier can share in funding benefits that would otherwise go to third party developers or investors in certain development transactions. Accordingly, more funds will stay in Alexandria, for the benefit of ARHA residents. These funding benefits cannot be received by ARHA or VHD, LLC because ARHA wholly controls VHD.

Structure and Controls

- Premier's formation authorized by ARHA Board

- ARHA senior staff and other affordable housing professionals will serve as the Premier board of directors
- Premier's organizational documents will provide that its purpose is to support and further ARHA's mission, purposes and activities.
- ARHA is anticipated to capitalize Premier and will include requirements in its funding documents consistent with the controls herein.
- For all Premier development work on ARHA-owned properties, ARHA will record restrictions that require the operation of long-term affordable units at the property, in accordance with the plans and design the City approves in connection with each transaction.

Sample Premier Work

- Premier applies for and receives a grant from the Annie E. Casey Foundation (for example) to support youth engagement and leadership work at ARHA properties or from the Ford Foundation (for example) to fund a case manager for homebound or medically fragile seniors.
- Premier controls 51% of the managing member of an ARHA redevelopment transaction. The other 49% is held by a third party developer. This arrangement will allow Premier to:
 - Through the managing member, control overall property operations including compliance with long-term affordability requirements
 - Earn meaningful cash flow from the transaction. While not all affordable transactions produce much cash flow, we believe it is important to ensure that, if they do produce proceeds, we can keep those funds in the City. Otherwise, nearly all cash flow would go to third party investors or the third party developer, rather than being reinvested in the City of Alexandria. Neither ARHA nor VHD LLC (ARHA's wholly controlled LLC) can access this cash flow due to tax rules.
 - Earn meaningful proceeds from a sale or refinancing of the transaction. As with the cash flow discussion above, neither ARHA nor VHD LLC can earn these proceeds due to tax rules. Again, this will ensure that more funds are reinvested in the City of Alexandria rather than pocketed by third party developers or investors.
 - Allow for the transaction to benefit from shorter depreciation recovery periods, which will optimize investor investment in the transaction more than VHD's involvement can do.

cc: Keith Pettigrew
David Cortiella