

# **Intunity**

Housing Foundation of West Tennessee, Inc

*Better Homes, Better Lives*

**Strategic Business Plan**

**2023-2026**

**Adopted March 2023**

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## EXECUTIVE SUMMARY

This plan outlines a significant shift in the Housing Foundation of West Tennessee's d/b/a Intunity ("Foundation" or "Intunity") approach to providing first-class, safe and affordable houses for persons with intellectual and developmental disabilities who choose to live in community residential housing. Prior to COVID, Intunity focused on purchasing affordable houses in neighborhoods acceptable to our prospective tenants and their families/conservators. Frequently, we had to modify these houses to accommodate the tenant's physical challenges. Acquiring existing housing stock presented a number of challenges, not the least of which was the age of the house and the often less than ideal configuration.

The COVID era changed the housing game as hundreds of for-profit investors came into the market to acquire houses, driving up the "values" and raising rents to achieve their desired ROI. This was a "double whammy" as it priced Intunity out of the residential market and put extreme financial pressure on those of our potential tenant demographic who found themselves trapped in investor-owned properties at a rent structure beyond their ability to pay on an income limited to Supplemental Social Security.

Intunty plans to overcome these challenges by designing and building its own homes using an efficient floor plan, with fully accommodated bathrooms, doorways and hallways, that is both energy efficient and durable. These will be "smart" homes designed to provide an opportunity for greater independence for the tenants. And most importantly, while maintaining a below market rent structure.

The plan contemplates that Intunity will build 13 new homes over the next four (4) years. The Foundation plans to finance the cost of the new homes through a combination of low-interest bridge loans, private and governmental grants, conventional mortgage loans and a 20% equity investment from its corpus. All totalled, Intunity plans to raise \$3.5MM to 4.0MM through 2026.

## **Purpose and Methodology**

The Foundation was incorporated as a 501(c-3) organization in December 2013. Since that time, the organization has purchased and rehabbed 38 homes providing safe, affordable, housing for 75 residents with intellectual and developmental disabilities. The purpose of this strategic business plan is to plan for Intunity to: 1) expand to fifty (50) its portfolio of homes, beginning with a prototype of new construction of universal design: 2) grow the capacity of the organization and 3) complete executive transition planning.

The Foundation engaged Thrive Nonprofit Consulting to lead the process. The methodology for this plan includes, but is not limited to, interviews with all board members and other stakeholders, board retreats, by-weekly meetings with the executive director and meetings with individual board members as the work unfolded.

## **History of Intunity**

In the early 1990's, a disability advocacy group, People First of Tennessee, brought a class action suit against the State of Tennessee challenging conditions at the Arlington Developmental Center. This case was combined with a lawsuit brought by the United States Department of Justice ("DOJ"). Early in the DOJ case, the Court levied fines against the State. The Court held fine money in an interest-bearing account pending further Court Order. On October 6, 2011, the Court entered an Order providing that most of the fine money should be used to create a private, nonprofit entity known as the Housing Foundation of West Tennessee, Inc. The Court provided approximately \$4MM in fine funds for seed capital. Governance of the organization was entrusted to the founding board, four of whom remain on the board, while a fifth founding board member currently serves as the Executive Director.

In August 2012, the board contracted with the Institute for Philanthropy and Nonprofit Leadership at the University of Memphis to facilitate a visioning process and develop a start-up business plan. In December 2013, the Foundation was granted 501(c)(3) status. The

Foundation's financial statements are audited annually by the firm of Watkins, Uiberall, PLLC.

In 2013, the board hired the Foundation's first paid Executive Director. In 2014, the Foundation began acquiring and rehabbing homes in furtherance of its mission to rent homes at below market rates to persons with intellectual and developmental disabilities within safe neighborhoods in West Tennessee.

In 2016, the board met to develop a consistent brand for the organization. After much deliberation and with assistance from marketing consultants, the Foundation began doing business as "Intunity" to personify its mission to facilitate the entry into the broader community of persons with intellectual and developmental disabilities.

At present, Intunity owns 23 homes in Shelby County and 14 homes in Madison County, with the goal of owning 50 homes by 2027. Intunity currently serves a tenant population of approximately 75 persons. The additional homes will increase Intunity's tenant population to at least 100 persons. Intunity works closely with State certified providers of residential services whose clients become Intunity's tenants. These providers staff the homes and are responsible for the health, safety, welfare and development of their clients/Intunity's tenants.

## **The Need**

The client target population for Intunity is approximately 2,500 West Tennessee residents receiving residential services overseen by Tennessee's Department of Intellectual and Developmental Disabilities ("DIDD") and funded by Medicaid through a waiver program. The lack of affordable housing is the largest barrier to a safe and fulfilling life in the community for persons with I/DD.

The need for affordable housing has burgeoned in the aftermath of COVID and the heated real estate market. As recently reported by Bloomberg:

*“US rental inflation accelerated in August [2020] as shelter costs rose 0.7%, marking the biggest monthly increase since 1991 and keeping overall inflation elevated. The August data, published in a Labor Department report on consumer prices, followed several months in which measures of rents in the consumer price index logged the biggest gains in more than three decades. Analysts say rents have more room to run in the months ahead as more leases expire and incorporate higher market prices.*

*Rental prices surged last year, and although inflation in new leases has since moderated, long-term tenants still haven’t experienced the biggest hikes in asking prices. As leases continue to turn over through the remainder of the year, the Labor Department measure will face more upward pressure.*

*The August increase brought shelter inflation over the last 12 months to 6.3%, the highest over any such stretch since 1986. It should top out around 6.9% in January [2021] before decelerating to about 4.7% by the end of 2023 -- still high relative to the pre-pandemic average -- according to Laura Rosner-Warburton, a senior US economist at the research firm MacroPolicy Perspectives in New York.”*

The lack of affordable rents is even more acute in Shelby County

The U.S Department of Housing and Urban Development (HUD) considers housing to be affordable **when a household spends 30% or less of its income on housing costs** (rent and utilities). For most of Intunity’s tenant market, their primary source of income is Supplemental Social Security, which on average is less than \$1000/month. At this benefit rate, affordable housing cost per month would be \$300.00 in rent and utilities.

As Realtor.com reports, investors have been scooping up thousands of homes in Memphis over the past 2 years alone to turn them into rental properties. Over 53% of the housing units in the City of Memphis are occupied by renters, according to the most recent census.

Median rent in Memphis is \$1,495 per month for a 3-bedroom home, according to the most recent report from *Zumper* (June 2022). Rents in

Memphis have increased by 11% year-over-year. *And over the past 3 years, rent for a 3-bedroom place in Memphis has increased by more than 47%.*

Thus, it is easy to see that quality, safe, accessible housing is beyond the means of the average SSI recipient. On top of that, the supply of special needs housing with appropriate accommodation for mobility, safety, and support services is in short supply. The limited availability of housing that is acceptable creates few choices for this marginalized population.

Intunity provides a solution for these market deficiencies and offers amenities and services above conventional market quality-of-life standards. To be successful, Intunity must locate housing stock with an acquisition price that will support the demand for affordability, convenience, high quality construction, and well-adapted modifications. In the years 2014-2019, the West Tennessee market offered many houses in attractive locations that met these conditions. Now, however, finding homes to purchase at an affordable price has become more challenging as the cost of housing has increased exponentially over the last few years. At present, Intunity is priced out of the market.

A potential solution to the lack of affordable housing stock in stable neighborhoods for purchase is for Intunity to design and build its own homes. Intunity has engaged the architectural firm of LRK to design a home that is fully-accommodated, energy efficient, technology “rich” and durable with a lay-out that is compact at a fully built out cost in the range of \$200,000.00. Durability combined with an intelligent preventative maintenance program will minimize back-end maintenance expenses. The energy efficiency will help minimize our tenant’s total housing expense. And the use of technology will allow for a greater sense of independence.

## **Challenges**

1. Settlement funding and rent income as the only sources of funds;
2. Increasing construction and rehab costs;
3. Board of directors not a marketing or fundraising board and financial giving has not been an expectation; finding new board members is challenging;

4. Finding affordable houses to purchase;
5. Finding affordable raw land, suitable for economical infrastructure development on which to build houses;
6. The rising cost of maintenance and repair expenses, particularly as the homes age;
7. Rising interest rates for mortgage financing; and
8. The limited availability of below market rate financing, such as Community Investment Tax Credit loans.

## **Vision, Mission and Values**

### *Vision*

Persons receiving Medicaid waiver services based on their disabilities and/or age will enjoy safe, accessible and affordable homes in a community setting.

### *Mission*

Open doors to exceptional, affordable rental homes for people with disabilities (intellectual and developmental or physical disabilities) and seniors.

### *Values*

Community  
Home  
Safety  
Dignity  
Collaboration

## **Goals, Objectives, Timeline and Responsible Party**

**Goal 1: By January 2023, Intunity will have in place a short-term and long-term succession plan for leadership positions.**

Objective 1: Executive Director to revise job description to align with current duties by January 2023

Objective 2: Determine a range of salary needed for full-time executive director and include as a line item in long-range budget by March 2024 - board of directors

Objective 3: By February 2023, develop a policy that determines board actions if the position of executive director becomes vacant with little or no notice (e.g., on account of death or serious injury).

Objective 4: Develop by April 2023, the procedures for recruiting executive director's replacement - board of directors

Objective 4: Develop, by the end of 2023, an estimated timeline for current executive director's retirement - executive director and board

Objective 6: Develop board policies and procedures to include a description of the board chair's responsibilities by February 2023 - board of directors

Objective 7: As part of the board development process, determine a timeline for board rotation by July 2023 - board

**Goal 2: Begin implementing a resource-raising plan by July 2023.**

Objective 1: Communicate responsibilities of the Board and assess gaps in meeting those responsibilities- February 2023 - board and executive director

Objective 2: Adopt a board recruitment strategy that involves executive director and current board and begin board recruitment and rotation by July 2023 - board

Objective 3: Develop and implement a plan to further expand awareness of Intunity and its outcomes through relationship building with potential

board members, funders, providers, case managers, volunteers, potential partners and the populations served by October 2023.

Objective 4: Develop and begin implementing a fundraising plan that includes but is not limited to foundations, government sources, banks, investors, CDFI's, strategic partners and individual donors by October 2023.

**Goal 3: Provide an additional 13 below market rental housing units for people with intellectual and developmental disabilities by 2027.**

Objective 1: Begin building a prototype of universal housing design by 2023 - executive director

Objective 2: Based on prototype results and available funding, begin building houses from ground up by Fall 2023 - executive director and board

Objective 3: If the market allows, remain open to continuing the current model by buying and rehabbing houses for below market rent - executive director

**Program Model**

Program Goal: To assist individuals with I/DD and/or age-related disabilities to overcome barriers to living productive, engaged, and meaningful lives in the broader community. The primary strategy for meeting this goal is to provide safe, affordable and accessible rental housing.

Intunity seeks to change what one would expect from a landlord by...

- Acquiring or building homes in neighborhoods that deepen an individual's sense of security
- Offering high-quality homes at rentals significantly below the fair market price
- Building homes to a universal design that are fully accommodated, energy efficient and technology rich. Or, acquiring and renovating existing housing stock to meet each person's unique needs

- Exceeding expectations of clients, their families, conservators and service providers
- Being attentive and responsive to the needs of our tenants – showing them that we care
- Partnering with service providers so that they can better assist our tenants to be independent both in their homes and in the community
- Partnering with service providers to implement preventative maintenance strategies and encourage early reporting of maintenance issues before they become critical in order to best care for and increase the life expectancy of existing houses

By creating current and future partnerships among government entities, private philanthropy, and nonprofit service providers, Intunity is helping to enhance the quality of life of the most vulnerable.

## **Marketing**

Intunity builds occupancy for its rental housing through relationships with residential service providers. When there's a vacancy, Intunity contacts one or more providers, and the providers notify the organization when a client has a need. As Intunity adds new houses to its inventory, there will be a need to build occupancy with new homes as well as maintain occupancy levels with existing properties. Intunity will build a strong foundation of public awareness in maintaining relationships with existing providers while building awareness with new providers. Connection will be made through individual meetings, conferences, social media, email marketing and strategic promotion of the website.

Intunity will develop an integrated marketing and communications plan to include but not be limited to a communications strategy, website enhancements, digital marketing, social media strategy and internal/external communications. Elements of the communications plan will also address resource-raising strategies to create connections with new funders including foundations, corporations, government and individual donors.

## **Business Model**

*Intunity's current business model consists of the following:*

- Outsourcing the majority of the work of the organization
- Utilizing the resources from the Court settlement while maintaining a reserve
- Relying on rent from the 37 houses currently in the portfolio
- Relying on low interest loans when available

*Intunity's future business model will include*

- Limiting the amount of resources utilized from the original settlement by protecting the endowment at a minimum of one million dollars for long term benefit
- Until it's financially prudent to bring the work in-house, the majority of business operations will continue to be outsourced to contractors and consultants under the supervision of the ED (property management company, financial consultants, accountants, grant writing, fundraising and marketing communications.)
- Developing the board into an ambassador and resource-raising team
- Developing a succession plan for the CEO and for board leadership

### **Strategic Business Plan Implementation Timeline**

2023– Design Prototype, Build up to 3 houses. Raise \$400,000  
Succession Plan

2024– Executive Director is brought on full time with benefits. Build 4 houses and raise \$850,000

2025 - Build 5 houses and raise \$1.1 million

2026 - Build 1 house and raise \$1.1 million