

MEMO

To: Carlton Smith, Finance Committee Chair
Date: October 16, 2015
Re: FY16 Partnership Request
Fiscal Year: 2016
Amount: \$125,000.00
Grantee: RurAL CAP
Project Title: Acquisition of the John Thomas Building

REQUESTED MOTION:

Recommend approval to the full board of trustees of a \$125,000 FY16 partnership grant to RurAL CAP for the acquisition of the John Thomas building at 325 E. 3rd Avenue.

Assigned Trust Staff: Jeff Jessee

DESCRIPTION OF PROJECT

This request is specifically for RurAL CAP's Supportive Housing division, which helps individuals move to economic independence by addressing the frequently interrelated problems of homelessness, addiction, mental illness, and increases access to affordable housing for low-income individuals and families. The Division is built upon the principles of self-advocacy and skill building as pathways to permanent housing and community reintegration.

Target Population

RurAL CAP is developing 20 single-occupancy affordable permanent supportive Housing First apartments in downtown Anchorage for chronically homeless individuals with severe needs.

RurAL CAP expects that many of those served will have both substance dependence and mental health disorders (co-occurring). More specifically, RurAL CAP has made a commitment to serving the 'hardest to house' of the target population and will prioritize serving chronically homeless individuals, with incomes at 50% of the Area Median Income, who have a history of hospitalization and/or law enforcement contacts, are top users of the Anchorage Safety Center, and with a high vulnerability rating and who have a substance abuse diagnoses. This population will often have co-occurring disorders (mental health and substance use disorders), as diagnosed in the Diagnostic and Statistical Manual of Mental Disorders (DSM-V). Based on experience, it is anticipated that the majority of these individuals will be Alaska Native men and women 31-50 years of age. It is anticipated that of the individuals served, approximately 60% will be male and 40% will be female. This population speaks primarily English and has limited literacy skills.

The downtown Anchorage business area, where the project, hereafter called '325 E 3rd' will be located, is experiencing a high number of homeless individuals with limited or non-existent housing options in the immediate vicinity. RurAL CAP will work with the downtown business community, the Anchorage Downtown Business Partnership, and community councils to provide outreach efforts to members of the targeted population in order to connect them with housing at 325 E 3rd as appropriate.

Need for the Project

There is a statewide shortage of supportive housing to accommodate people with serious mental illness and other disabling conditions who are in need of services in order to retain housing and move forward with recovery. Most individuals in this population do not meet required criteria for hospitalization and are not successful in the assisted living mental health system. Individuals being discharged from correctional facilities, API, involved with the Court System, or other inpatient treatment facilities have limited access to affordable housing and needed services, causing recidivism rates to skyrocket. Without a stable place to live, mental health and addiction symptoms are exacerbated and effective recovery services are difficult or impossible to deliver. A lack of integrated community-based services paired with a lack of appropriate housing have led to persons experiencing chronic homelessness with primary diagnosis of substance abuse and/or mental health disorders repeatedly (and unnecessarily) cycling through emergency, correctional, and acute care systems.

In Anchorage, the need for housing far exceeds what is available. With a significantly low vacancy rate and a high cost of living, the city is home to many people needing just that – a home. The Municipality of Anchorage's (MOA) Five Year Housing and Community Development Consolidated Plan 2013-2017 states that in 2012 there was an exceptional demand for rental units affordable to (Extremely Low Income) people making 30% or less Area Median Income (AMI). Two bedroom units – enough room for a small family – had a 2.4% vacancy rate, making it nearly impossible for those in need to acquire affordable housing. With a high cost of living, and wages that fall short of meeting housing costs, low-income people are further squeezed out of rental opportunities as median income families seek cheaper housing options and consume the majority of affordable housing stock available. The MOA's 2014 Action Plan for Housing and Community Development reports that in April 2013, over 1,500 people were on the waitlist for Housing Choice Vouchers, and over 3,000 people were on the waitlist for other various Alaska Housing Finance Corporation (AHFC) rental assistance units. In 2012, the median rent cost increased by 4%, vacancy rates dropped, and the increase of household income (up 31%) did not meet the increase in home value (up 59%).

The cost of living in Anchorage is up to 26.5% above the U.S. average (Alaska Economic Trends, July 2013, <http://laborstats.alaska.gov/col/col.pdf>). The MOA's 2014 Action Plan states that the median rental costs for a 2 bedroom apartment in Anchorage in 2012 was \$1,240, and \$1,020 for a single. For a single family home rental, the 2012 Anchorage median rent was \$1,458 for 2 bedrooms and \$928 for one bedroom. According the National Low Income Housing Coalition housing wage calculator, for example, one would have to make at least \$19.62 per hour, or \$40,800 a year, to spend no more than 30% of their income on a

one bedroom rental unit in Anchorage. A minimum wage employee at \$7.75 would need to work 101 hours per week to afford a median cost rental unit. The Coalition's Out of Reach 2013 publication states that the "...urgent solution to these issues is clear: expanding the supply of affordable housing units, dedicated to the lowest income renter," as wages remain stagnant, rent costs increase, and the supply of affordable housing units remains inadequate. The Coalition ranks Alaska as the 9th most expensive state in 2013 in their Housing Wage for Two-Bedroom FMR (Fair Market Rate) research, at \$21.37 per hour being the necessary wage to appropriately afford housing.

Statewide, institutional systems use the streets of Anchorage as their default discharge location. Because Anchorage is *the* hub for hospital facilities, API, a probationary system, and the largest social service network in the State, individuals are continuously discharged onto the streets of Anchorage, resulting in individuals with severe needs becoming chronically homeless and getting trapped cycling through emergency care systems. While Anchorage's lower income populations face extreme barriers, those with a history of cycling through homelessness, API, and correctional facilities because of disabilities are further inhibited from finding affordable housing and the supportive services they need to retain housing. As a result, many individuals experiencing chronic homelessness have no access to housing or the resources required to address and stabilize, let alone improve, their conditions.

Further complicating the problem is the common practice of discharging users of homeless shelters, correctional facilities, API, and other emergency facilities to the streets of Anchorage, no matter where the individual is originally from. Many who have been discharged on the streets of Anchorage can no longer return to their home communities in more rural areas because of their severe needs and/or the lack of services outside of Anchorage. As a direct result of these practices, individuals get stuck in Anchorage, cycling through emergency and homeless systems for years. The 325 E 3rd project offers a viable solution to this costly problem.

The target population is clearly challenged by extreme barriers to accessing needed resources and an inability to seek and maintain a permanent home. These individuals are drastically underserved, in part because traditional mental health and substance abuse treatment services have failed to meet their challenging and unique needs. When this population is not safely housed, it results in the overutilization of police, EMT, Anchorage Safety Patrol calls, and a high rate of hospital emergency room visits.

Whether derived from national statistics or local housing program waitlists, the evidence in Anchorage points definitively to the need for expanding affordable and supportive housing. RurAL CAP has made it an agency strategic planning priority to expand housing inventory and opportunities, improve existing housing stock, and is committed to improving and increasing the full spectrum of housing services – especially support services for residents that enables forward movement to safe, permanent housing and self-sufficiency when possible.

325 E 3rd Contributing to Quality of Life

RurAL CAP proposes to address this need for residential supportive housing that accommodates the target population by adding 20 units of permanent supportive housing where the greatest number of underserved individuals of the target population reside; Anchorage.

RurAL CAP has identified the 28,000 square foot Thomas Building located at 325 East 3rd Avenue in downtown Anchorage as a suitable location for this project and is pursuing the acquisition, remodel, and operation of this building as the new 325 E 3rd permanent supportive Housing First facility. The building will be purchased from the Municipality and remodeled to have 20 permanent housing studio apartments and a Supportive Services Center which will include offices for staff, community space, kitchen facilities, and meeting space. The operating plan for 325 E 3rd will follow the evidence-based best practices of Permanent Supportive Housing and rely on the principles of Housing First to successfully provide supportive services for the target population of chronically homeless, severe needs individuals in order to assist them in maintaining housing and becoming more self-sufficient.

The 325 E 3rd project will adhere to the following Housing First principles:

- Housing is a basic human right, not a reward for clinical success; and
- Once the chaos of homelessness is eliminated from a person's life, clinical and social stabilization can occur faster and changes are more enduring.

The 325 E 3rd project will also use the following seven standards of Housing First:

1. Move people into housing directly from the streets and shelters without pre-conditions of treatment acceptance or compliance;
2. The provider is obligated to bring robust support services to the housing. These services are predicated on assertive engagement, not coercion;
3. Continued tenancy is not dependent on participation in services;
4. Housing units are targeted to the most disabled and vulnerable homeless members of the community;
5. Embrace a harm reduction approach to addictions rather than mandating abstinence. At the same time, the provider must be prepared to support resident commitments to recovery;
6. Residents must have lease agreements and tenant protections under the law; and
7. Housing First can be implemented as a project-based or scattered-site model.

Further, the 325 E 3rd project will follow the evidence-based best practice of Permanent Supportive Housing which include 1.) Choice of Housing; 2). Functional Separation of Housing and Services; 3). Housing Integration; 4). Rights of Tenancy; 5). Access to Housing; and 6). Flexible and Voluntary Services.

The ultimate goal of the 325 E 3rd project is to place individuals of the target population experiencing chronic homelessness into permanent housing and to provide them with the

resources, supports, and skills necessary to maintain safe and secure housing and to move forward in their recovery.

Current Status

RurAL CAP has contracted with Alaska Project Development, LLC (APD) to lead the development process for the 325 E 3rd project. RurAL CAP and APD have conducted a financial feasibility assessment and identified sufficient funding sources to acquire the property, complete construction/rehab activities, and cover related soft costs.

Applications have been submitted to secure capital funding through Alaska Housing Finance Corporation's (AHFC) Special Needs Housing Grant (SNHG) opportunity for SNHG capital funds, Low Income Housing Tax Credit (LIHTC) capital funds, and energy credits. Funding from SNHG in the amount of \$3M has been awarded. It is expected that the LIHTC process will close in mid- to late November. Preliminary design plans and cost estimates have been completed, evidence of acceptable zoning has been provided by the Municipality of Anchorage, and site control has been secured.

SUSTAINABILITY

For 20 years, RurAL CAP has operated Homeward Bound and provided transitional housing for individuals experiencing chronic homelessness and inebriation in Anchorage. Supportive services have been provided by the Continuum of Care (CoC) funding stream overseen by the Department of Housing and Urban Development (HUD). Abundant research has made it clear that providing supportive housing that utilizes a Housing First model is a proven best practice, and HUD has shifted priority focus from transitional to permanent housing. In order to retain CoC funding, maintain local supportive housing stock, and serve this hard-to-house population, RurAL CAP is moving quickly to convert the property on 3rd and Cordova into the 325 E 3rd permanent Housing First facility, replacing Homeward Bound. RurAL CAP will transfer sufficient operating funds from Homeward Bound to 325 E 3rd and be operational at the new permanent supportive housing site by late summer/fall 2016.

Once capital funding is secured, future operating and maintenance costs, including supportive services for residents, will be covered by Continuum of Care funding through HUD (\$504,670) with match funding provided by AHFC (\$246,090) and RurAL CAP's Community Services Block Grant (CSBG) (\$55,000). These are reliable sources of funding that RurAL CAP has received continually since the early 1990's. Rental revenue projections based on experience serving a similar population at RurAL CAP's Karluk Manor Housing First facility will be \$55,800/year. Projections show that the facility will be operated with an annual net operating income of over \$13,000.

BUDGET NARRATIVE

The total capital costs for the 325 E 3rd project are \$6,462,770, including building acquisition, construction/rehab and associated costs, and related soft costs. The project will result in 20 units of permanent supportive housing, seven offices, common space, meeting space, and community kitchen space. RurAL CAP and APD have been awarded \$3M in SNHG capital funding. The Low Income Housing Tax credit program (LIHTC) will generate

\$2,196,551 and \$112,200 in Energy Credits will be applied. A request for \$475,000 is pending with the Rasmuson Foundation with a commitment letter expected in late November 2015. RurAL CAP's board has approved a 0% interest \$400,000 forgivable loan of RurAL CAP's unrestricted funds to the project, repayment contingent upon project income availability.

This request to the Alaska Mental Health Trust Authority (AMHTA) for a \$125,000 grant is the final piece of funding needed to completely fund the capital portion of this project.

RurAL CAP will reallocate Department of Housing and Urban Development (HUD) Continuum of Care (CoC) and Alaska Housing Finance Corporation (AHFC) CoC matching funds for operating the project (approximately \$750,760), contribute Community Service Block Grant operating funds (\$55,000), and collect tenant rent at a conservatively estimated \$55,800/year. These funds will cover operating expenses for the facility and the supportive services for tenants.

PROJECT DIRECTORS AND QUALIFICATIONS

- **Corrine O'Neill** has nearly 15 years of experience working on the issues of affordable housing and homelessness in Anchorage. She has three years experience in Clinical Management of homeless and Housing First programs at Anchorage Community Mental Health Services (ACMHS). Ms. O'Neill supervised the HUD Housing Programs and Substance Abuse and Mental Health Services Administration (SAMSHA) Projects for Assistance in Transition from Homelessness (PATH) funding for ACMHS. Ms. O'Neill was the ACMHS Cooperative Agreement to Benefit Homeless Individuals (CABHI) Supervisor from July 2012-2014. She joined the RurAL CAP team in May of 2014 as the Supportive Housing Division Director. She has trainings and certifications in Integrated Dual Diagnosis Treatment (IDDT), Motivational Interviewing, Seeking Safety, Housing First, and Harm Reduction. She also has extensive experience training direct line/case management staff.
- **Ken Scollan** is the Supportive Housing Division Manager. With over 28 years in the construction and housing industry, he has extensive experience with rehabilitation and construction projects, property acquisition, housing and facility financing, and managing ongoing maintenance and repair needs for rental housing. He has worked for RurAL CAP since 1994 in a variety of positions including the Weatherization Superintendent, Self Help Project Manager, Operations Manager for Homeward Bound, and is now the Property Manager for Affordable Housing.
- RurAL CAP has contracted with **Alaska Project Development, LLC (APD)** to lead the development process for Susitna View. APD has substantial experience in innovative design and financing, design/build, construction, and project management techniques, as well as extensive professional contracts with firms qualified to support large development efforts, such as the 325 E 3rd project. Members of APD include Glenn Gellert, John McGrew, Ron Bateman, and Marlene Bateman.