

Agency: Commerce, Community and Economic Development**Grants to Named Recipients (AS 37.05.316)****Grant Recipient: Akeela Development Corp****Federal Tax ID: 92-0156518****Project Title:****Project Type: Remodel, Reconstruction and Upgrades**

Akeela Development Corporation - Stepping Stones Women and Children Treatment Facility Expansion

State Funding Requested: \$100,000**House District: Anchorage Areawide (11-27)**

One-Time Need

Brief Project Description:

This request will allow us to cover the costs of final design, engineering, and various permits required to expand the Stepping Stones, Women and Children's treatment program facility.

Funding Plan:

Total Project Cost:	\$3,450,000
Funding Already Secured:	(\$2,000,000)
FY2015 State Funding Request:	(\$100,000)
Project Deficit:	\$1,350,000

Funding Details:

Purchase the property in 2008 using Akeela reserves and FNBA loan for \$1.2 m. Between 2008-10 we made \$ 250,000 in life-health-safety repairs using ADC reserves. An AHFC loan funded \$520,000 in exterior renovations in 2012.

Detailed Project Description and Justification:

Executive Summary: The Akeela Stepping Stones Program provides treatment for substance abuse, mental health, and trauma-related issues to women and their young children in a safe, structured, residential therapeutic environment. This program is unique in Alaska and has proven to be very effective in addressing the intergenerational cycle of substance abuse and mental health issues frequently experienced by this population. The capital request described here will help us realize the addition of 4,500 sq. ft. of daycare, group, and clinical space to be added to the existing facility. Total project cost for the Stepping Stones facility project (purchase, renovations, and new construction) is estimated at \$3.45 million. To date, Akeela has invested approximately \$2 million in the project (purchase, repairs, and renovations) and will be investing an additional \$1.5 million to complete the project (new construction). Project funding is provided by commercial loans and Akeela Development Corp Reserves. We are requesting your help with an appropriation request of \$100,000 to cover the costs of the final design, engineering, and various permits required to make the project shovel ready. Please see the attached scoping document for additional details.

Project Timeline:

The expenditures will occur in the later half of 2014.

Entity Responsible for the Ongoing Operation and Maintenance of this Project:

Akeela Development Corp (maint.) and Akeela Inc (op's)

Grant Recipient Contact Information:

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Has this project been through a public review process at the local level and is it a community priority? Yes No

For use by Co-chair Staff Only:

Stepping Stones Women & Children Treatment Facility Expansion

Executive Summary

The Akeela Stepping Stones Program provides treatment for substance abuse, mental health, and trauma-related issues to women and their young children in a safe, structured, residential therapeutic environment. This program is unique in Alaska and has proven to be very effective in addressing the intergenerational cycle of substance abuse and mental health issues frequently experienced by this population. The capital request described here will help us realize the addition of 4,500 sq. ft. of daycare, group, and clinical space to be added to the existing facility. Total project cost for the Stepping Stones facility project (purchase, renovations, and new construction) is estimated at \$3.45 million. To date, Akeela has invested approximately \$2 million in the project (purchase, repairs, and renovations) and will be investing an additional \$1.5 million to complete the project (new construction). Project funding is provided by commercial loans and Akeela Development Corp Reserves. We are requesting your help with an appropriation request of \$100,000 to cover the costs of the final design, engineering, and various permits required to make the project shovel ready.

Introduction

Both Akeela and the Alaska Women’s Resource Center (AWRC) have been operating in Anchorage for over 30 years. During that time both agencies provided similar services targeted at addressing the ill effects of drug abuse, alcoholism, trauma, and related issues on indigent women and their children. While many agencies provide residential treatment services, the AWRC’s Stepping Stones program is unique in that it provides these services to women living together with their children in a therapeutic environment. While recognized as a powerful and very effective treatment modality—particularly in fighting the affect of inter-generational patterns of abuse and addiction—the harsh fact is that most women requiring this intensity of treatment have long ago lost, either voluntarily or otherwise, custody of their children. The focus on the treatment of women who are in custody of their children, makes the Stepping Stones program unique.

Over the years, AWRC stumbled a few times and the local community was always quick to offer assistance. Akeela had historically enjoyed a good working relationship with AWRC, and in 2007 we had an opportunity to help them with some management and programmatic issues. In the process of resolving those issues, and working closely with the AWRC Board of Directors, it was determined that the AWRC would dissolve as an organization and Akeela would assume most of their programming—including the Stepping Stones program. In 2008 AWRC finalized their dissolution, the Chair of their board joined Akeela’s board, and at this time Akeela is managing the Stepping Stones program (using the AWRC name as a dba).

One of the challenges we inherited from AWRC was the condition of the buildings in which the Stepping Stones program is housed. At the time we assumed the program, all three buildings were suffering from years of deferred maintenance, presented numerous health and safety issues, and were owned by a less-than-sympathetic and quarrelsome landlord. The situation we faced was unsafe for clients and a source of liability for Akeela. Even though the owner was interested in selling, our preference was for a different location and we immediately began searching for alternative facilities. But, due to challenges associated with siting such a program, e.g., zoning, health and safety issues, building security, proximity to an appropriate school for the children, public transportation access, and walking distance to local stores, progress was slow and none of the potential sites identified proved viable for one reason or another.

In early 2008 we reviewed our options and decided to revisit the idea of purchasing the Stepping Stones property. The benefits of ownership included the ability to address the repair and maintenance issues on our own terms, to pay less on a mortgage than we were paying in rent, and with a moderate amount of repairs and renovations, we would eventually have a safer and serviceable facility. On the down side we realized that with a moderate amount of repairs and renovations we would have just a “serviceable” facility, but certainly not the facility we wished for, nor one that was ideal for the intended purpose. After a detailed analysis of our situation and future potential, the Board of Directors authorized the purchase of the Stepping Stones property. In late 2008 we bought the property.

The property, three six-plexes arranged in a U-shaped configuration is situated on approximately one acre, located at 611, 621, and 631 W 47th Avenue, Anchorage. Each of the six-plexes provides 5616 sq. ft. of space, totaling 16,848 total sq. ft., for a total of 15,552 sq. ft. is useable living space. The facility provides a total of twelve, 880 sq. ft., and six, 830 sq. ft., 2-bedroom units. The other three units are used for daycare, clinical space, and staff offices.

Description of Programming

Stepping Stones is a long-term residential treatment program serving women living with their children in 15 individual apartments. It provides co-occurring mental health and substance use disorder services for the adults as well as day care and mental health services for their children. Most of the women are involved with the Office of Children’s Services and the court system and all are working to either regain or retain custody of their children. The program is funded through a state grant augmented by Medicaid, client fees, and contributions from Akeela.

Geographical Area Served

Both of our residential programs, Stepping Stones and Akeela House Recovery Center, provide services to a population of individuals who are either referred to us, or come of their own volition, from all corners of the state. Since we have taken over the programming at Stepping Stones, we have admitted women and their children from communities located in every census district in the state.

Number of Beneficiaries Served

The scope and intensity of the services delivered at Stepping Stones require a safe, well-structured environment in which to provide treatment customized to meet the needs of each client and her children. This is a very staff-intensive form of treatment and does not translate well to large residential settings. The preferred environment is one such as that we have created at Stepping Stones which provides for the treatment of approximately 20 women and their children (up to three per mother) over any given year.

Need for the Services Provided

Women who are pregnant, or who have young children in their custody, and who are also suffering from substance dependence and/or mental health issues are recognized by both the state and the federal government as a priority high risk, yet under-served population. Maternal alcohol or drug use often has tragic consequences for both the mother and her unborn child. Drinking during pregnancy may cause Fetal Alcohol Spectrum Disorder; drug use can cause severe problems for the fetus including contraction of chronic diseases, poisoning, neurological damage, and developmental challenges; and a mother's pre-existing mental health issues can just exacerbate an already tragic situation.

Clearly, children are significantly impacted by their mother's alcohol or drug addiction and the link between these conditions and co-occurring mental health issues is well established. Child abuse is another outcome closely associated with alcohol and drugs and is frequently a factor in state custody actions. Although the exact number of children in custody who come from substance abusing homes is unknown, it is estimated that at least 80 percent of all substantiated child abuse cases are alcohol and/or drug related.

As reported by the Office of Children's Services in Health Alaskans 2010, "A vast majority of families in the child protection system have problems with alcohol or drugs. The State should investigate the option of significantly expanding treatment facilities where parents can reside with children. In the long run, funds put into treatment will be offset by saving in cost on intervention, such as foster care placement and additional legal proceedings."

Barriers to this type of treatment for this population are numerous. Primary among them however, are the mother's lack of ability to obtain childcare on either a day-by-day, or long-term basis, and a fear of loss of custody should the mother's condition and circumstances become known to state authorities. Additionally, more than 80% of the women receiving services from Stepping Stones have severe mental health issues. People with co-occurring disorders are more difficult to serve due to greater symptom severity accompanied by a greater number of problems in all life domains. Barriers to treatment are built into traditional treatment systems that separate mental illness and chemical dependency. In addition, the social and medical cost to serve people with co-occurring disorders has been estimated to be four times the cost to serve other clients.

The need for this project flows directly from the need for the programming which the renovations and new construction we are proposing would support and enhance. If one accepts the following three premises: (1) the treatment programming provided at Stepping Stones is critical for this very vulnerable population, (2) the Stepping Stones program is an important and unique component of Alaska's continuum of services, and (3) the existing facilities in their current condition and configuration are suboptimal for the purpose for which they are intended, then it follows that our renovation and new construction plans make sense and will provide us with an optimal facility within to provide services to a very vulnerable population.

Project's Contribution to the Community

The primary contribution this project offers is that it supports our best efforts to break the cycle of familial substance abuse, child abuse, sexual assault, domestic violence, prostitution, and other assorted social ills which figure so predominately in this population. In doing do so we will reduce the demands on, and free-up resources for, our community treatment programs, other social services programs, schools, hospital emergency rooms, courts, and both adult and juvenile correctional institutions. This project is really about stopping, or at least mitigating, something bad from happening. As such, if we are successful, virtually no one will notice our success. Without this programming, or we should we be unsuccessful, our failure will be clearly evidenced.

Current Status

Prior to purchasing the property we created a 3-phase development plan addressing: (1) purchase of the facility and immediate repairs to address health, safety, and energy conservation concerns, (2) repairs and renovations to improve the therapeutic environment and/or to extend the useful life of the asset, and (3) addition of new clinical and programming space to free-up additional residential.

Once the property was purchased, we immediately addressed the most pressing health, safety, and energy conservation repairs and renovations (Phase 1). Since purchase, we have spent approximately \$250,000 on these issues. Just last spring we completed Phase 2, a \$520,000 renovation project that, among other improvements, redesigned and replaced roofs, replaced all windows, and all of the siding on the three buildings. Phase 3 involves adding approximately 4,500 sq. ft. of new construction for day care, common program areas for the clients and their children, and new clinical staff space. This construction will be sited at the two corners where the three existing buildings meet. This building strategy provides numerous advantages including the ability to keep the apartment units like real-world apartments rather than some hackneyed blend of residential, day care, and clinical area; provides dedicated and appropriate clinical space, and provides greater flexibility in how we configure common program and day care space. It also allows us to maximize program receipts by using all available residential space for service provision and would create a very nice, safe, and secure campus.

Total Project Costs

At this point the total project costs are estimated to be approximately \$3.45 million. The breakdown of these costs is as follows:

Purpose	Amount \$	Source	Date
Purchase of property	1.2 million	Akeela Reserves and FNBA commercial loan	2008
Life-health-safety repairs	250,000	Akeela	2008-2010
Renovations	520,000	AHFC loan	2012
Expansion design & permits	100,000	Capital appropriation	2013
Expansion construction	1.2 million	Akeela & FNBA/AHFC loan	2013-14
Expansion project contingency (15%)	180,000	Akeela & FNBA/AHFC loan	2013-14
Total Project costs	3,450,000		
Akeela Contribution to Total Project Costs	3,350,000		
Amount requested from external sources	100,000		

Project Sustainability

The idea of sustainability is a central theme throughout our agency’s strategic planning process as well as in our day-to-day operations. While we do provide specialized services to a priority population, and the funding streams for Stepping Stones have been relatively steady over the years, we cannot be guaranteed that the current funding stream will continue indefinitely and we recognize the need to identify new funding streams, and bolster existing ones, in order to generate the cash flow necessary to insure ongoing operations and maintenance of the property.

We have specified in our renovation and new construction criteria that we will make use of cost effective design, building practices, and operational techniques, as well as the use of appropriate technology. We are also in the process of developing and formalizing community support for the program which should contribute to the program’s stability through time.

Project Management & Supervision

In 2006, Akeela’s Board of Directors appointed Jim Sellers, at that time Akeela Inc’s Executive Director, as the President and Executive Officer of Akeela Development allowing him to focus solely on program and facility development. Formerly Akeela’s Director of Planning & Development, and the project

director for a number of previous capital projects, Jim has the authority, knowledge, and skill to lead the in-house coordination of this project.

In addition to Mr. Sellers' contribution, Mark Marlow, Akeela's Director of Operations, will be the project supervisor on the Stepping Stones expansion (new construction) project. Mark comes to Akeela with 30+ years of experience in construction and project management and is currently licensed by both the state and the MOA as a general contractor (w/residential endorsement) and holds numerous other endorsements, licenses, and certifications.

ADC Organizational Overview

Akeela Development Corp (ADC) is a nonprofit title holding corporation [501(c)(2)] affiliate of Akeela Inc, which is currently Alaska's largest behavioral health services provider. Akeela offers a continuum of substance abuse and mental health services (including assessment, prevention and continuing care), in 38 communities. ADC's mission is to support the facility needs (and some programming needs) of Akeela Inc. Akeela Inc's FY13 operating budget is approximately \$18 mil. ADC's FY13 operating budget is approximately \$1.5 mil; revenues primarily generated through property leases. Approximately half of that amount will be donated back to Akeela Inc during the course of the year. Currently ADC has \$10 mil in property under management. This figure is expected to increase to \$14 mil this year.

ADC Business model/practice

Our model seeks to maximize access to both private and public financing (used in the broadest sense of the term to include grants and direct appropriations) by leveraging one with the other. Our ability to use current assets to secure and collateralize private financing is intended to make us more attractive to sources of public finance while access to public financing provides an added source of comfort and security for the private lenders. While this hybrid private/public model compels us to compete in the private debt market, we are not faced with the same expectations vis-à-vis returns on investment as are private developers. My expectations for ROI are measured by whether the facility serves its intended purpose well, am I meeting debt service, and can I populate a R&R reserves account at an acceptable level. Anything more than that is gravy, which is either donated to Akeela Inc, or used to finance another transaction. Another advantage of working with private financing is that our lenders expect us to observe sound business practices and to have a balance sheet just as strong, or often superior to, that expected of a for-profit business.