

**REPORT TO MAYOR AND COUNCIL**

**TO THE HONORABLE MAYOR AND COUNCIL:**

DATE: April 14, 2015

**SUBJECT: APPROPRIATE \$55,000 FROM CITY'S AFFORDABLE HOUSING FUND BALANCE AND AUTHORIZE THE CITY MANAGER TO NEGOTIATE AND ENTER INTO A FORGIVABLE REHABILITATION LOAN AGREEMENT WITH ANKA BEHAVIOR HEALTH FOR THE NIERIKA PROGRAM (NON-GENERAL FUNDS)**

**Report in Brief**

Anka Behavior Health (Anka) is a Concord based non-profit organization providing numerous behavioral health programs and transitional housing to diverse populations in Concord and throughout Contra Costa County.

Staff has been in discussion with Anka staff regarding its Nierika Program that is located in two adjacent homes at 1959 Solano Way and 1967 Solano Way. The Nierika Program, a State licensed residential care facility operating legally within the City's zoning codes, provides transitional housing to approximately 16 people for short periods of time, assisting these clients to transition back into the community by providing mental health and housing location services.

Anka has a long term lease for the Solano Way properties and is responsible for all tenant improvements. The Solano Way properties require repairs to improve the habitable living area of the homes and insure the integrity of the buildings. Repairs would include a variety of items including bathrooms, floor covering, drainage, HVAC systems, all needed to resolve a number of existing issues on the properties.

After City staff discussions with Anka staff and after reviewing repair bids, Anka is requesting a forgivable rehabilitation loan from the City's Housing Program in the amount of \$55,000 (non-General Funds) for the two buildings. Without this assistance, needed repairs would be deferred or not made resulting in potential additional damage to the buildings and properties. In exchange for the City's loan, Anka would restrict occupancy for a 10 year period to low income clients. The rehabilitation loan to Anka would be forgiven over time, with 50 percent forgiven in year 5 and the remaining 50 percent in year 10 so long as Anka continues to restrict the Nierika Program to low income clients in these homes. As a further condition of the rehabilitation loan, Anka is willing to take out a bond for a 10 year period. This bond would ensure pay back of any balance on the loan to the City in the event that Anka no longer provides low income housing at the Solano Way properties.

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Staff recommends that the City Council appropriate \$55,000 from the Affordable Housing Program fund balance and authorize the City Manager to negotiate and enter into a forgivable rehabilitation loan for \$55,000 with Anka Behavior Health with the conditions indicated in this agenda report.

**Background**

Anka Behavioral Health is a not-for-profit organization which initially began in 1973 to serve developmentally delayed children. Anka has since developed into a well-recognized behavioral healthcare corporation comprised of a multitude of Northern and Southern California sites (also one site in the State of Michigan). Anka provides a range of behavioral health services for children and adults, serving more than 15,000 individuals annually. A significant amount of Anka's operations involve transitional housing to diverse populations, including adults and children with intellectual disabilities, individuals with mental health and co-occurring disorders, veterans, and individuals experiencing homelessness.

Anka operates its Nierika Program, a State licensed facility, in two adjacent residential homes located at 1959 and 1967 Solano Way. Nierika is a sixteen (16) bed, voluntary crisis mental health residential facility providing non-medical services to adults with mental illness, substance abuse disorders, or post-traumatic stress disorders. Nierika offers a transitional place for clients to live, while providing crisis intervention and services to stabilize clients back into the community. Staff checked with the State Licensing and City Code Enforcement staff to determine if there are any existing or outstanding violations with the program. Staff determined there were no City or State Code issues with the Nierika Program.

To meet the basic eligibility requirements for admission to Nierika, persons served in crisis are carefully screened to ensure they meet the admission requirements put forth by the State Department of Social Services, Community Care Licensing, Department of Mental Health and the program requirements. Persons served are in the Contra Costa Mental Health Carve Out Plan system that are either low income or have no income.

**Discussion**

Anka entered into a long term lease on the Solano Way properties in April 2014 for an initial 10 year period and has four (4) options to extend the lease with five years under each option. The lease provides Anka with control of the property for essentially 30 years. The lease obligates Anka to undertake certain improvements on the homes and properties. Anka has represented to staff that the program does not have funds to address needed repairs. Currently Anka is relying on fund-raising and obtaining grants to address building maintenance issues. Anka is currently establishing a building repair reserve fund to address building repairs in the future.

Staff has toured the homes and found that work to repair living areas and site improvements are needed. Staff reviewed repair bids obtained by Anka and is agreeable to fund certain items that improve the habitability of the homes versus improvements that are more cosmetic or operational. The following are

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examples of proposed repair and/or replacement work to be funded. Repair work to be completed would be similar in kind, but not necessarily limited to this list:

- Plumbing
- Bathrooms and fixtures
- HVAC systems
- Grading of area to move rain water away from buildings
- Water Heaters
- Entry steps
- Hand rails

The City's Housing Program, funded from non-General Fund sources, has the ability to provide loans/grants for the creation and preservation of affordable housing units in Concord. The Housing Program has assisted in numerous housing developments, acquisitions and rehabilitation projects to create and preserve affordable housing units. The proposal from Anka would assist in the continued support and housing for a very fragile segment of the population. Without the proposed rehabilitation loan, maintenance on these homes would be deferred causing additional repairs at increased cost.

Staff proposes that the Housing Program fund a forgivable rehabilitation loan in the amount of \$55,000 to Anka for repairs at 1959 and 1967 Solano Way and authorize the City Manager to negotiate and carryout any additional due diligence needed with Anka on the proposed loan. The loan agreement would set forth the repairs to be undertaken and would set the terms whereby Anka would provide housing to serve low income individuals for the 10 year term of the loan. The proposed loan would be forgivable with 50 percent being forgiven in year 5 and the remaining 50 percent in year 10. In the event that Anka terminates operations or no longer offers housing to low income clients, the balance of the loan not forgiven would be payable to the City. Anka has agreed to carry a bond for a 10 year period to repay any balance to the City in the event Anka terminates the Nierika Program or no longer retains the units for low income persons.

**Fiscal Impact**

There are sufficient funds available in the City's Affordable Housing Program fund balance to fund the proposed \$55,000 rehabilitation loan.

**Public Contact**

Anka Behavioral Health staff has been notified, and the agenda has been posted.

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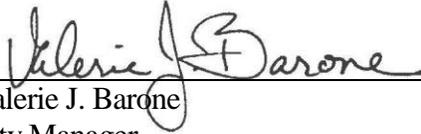
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**Recommendation for Action**

Staff recommends that the City Council appropriate \$55,000 from the Affordable Housing Program fund balance and authorize the City Manager to negotiate and enter into a forgivable rehabilitation loan for \$55,000 with Anka Behavior Health with the conditions indicated in this agenda report.

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