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Memo

To: Laraine Derr, Finance Committee Chair
From: Jeff Jessee, Chief Executive Officer
Date: January 22, 2013
Re: Acquisition of the Long House Hotel, 4335 Wisconsin St,
Anchorage for supportive housing

Status Update:

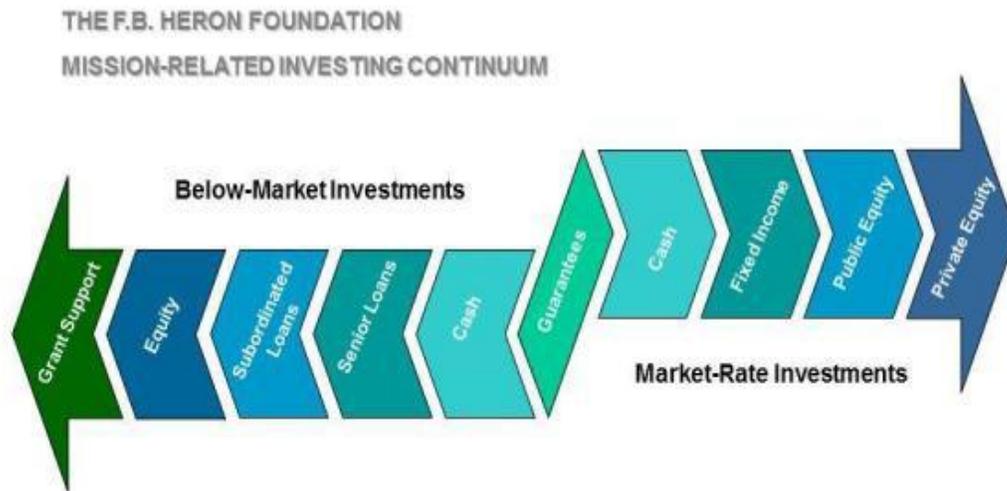
This memo is an update to Trustees for discussion purposes at the Board of Trustee meeting January 30, 2013, in Juneau. At the Resource Management Committee meeting January 3, 2013, Trustees referred the proposed Long House project to the Finance Committee for review and recommendation on a funding action. Following this meeting, Chief Executive Officer Jeff Jessee and Senior Program Officer Nancy Burke have been in communication with both the Spenard Community Council (council where the property is located) and the Turnagain Community Council (council area bordering the project) and other community leaders who are interested in the project and have additional questions about the proposal and the intended use of the future housing property.

On January 14, 2013, a joint Spenard and Turnagain community council committee passed a resolution requesting that The Trust delay a formal decision on the housing project until more communication has transpired between Anchorage Community Mental Health Services, The Trust, community council leaders and elected representatives from the area. The Trust CEO agreed to hold off on a formal staff proposal at the January board meeting. A new date will be determined for this review by the Trustees.

In addition to this action, The Trust has incorporated a designated public testimony period into the January board meeting (Wednesday January 30, 12:30pm) with access in person in Juneau, via teleconference, or in person at the Trust Authority Building in Anchorage. Following the update to Trustees, Trust staff has agreed to assist community leaders in developing an educational forum on the topic of housing for people with mental illness and special needs with supportive services in Anchorage. Information about the session(s) will be forthcoming.

Proposal

Trust staff is developing a proposal for Trustees to review in order to move forward with the proposed purchase of the property identified on Wisconsin Street in Anchorage. The concept of using Trust resources to assist with either purchase or assistance to a non-profit to acquire the property has been in discussion as a Program Related Investment for The Trust or PRI. PRI programs are widely in use by foundations nationwide to allow for a number of financing strategies in lieu of grants as a mechanism to fulfill the foundation's mission of the funding organization in a larger way than simple grant making.



The Trust is uniquely positioned to assist non-profits in acquiring properties for housing given our land management and acquisition experience by the Trust Land Office and the Affordable, Safe Housing Focus Area work. The Trust has discussed two possible strategies:

1. **Using the Trust Land Office to acquire a housing property and holding this property** for the amount of time needed by a non-profit partner to apply for and be awarded funding to purchase the property from The Trust.
 - a. Opportunities: There are several opportunities that might arise from this approach.
 - i. Securing the facility would make negotiations more streamlined with one partner at the table.
 - ii. The Trust may be able to offer the property in a combined proposal with other funding entities. This may work well in communities where a particular need has been identified by the community and a procurement process will determine the best operator in the facility.

- b. Challenges: The Trust has been unable to identify a strategy to handle both the expense of maintaining a property while holding it and the additional personnel or contracts needed to perform the interim management. Some identified expenses would include management of the property during the interim:
 - i. utilities
 - ii. management or oversight operations of the facility, or
 - iii. expenses for closing the building down
 - iv. relocation costs for current residents of the building.
2. **Making a loan to a non-profit partner for purchase or key funding resources** needed to move a purchase forward. In this scenario, The Trust is able to loan funding to a non-profit partner who then conducts the due diligence, negotiation and acquisition with a potential seller. Funding can be strategically loaned for any of the following activities: capital resources, earnest money, rehabilitation, predevelopment resources such as design funding, or start-up costs.
- a. Opportunities:
 - i. This process is similar to the grant making procedures that The Trust already conducts so this mechanism would require less initial start-up time for Trust staff once the due diligence procedures were developed.
 - ii. This process would eliminate an entire step for The Trust by creating a direct transaction with the ultimate owner of the facility.
 - b. Challenges:
 - i. There is a potential for loss in this scenario if the non-profit partner is not able to repay the loan.
 - a. If the building were used as security for the loan, The Trust would have to foreclose on the property and potentially relocate residents who have moved in at the time of default.
 - ii. The Trust would need to create a procedure and acceptable standards for conducting due diligence on a loan.

Background – information provided previously to Trustees (Due Diligence report 12.7.12) is included for reference below:

Gaps and needs identified:

- Gap: Flexible funding/financing and/or a holding entity to assist with obtaining site control for land or buildings to serve Trust beneficiaries allowing non-profit partners time to apply for the full funding to purchase.
- Need: 3 priorities have been identified for this project:
 - a. Residents of community based assisted living homes who are improperly placed in assisted living level of care who are screened and prepared to move into the community.
 - b. Homeless mentally ill adults in Anchorage who need access to safe, affordable housing with supportive services on-site to transition from homelessness or the Alaska Psychiatric Institute following successful stabilization.
 - c. Market rental units to community members or to peer support specialists and/or entry level agency staff who have a challenging time securing affordable housing in the community.

Step to address the need: The Trust has begun work with Anchorage Community Mental Health Services (ACMHS) to conduct due diligence on a potential location that is for sale to be used for housing homeless individuals/families. The Trust has funded the initial due diligence process on this property.

The need for additional low income housing for identified at-risk populations:

- The State Department of Health and Social Services Behavioral Health Division and the Senior and Disability Services Division have been working with The Trust's Housing Focus Area workgroup and Alaska Housing Finance Corporation to address the needs of people who are currently in Assisted Living Facilities on the state's General relief program who are stabilized and interested in moving beyond these Assisted Living homes. If appropriate affordable housing with rental subsidies were available, certain residents of ALFs would be able to transition into the community with social services to support them and they would assume paying a portion of their rent in their own apartments. A structures program site like the Long House will provide adequate support services for these individuals in one location. Once a person is stable, they may also choose to continue integrating into the community into market rental units throughout the community.
- One recent survey at Brother Francis Shelter indicated that there are a number of homeless people with severe mental illness who cannot be accommodated within the main population served at the shelter. Up to 30 people each night have been identified who require more assistance than the shelter can adequately provide and who are unable to secure safe housing in the community.

- In the Statewide 2012 homeless count, the number of chronically homeless was 279 people, up from 253 in 2011, in spite of the addition of 46 units of new housing for the population in Anchorage.
- The Mayor's Homeless Leadership team in Anchorage has identified a number of people who are cycling through the emergency services and are utilizing a disproportionate amount of emergency resources in the community. The recent vulnerability assessment conducted in the homeless camps indicated more than 160 individuals qualified as the most vulnerable category in the assessment tool. This categorization indicates they have multiple physical and behavioral health conditions and are likely to die in camps or on the street as a result. 46 of these individuals have now been housed at Karluk Manor, but there is a population of people who have predominant mental illness diagnoses rather than substance abuse issues and who require supportive housing to address these needs.

In October 20, 2011, The Trust provided resources to conduct due diligence on the property located at 4335 Wisconsin Street in Anchorage. This was one step toward assisting non-profit partners in having access to pre-acquisition resources for due diligence and planning for a sustainable project.

The due diligence activities included a Phase 1 study, Civil Site Plan review, Structural/Mechanical/Electrical reports, Title Report and Zoning Analysis on the Property. All of these factors support further consideration of this structure for use as beneficiary housing.

Facility analysis

Programmatically, there are several components that are needed for a location of supported housing.

- Proximity to social services or on a bus line that allows access to other needed services. Response – this location is on two bus lines that run both across town to the Dimond Center (route 7) and Providence Hospital and downtown to the Transit Center (route 36). Bus #36 provides access to Anchorage Community Mental Health Services' main location and the Tudor site where the Consumer Directed Services and Wellness Innovation Center are located. Both of these bus lines also provide access to the Social Security administration offices, Public Assistance and other offices located in the downtown area.
- Proximity to shopping and basic necessities - Bus 36 provides direct access to the Carrs Center located at Benson and Minnesota. In this general area, there is also a new Walgreens being developed, several cafes, bookstores, gym and potential employment opportunities with Carrs being one of the top supported employers in the state.
- Housing in a community that is safe. Spenard and Turnagain neighborhoods are safe, lighted communities for housing and offer green space and bike trails/ walkways for the residents to exercise and walk safely to the bus stop.
- Housing that is like others in the community. This location is adjacent to several other apartment buildings and would provide a neighborhood of similar housing for the residents.

- Housing layout that is safe – housing programs with supportive services work best in buildings that have long hallways exiting onto a central hallway that provides for easy monitoring of the facility. The facility should also be conducive to easy monitoring of the external grounds – no high bushes surrounding the windows or walkways and plenty of locations for monitors.
- Rooms with amenities for residents – single bedroom or efficiency rooms are commonly used. A smaller space is many times preferred so the resident can easily keep up on cleaning and chores, but still has a place to call home. A gathering and social place is needed to promote socialization and positive interactions around activities and meetings for tenants. A common area with a Television is desired for social activities. A group meeting room is a positive feature in order to hold support meetings, residence discussions and education and to have space to conduct leisure and social activities.

Program Sustainability analysis

The entire transaction is dependent upon the development of a business plan that ensures the sustainability of both the housing and social services components.

Supportive Services

There are 3 separate buildings on this site that are connected by the central hallway or a connecting walkway. This allows for flexibility in programming with possible economies of scale in staffing and supportive services. Anchorage Community Mental Health Services is developing business plans for each of the buildings and is examining revenue projections for each type of service. The following services are currently being developed for the feasibility study as it pertains to the pro forma that will go forward to the Alaska Housing Finance Corporation's Special Needs Housing Grant program in the spring of 2013.

- Housing for people who are ready to leave assisted living facilities. The state Department of Health and Social Services is working on a program that will address the needs of people who have been living in assisted living for a period of time and who are ready to move into the community. Our service structures and community resources have not adequately addressed the needs of this population.
- Housing for people exiting Alaska Psychiatric Institute (API) and other treatment settings or transitioning from homelessness. The focus in this area will be around 24 hour intensive staffing patterns that will allow for responsive and proactive engagement of the residents. The program being discussed for this area is an intensive case management program or an Assertive Community Treatment team. This program would focus on 10-12 people.
- Housing for employees of Anchorage Community Mental Health who are not able to find apartments in the community or other market rentals to community members.

Each of these program areas contain existing service activities of ACMHS so the budget projections and the timelines developed for service delivery will have accuracy for planning. However, there are



some needed adjustments that are being reviewed and considered by the Department of Health and Social Services (DHSS) Behavioral Health Division staff to determine the most efficient mechanism for reimbursement for the programs. This work is needed for the programs to run optimally and ACMHS, Trust and DBH staffs continue to discuss the need for program improvement.

Staffing estimates for this project include the following:

- Each resident will have a case manager to link them with community resources, medical care, financial assistance, vocational opportunities, etc.
- Many residents will have a psychiatrist and a clinician
- The number of on-site staff will fluctuate depending on the specific residents in the building and the time of day. Heavy activity periods will have more staff. The number of staff will fluctuate between 2 –10 at any given time with back up members of the care team available on call as needed.

Selection of residents will be conducted based on assessments for each of the program areas identified for the housing program. All residents will be screened prior to renting. ACMHS knows and has served most if not all of the residents who will reside in this location.

Vocational opportunities:

There will also be opportunities for vocational training at this location. One possibility is an onsite laundry facility to supply the needs of the housing program and perhaps other community businesses. There are a couple of hair salon/day spa and food services near the property that may be approached to have laundry services, for example. In addition, there will be opportunities for work at this location and in the community through the ACMHS Innovation Industries and Consumer Driven Services programs. These programs provide vocational support and work opportunities for participants of ACMHS services.

ACMHS Board Approval: On Thursday November 29, 2012, the Anchorage Community Mental Health Services Board passed a resolution in support of continuing the planning process with the Alaska Mental Health Trust Authority and to proceed in discussion of funding resources for the project. Trust staff remains in support of this facility and this non-profit partner and continue to work on the details of the program with the Division of Behavioral Health and ACMHS. This program has considerable merit for pursuing safe affordable housing for Trust beneficiaries and has an experienced social service partner engaged and conducting the due diligence and community education needed for a sustainable program. The location and facility are conducive to the program's goals.