

5-2021

## Building Foundations of Opportunity: A Strategic Analysis of The Stephen Center's Permanent Supportive Housing Program

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**Building Foundations of Opportunity: A Strategic Analysis of The Stephen Center's  
Permanent Supportive Housing Program**

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University Honors Program Thesis Project

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MGMT 4480: Corporate and Business Strategy

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May 2021

### **Abstract**

This report delves into the permanent supportive housing program provided by the Stephen Center, a local Omaha nonprofit that provides services to low-income and homeless individuals. While the Stephen Center successfully provides case management and supportive housing for hundreds of clients each year, the rate at which positive housing destinations are achieved is lower than the national average. With a longer than average length of stay in their permanent supportive housing apartments, the Stephen Center is unable to maximize their services to accommodate the needs of additional applicants. After researching industry trends and conducting an internal analysis, I have provided a recommendation, along with implementation plans, to strengthen Stephen Center's position among its competitors and improve upon their clients' timely transition to independent housing.

*Keywords:* Stephen Center, permanent supportive housing, affordable housing, nonprofit, HUD, corporate strategy, business strategy, capstone

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## **Introduction**

As home prices and rent continue to skyrocket in America, an alarming number of individuals are finding themselves in need of affordable housing solutions. Local housing authorities and nonprofit organizations seek to battle this issue by distributing Section 8 vouchers, developing subsidized housing units, and offering transitional housing until such needs are met. Unfortunately, the number of individuals finding themselves living in housing they cannot afford and/ or in improper living conditions is still far too high. As a means to dig into the root of this issue, I will be performing a strategic analysis of the Stephen Center, an Omaha-based nonprofit that offers housing assistance to low-income individuals.

This strategic analysis will provide an introduction to the Stephen Center and its mission, as well as identify the key issues their program is facing. An internal and external analysis of the Stephen Center in relation to other local and national permanent supportive housing programs will follow. To conclude, I will be providing recommendations and proactive steps to implement such changes. The provided recommendation will help to strengthen Stephen Center's position among its competitors and improve upon their clients' timely transition to independent housing.

## **Company Background**

The Stephen Center was first established in December of 1893 by Sharon and Dick McNeil as a means to address poverty in South Omaha. Partnering with the St. Vincent de Paul Society of Omaha's Holy Ghost Church, they purchased a rundown pool hall and bar on Q Street for \$10,000. By 1984, this 103-year-old building would be transformed into an emergency shelter providing services for homeless men. Five years later, a \$354,000 addition was built, allowing the Stephen Center to expand their emergency services to women and children.

Recognizing the role that drugs and alcohol play in chronic homelessness, the Stephen Center established the HERO program, a sixty-four-bed state licensed substance abuse program. Clients facing substance abuse and mental illness are provided with an individual four-phase treatment plan to help them ultimately achieve sobriety and stability.

In 2013, the Stephen Center broke ground on their multifacility campus that currently resides at 27<sup>th</sup> and Q St. With the opening of the new campus, they welcomed their third program: the permanent supportive housing (PSH) program.<sup>1</sup> For the first time, the Pettigrew Emergency Shelter, PSH program, and HERO would all be conveniently located on the same campus. The permanent supportive housing apartments offer sixty-one units that comply with the U.S Department of Housing and Urban Development Housing Quality Standards. In order to qualify, applicants must meet Omaha Housing Authority requirements. Specifically, applicants must be at or below thirty percent of the area's median income and provide proof of disability. Rent is then based on thirty to forty percent of the applicant's income.<sup>2</sup> By offering supportive housing, life skills courses and case management services, the end goal of the PSH program is to assist clients in obtaining a Section 8 Housing Choice Voucher to allow for a successful exit to permanent housing. In addition, the PSH program emphasizes financial literacy so that clients may remain in independent housing for longer periods of time. In line with their mission to partner with the community, families, and individuals to overcome homelessness, poverty, and addiction, it comes with no surprise that the Stephen Center provided services to 1,278 clients and served over 200,000 meals to individuals experiencing homelessness in 2020 alone.<sup>3</sup>

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<sup>1</sup> Stephencenter.org. "Stephen Center History."

<sup>2</sup> Stephencenter.org. "Permanent Supportive Housing Apartments."

<sup>3</sup> Strictly Business. "Stephen Center Invites Omaha Community to Do Good for the Homeless April 19-24."

## **Problem**

Before delving into this report, it is important to define the industry in which an external analysis is being conducted. Permanent supportive housing falls within the Community Housing and Homeless Shelters industry. Given that the industry predominantly consists of nonprofit organizations, there is a great amount of competition to achieve funding and donations from outside sources. This leaves organization with the responsibility of differentiating their products and services in order to maintain connection with clients and donors. While the Stephen Center has resources that provide sustained competitive advantage, there is a need for their organization to expand its services and improve visibility.

Before the Stephen Center works to improve upon visibility, it is essential they analyze the performance of their PSH program. In 2020, the Stephen Center's average length of stay was two years with a 95 percent positive housing destination rate. However, the national average provided by the U.S Department of Housing and Urban Development's 2020 APR was 1.4 years and a 97% positivity rate (See Appendix A). The issue the Stephen Center has run into is with clients intending to live at the PSH program permanently and not taking advantage of the Housing Choice voucher received a year after living there. Because of this, their average length of stay continues to increase the longer the building has been opened, and they are unable to provide housing to additional applicants. If the Stephen Center were to shorten their average length of stay to allow for a greater number of clients to be served, they will in turn be increasing the amount of exit destinations. Being able to serve a larger client base will improve Stephen Center's visibility and open up more doors for funding.

## **External Analysis**

A multitude of factors influence the outlook of this industry. Given the constantly changing poverty and unemployment rates, the demand for permanent supportive housing is always fluctuating. To obtain a deeper understanding of these external factors, an industry analysis was performed utilizing PESTEL and Porter's Five Forces (Appendix B).

### **Industry Trends**

The U.S Department of Housing and Urban Development provides an annual point-in-time count that reports the number of sheltered and unsheltered people experiencing homelessness on a single night in January. In 2020, an estimated 580,466 individuals experienced homelessness in the United States.<sup>4</sup> For the past four years, this number has continued to increase, and with the COVID-19 pandemic, the future decline of this number does not look promising (see Appendix B, Exhibit 1). As depicted in the graph highlighting the industry's key external drivers, the expected increase in poverty rate and decrease in per capita disposable income would pose a potential opportunity to PSH programs over the next couple of years (see Appendix B, Exhibit 2). Conversely, the decline in federal funding for social services in 2021 presents a threat to the industry.<sup>5</sup>

### **Industry Life Cycle**

The community housing and homeless shelters industry currently falls within the mature stage of the life cycle (see Appendix B, Exhibit 3). For years, the US government has been dedicated to allocating funding towards housing assistance programs to promote the

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<sup>4</sup> The U.S. Department of Housing and Urban Development. "The 2020 Annual Homeless Assessment Report (AHAR) to Congress."

<sup>5</sup> IBISWorld. "Community Housing & Homeless Shelters in the U.S."



sustainability and development of affordable housing. Because housing insecurity is such a deep-rooted issue, the demand for the industry will always be present and fluctuating. However, the overall demand likely will not increase significantly in the future as years of funding towards federal, state, and local housing has already taken place.

## **PESTEL**

Delving into the macro environment of the industry, there are a variety of opportunities and threats to take into account. The economic factor places the greatest weight on the industry in that employment rate, per capita disposable income, poverty rate, and federal funding are the external key drivers. Given that the demand for community housing depends on the state of the economy, it is with no surprise that the Coronavirus pandemic increased demand within the industry. With high unemployment rates and soaring rent prices, the need for affordable housing was at an all-time high. As businesses closed, community housing and shelters remained open, continuing to provide services in the safest manner possible. The industry will continue to see a need for the foreseeable future until the unemployment rates begin to decline.

There is currently a great deal of legislation relating to the development and preservation of affordable housing. While the Fair Housing Act prevents discrimination of the sale and rent of housing, the Housing and Community Development Act creates Section 8 housing and authorizes community grants that are funded by HUD. As a response to the pandemic, Congress passed the CARES Act in 2020, providing 120 days of eviction relief for federally backed mortgages. While government funding poses as an opportunity for the industry, the forecasted decline is of concern.

Technology has proved to be an opportunity for the nonprofit sector as a whole. Housing communities and shelters are able to easily navigate Clarity, an electronic database that tracks homeless individuals in a given city. Nonprofits have also taken to utilizing social media to promote services, key statistics, and fundraisers. While nonprofits in the industry have a common goal of affordable and sustainable housing for all, they are competing with one another to achieve grants and donations from the community. Thus, marketing and public relations utilizing technology is essential to establishing important connections during the pandemic.

The final factor to be addressed deals with sociocultural trends. With the increasing number of individuals who are sixty-five or older, there will be greater demand for assisted living in the coming years. The number of assisted living facilities that provide subsidized housing is few and far between. This could be a potential opportunity for the industry to explore (See Appendix B, Exhibit 4).

### **Porter's Five Forces**

The threat of new entrants to Stephen Center's industry is quite high. With a low barrier to entry and pressing social issues, there is a large number of nonprofits that continue to roll into the industry to assist in tackling housing inequity. This results in greater competition between organizations for donations and funding. A couple of the most dominant competitors within the industry include the National Alliance to End Homelessness (NAEH) and Breaking Ground. The NAEH advocates for improved public policy by analyzing legislation and assisting communities in turning policy solutions into viable programs.<sup>6</sup> Meanwhile, Breaking Ground is the biggest supportive housing provider in the nation, operating more than 2,700 units of supportive housing across New York.<sup>7</sup> As America's affordable crisis continues to create barriers to obtaining

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<sup>6</sup> National Alliance to End Homelessness. "What We Do."

<sup>7</sup> The Network: Supportive Housing Network of NY. "Breaking Ground."

housing, it is expected additional competitors will enter the market to contribute towards housing needs.

Nonprofits within the industry rely on the grants and donations of its suppliers to remain operating. Suppliers can range from large companies such as Apple and Walmart, to a single individual seeking to provide a donation. Overall, the power of suppliers is quite high in that they can easily switch to and from organizations they wish to provide to. Hence, maintaining community partnerships is imperative for organizations within the industry.

The buyers are the individuals who receive services from housing communities and homeless shelters. In terms of permanent supportive housing, the switching costs can be expensive when an individual chooses to start a new lease and move between apartments. Wait time for programs can also be prolonged. The threat of buyers is thus considered moderate, making it important for organizations within the industry to provide a unique client experience in line with their mission.

The threat of substitutes within the industry is deemed to be high. There are many organizations that provide similar services to people in need. Staff play a large role in permanent supportive housing as they assist clients in getting back on their feet and preparing for a transition to independent housing. The quality of service and housing that is provided will be a point of differentiation as many nonprofits compete in the industry.

Due to the low barrier of entry and competition for funding, the threat of rivalry is high. Organizations are having to find ways to differentiate their products and services to maintain a competitive advantage. An opportunity for differentiation would be to identify new target markets. At the end of the day, organizations within the industry share a common goal of ending poverty. While there is competition to remain operating, collaboration in the past has always

been beneficial. No company can end homelessness on their own, so forming partnerships is one way in which missions and goals can be achieved (see Appendix B, Exhibit 5).

### **Internal Analysis**

After delving into the external environment and industry trends, the resources and capabilities provided by the Stephen Center's permanent supportive housing programs are easier to distinguish. Having insight into these valuable resources will assist in understanding how the Stephen Center can strategically position themselves among competitors.

### **VRIO**

By performing a VRIO analysis, the key components of the Stephen Center's operations that provide a sustained competitive advantage were uncovered: on-site case management and substance abuse facility, along with reputation (see Appendix C). Not only are these resources valuable, but they are rare, difficult to imitate, and organized. Based on these resources and the competitive advantage they offer, it is evident that Stephen Center's multifacility campus providing on-site services differentiates them from local competitors. Access to Stephen Center's substance abuse facility, HERO, provides PSH clients the opportunity to use their services at no cost. Receiving substance abuse treatment is critical in order to live independently, so PSH clients at the Stephen Center have a big advantage when it comes time to transition to local housing. In the Omaha area, there are currently two competitors that offer a similar on-site permanent supportive housing program: Siena Francis House and Open Door Mission. One of the differences of these PSH programs is the number of clients they can serve. The Stephen Center has sixty-one apartments, whereas Siena Francis has forty-eight and Open Door Mission forty-one. Perhaps one of the most intriguing observations is the lack of PSH programs specifically in the Omaha area.

With the construction of their PSH building in 2015 and HERO program in 2016, the Stephen Center is no stranger when it comes to seeking out funding for a new development. Acquiring the knowledge for this complex, draw-out process certainly provides them with a competitive advantage and is a potential for opportunity. The reputation that the Stephen Center has garnered throughout the years has helped them to achieve a steady volunteer, staff, and client base. From their CARF accreditation to their board of directors, they have been successful at initiating and maintaining close ties with the community.

As previously addressed, the issue the Stephen Center's PSH program currently faces is a timely transition to independent housing. With a growing need for PSH services, it is imperative that the Stephen Center is able to assist as many clients as possible. Reducing their overall average length of stay would allow them to take in more clients and increase their positive destination exit rate.

### **Recommendation**

As a means to strengthen their differentiation strategy and increase timely transition to independent housing, the following recommendation is in place: the Stephen Center should construct a new multifamily development to be financed as a Section 202 program.

In a nutshell, the Section 202 program helps expand the supply of affordable housing with supportive services for the elderly. The program allows low-income elderly the ability to live independently, but in a supportive environment that provides services such as cleaning, cooking, and transportation. HUD is responsible for providing interest free capital advances to finance the development. In addition, project rental assistance funds are provided to cover the difference between the tenant's contribution and operating cost. This funding does not have to be

repaid as long as the Stephen Center continues to serve low-income elderly for forty years on the same site.<sup>8</sup>

Addressed within the problem statement, many clients who have resided at the Stephen Center for over five years are in need of assisted living. Rather than viewing the program as transitional housing, it has come to be viewed as a final destination. While the Stephen Center works to get individuals back on their feet, it is essential that clients move on to independent housing once they are ready so additional clients can be served. With the increase in adults 65 and older and the lack of affordable assisted living within Omaha, developing a Section 202 program would not only improve the Stephen Center's average length of stay and positive housing exit rate, but would be of great benefit to the surrounding community. By being a first mover and implementing such a development, the Stephen Center will expand services beyond their current campus, allowing for greater visibility and collaboration with other nonprofits.

### **Implementation**

In order to achieve funding for a Section 202 program, there are multiple steps that must be initiated. Currently, PSH programs are condensed to a small geographical area of Omaha. To expand services to additional parts of the metro, it is recommended to purchase land west of 72<sup>nd</sup> Street. To maximize use of space, the building will be four stories, offering 50 one-bedroom apartments. The first-floor layout will include a dining hall, administrative offices, case management services, recreation room, computer lab, guest restrooms, and a workout facility. The top three floors will be made up of the fifty apartments. The building will have the same Stephen Center logo that is present at their main campus to maintain uniformity. Overall project

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<sup>8</sup> The U.S Department of Housing and Urban Development. "Section 202 Supportive Housing for the Elderly Handbook (4571.3)".

costs for the development are estimated to be \$10,000,000. To provide an idea of the design and layout for such a building, an image of a proposed affordable senior living facility in Michigan will be utilized. Additional details regarding the floor plan of this recommended development can be found in Appendix D.

The process of obtaining HUD financing is a lengthy process, so it is advised that the Stephen Center adhere to the following timeline as created by the City of Peterborough Affordable Housing Action Committee to allow for a timely development process<sup>9</sup>:

1.) Starting August 1, 2021, the Stephen Center will enter the feasibility phase. During this time, they will assess community needs and demands, select a site, build a development team, and look at the finances. They will meet with city council to go over planning approvals, assess zoning, historic considerations, and establish a preliminary budget. This consists of assessing internal capabilities and venturing out to fill gaps for roles such as appraisers, architects, contractors, and a title company. Finally, a comprehensive operating budget should be drafted to decide whether the specific development is financially feasible. For reference, a sample comprehensive operating budget was performed for the proposed development. The costs provided in this sample budget were based off of a similar forty-unit affordable housing development budget published by the Federal Reserve Bank of Dallas.<sup>10</sup> (see Appendix D, Exhibit 3). There is no set time that the feasibility phase will last, however, given the in-depth analysis and research that must occur, the Stephen Center can expect to exit this phase at nine months.

2.) Once the development has proved to be financially feasible, Stephen Center will enter into the pre-development phase. During this phase, they will secure funding. To secure HUD funding, it is imperative that the Stephen Center submits an application for a Notice of Funding

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<sup>9</sup> Affordable Housing Action Committee. "Creating a Roadmap to Affordable Housing Development."

<sup>10</sup> Federal Reserve Bank of Dallas. "Breaking Ground: A Beginner's Guide for Nonprofit Developers."

Availability on Grants.gov immediately. Within the application, evidence of the Stephen Center's nonprofit status under state law is required, along with proof that the organization has not been liable for the payment of federal income taxes during its existence. To complete the application, there must be evidence provided to prove the need for supportive housing.

Specifically, the Stephen Center would document the need for affordable assisted living within the Omaha metro.<sup>11</sup> In addition to HUD financing, the Stephen Center can seek out additional grants such as the Community Development Block Grant and Nebraska Affordable Housing Trust Fund. It is important that written commitments and agreements are in place with funders, service providers, and leasers. Grant approval processing times can vary, but it is estimated that the waiting period to hear back on financing will be ninety days. At the end of this phase, the estimated date will be August 2022.

3.) The third stage is the construction phase. At this point the construction team will have been established and building will commence. As construction is occurring, marketing will be taking place to attract future tenants and community partners. The hiring of employees will also be occurring during this time and management policies will be established. With opening of the facility near, residents will be introduced to the supportive services and be given a move-in plan. At the end of the construction phase, staff should be trained, utility and service contracts are in place, unit inspections completed, and lease agreements filled out. Overall, the construction phase will take approximately a year.

4.) The last phase deals with incentives, initiatives, and contacts. Now that the development is in operating mode, it is imperative to begin building community contacts and forming relationships.

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<sup>11</sup> The U.S Department of Housing and Urban Development. "Section 202 Supportive Housing for the Elderly Handbook (4571.3)".



Grants, donations, and tax relief should always be sought out throughout the building's operation.<sup>12</sup>

From applying for funding to the official opening, The Stephen Center can expect a period of two years, which is similar to the timeline they experienced with the construction of their PSH program and Pettigrew Emergency Shelter. By implementing this recommendation to construct Section 202 supportive housing, they will not only increase their visibility within the community, but also achieve their desired average length of stay and positive housing exit rate.

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<sup>12</sup> Affordable Housing Action Committee. "Creating a Roadmap to Affordable Housing Development."

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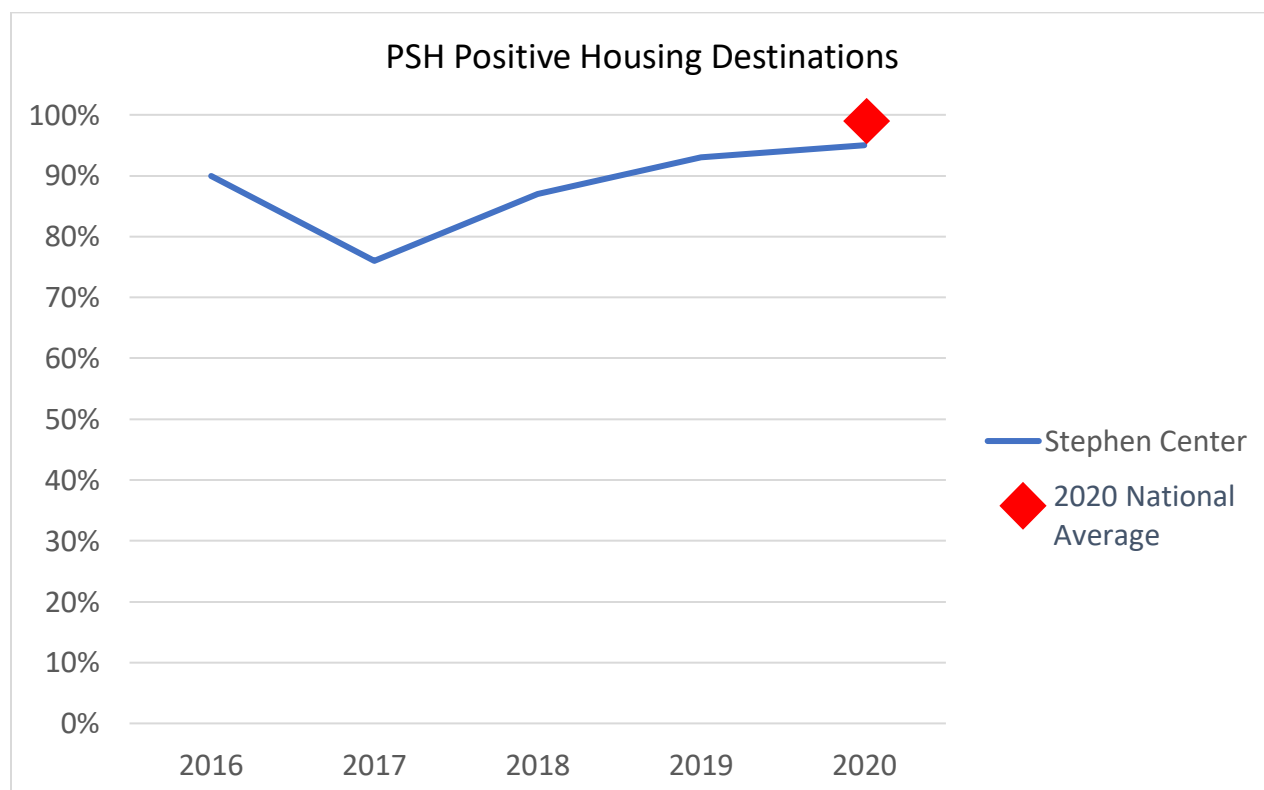
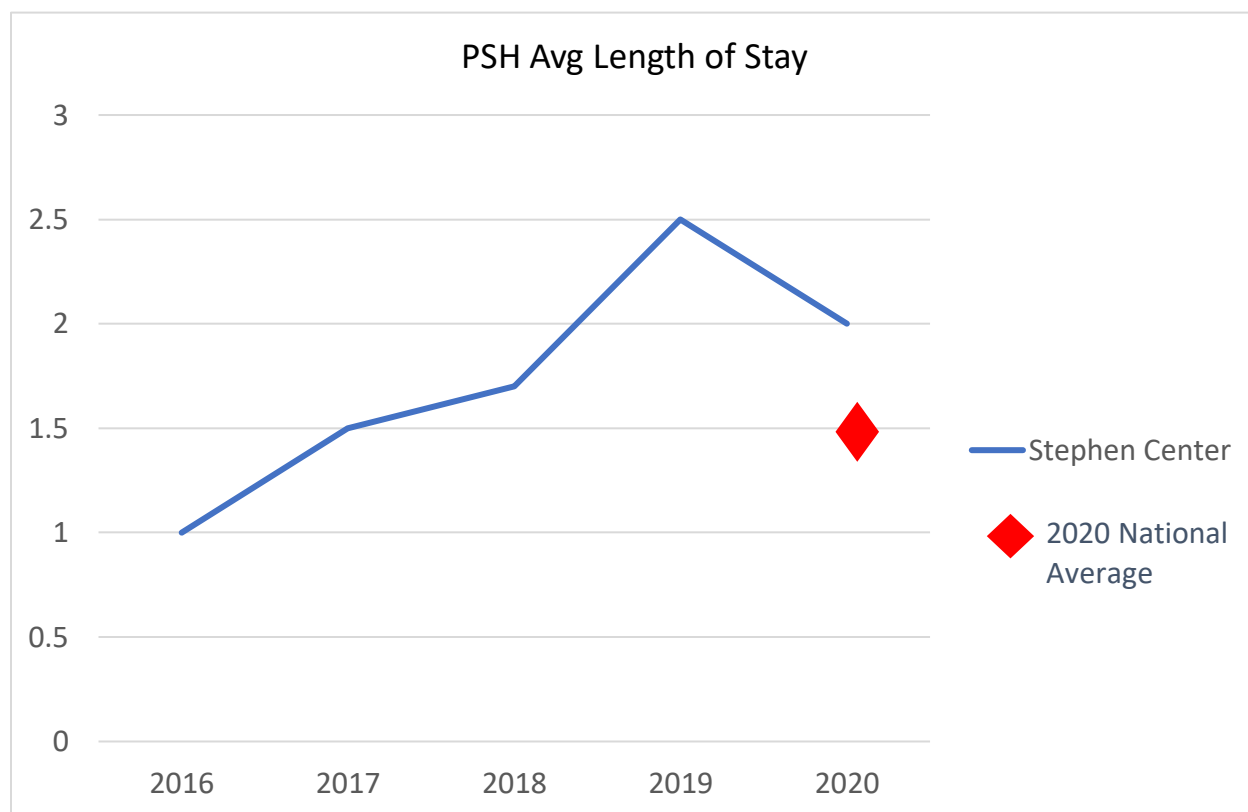
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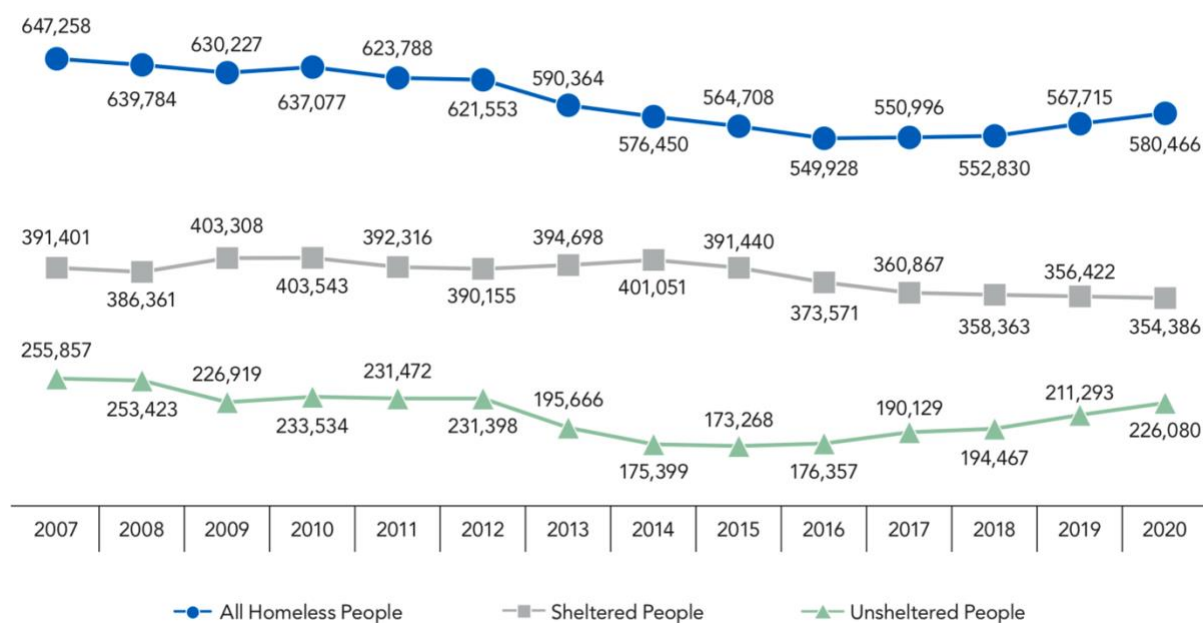
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**Appendix A**

## Appendix B

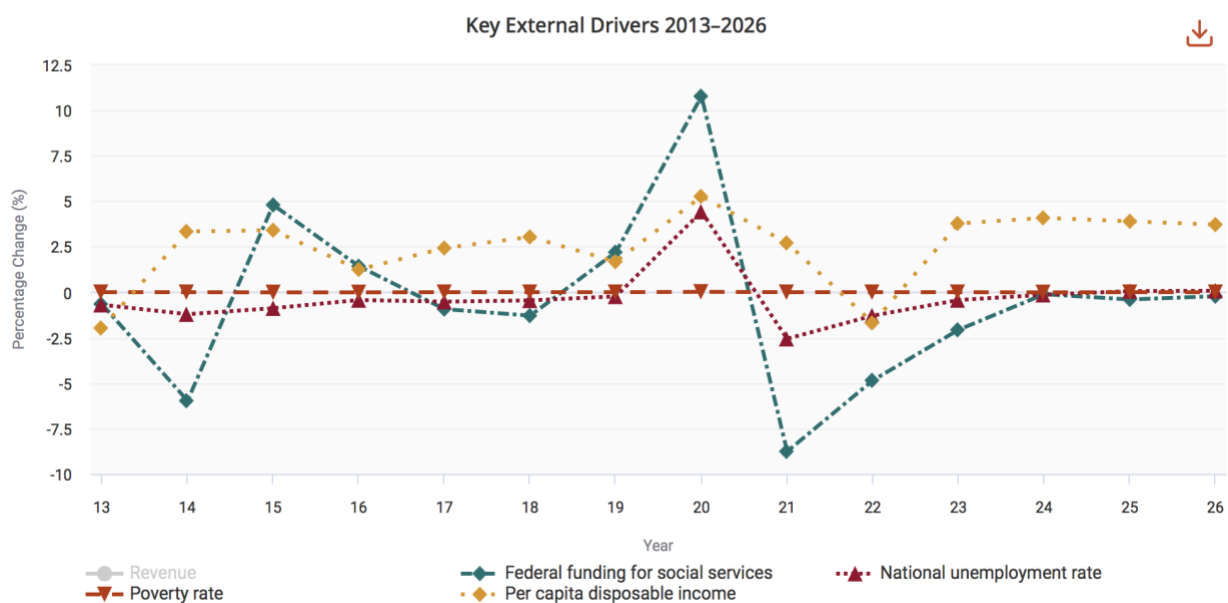
### Exhibit 1: PIT Estimates of People Experiencing Homelessness

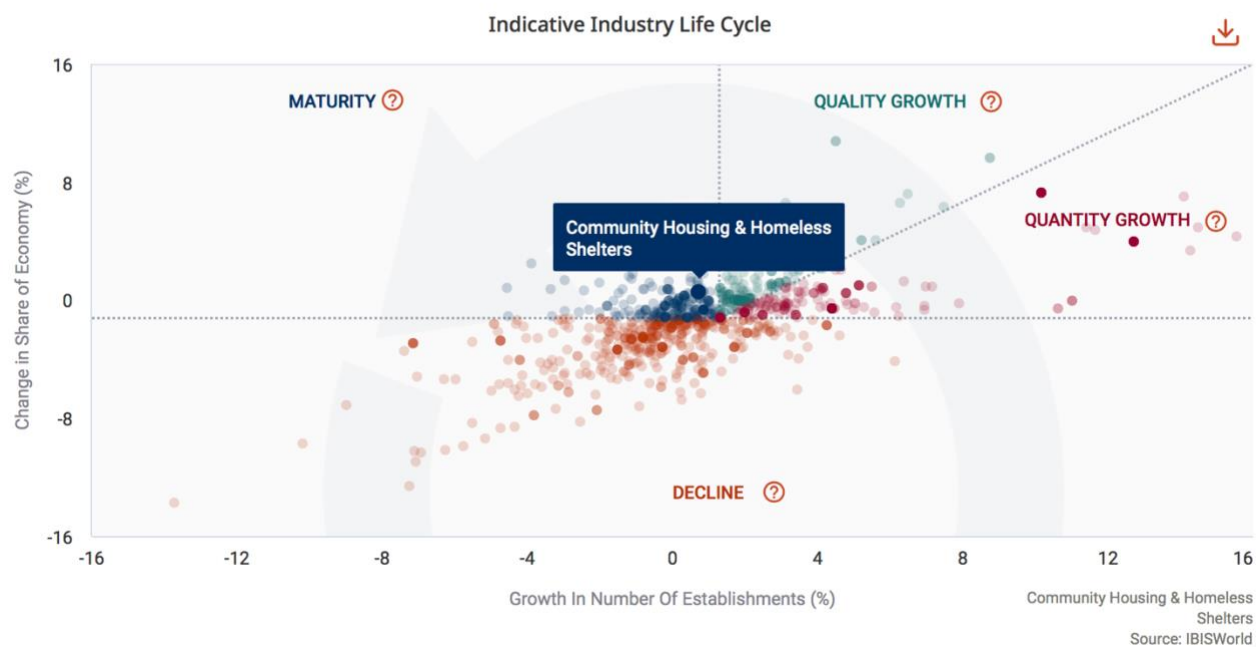
#### EXHIBIT 1.1: PIT Estimates of People Experiencing Homelessness By Sheltered Status, 2007–2020



### Exhibit 2: Key External Drivers

#### Key External Drivers



**Exhibit 3: Industry Life Cycle****Life Cycle**

**Exhibit 4: PESTEL**

Political	Economic	Sociocultural	Technological	Ecological	Legal
<i>Examples:</i>	<i>Examples:</i>	<i>Examples:</i>	<i>Examples:</i>	<i>Examples:</i>	<i>Examples:</i>
Fiscal benefits	Coronavirus Pandemic	Growth in senior adults (65+)	Electronic database (Clarity) utilized to track homeless individuals		The Fair Housing Act
Decline in government funding towards social services and HUD	Rising poverty rates	Greater focus toward revitalizing communities	Donations permitted online		The Housing and Community Development Act
Recent election	Decrease in per capita disposable income	Emphasis on diversity and inclusion	Social media heavily emphasized to promote services, stats, and fundraisers		Client confidentiality
	High costs of living	Increase in civic engagement among youth	Virtual fundraising events		CARES Act

**Exhibit 5: Porter's 5 Forces**

Threat of Entry	Power of Suppliers	Power of Buyers	Threat of Substitutes	Threat of Rivalry
Economies of Scale <b>low</b>	# of Suppliers <b>high</b>	# of Buyers: <b>high</b>	Availability of Substitutes <b>moderate</b>	Industry Structure <b>Monopolistic competition</b>
Network Effects <b>high</b>	Degree to which industry firms are important: <b>high</b>	Degree of Standardization of Products <b>low</b>	Customers' Switching Costs <b>low</b>	Industry Growth <b>low</b>
Customers' Switching Costs <b>low</b>	Industry Firms' Switching Costs <b>high</b>	Buyers' Switching Costs <b>moderate</b>	Price and Performance of Substitutes <b>high</b>	Degree of Strategic Commitments <b>moderate</b>
Capital Requirements <b>low</b>	Degree of Differentiation of Suppliers' Products <b>moderate</b>	Threat of Backwards Vertical Integration <b>high</b>		Exit Barriers <b>low</b>
AIS (i.e. brand, proprietary tech, know-how, favorable access resources, learning curve) <b>low</b>	Available Substitutes for Suppliers' Products <b>moderate</b>	Buyers' Price Sensitivity <b>high</b>		
Gov. Policy <b>high</b>	Threat of Forwards Vertical Integration <b>high</b>			
Threat of Retaliation <b>low</b>				
Threat = <b>high</b>	Threat = <b>high</b>	Threat = <b>moderate</b>	Threat = <b>high</b>	Threat = <b>high</b>



## Appendix C

### VRIO Analysis

*ANALYSIS: Which R&Cs provide a sustained competitive advantage, temporary competitive advantage, parity or disadvantage?*

Resources & Capabilities	Valuable	Rare	Barriers to Imitation	Organized	Competitive Implications (SCA, TCA, Parity, Disadvantage)
<b>Community partnerships</b>	<b>Y</b>	<b>N</b>	<b>N</b>	<b>N</b>	<b>Competitive Parity</b>
<b>On site case management</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>	<b>Sustained Competitive Advantage</b>
<b>Dry campus</b>	<b>Y</b>	<b>N</b>	<b>N</b>	<b>N</b>	<b>Competitive Parity</b>
<b>On site substance abuse treatment center</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>	<b>Sustained Competitive Advantage</b>
<b>Social media</b>	<b>Y</b>	<b>N</b>	<b>N</b>	<b>Y</b>	<b>Competitive Parity</b>
<b>Life skill courses</b>	<b>Y</b>	<b>N</b>	<b>N</b>	<b>N</b>	<b>Competitive Parity</b>
<b>Reputation</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>	<b>Sustained Competitive Advantage</b>
<b>Volunteer relationships</b>	<b>Y</b>	<b>N</b>	<b>N</b>	<b>Y</b>	<b>Competitive Parity</b>
<b>Client relationships</b>	<b>Y</b>	<b>N</b>	<b>N</b>	<b>Y</b>	<b>Competitive Parity</b>
<b>Board of Directors</b>	<b>Y</b>	<b>Y</b>	<b>N</b>	<b>Y</b>	<b>Temporary Competitive Advantage</b>
<b>Successful discharge rates</b>	<b>Y</b>	<b>Y</b>	<b>N</b>	<b>Y</b>	<b>Temporary Competitive Advantage</b>

Includes: R&Cs, Core Competencies, Sources of Cost Leadership & Bases of Differentiation

**Appendix D:**

**Exhibit 1:** Samaritas Affordable Senior Housing Development, 4 W. Webster Ave. Muskegon, MI



**Exhibit 2:** Stephen Center Proposed Property Description

<b>PRICE</b>	\$10,000,000.00
<b>ACRES</b>	1.2 acres
<b>SQ FT</b>	35,000
<b>NO. UNITS</b>	50
<b>PROPERTY TYPE</b>	Multifamily
<b>PROPERTY SUBTYPE</b>	Apartment
<b>FEATURES</b>	<ul style="list-style-type: none"> <li>• 50 one-bed units</li> <li>• Dining hall</li> <li>• Surface parking</li> <li>• Multiple offices on first floor</li> <li>• Recreation room</li> <li>• Workout facility</li> <li>• Outdoor courtyard</li> <li>• Computer lab</li> <li>• Handicap accessible units</li> </ul>

**Exhibit 3: Sample Operating Budget**

<b>Rental Income</b>	
50 units at \$600/month	\$30,000
Less 10 percent vacancy	(3,000)
Total rental income	\$27,000
<b>Operating Expenses</b>	
Leasing and administrative	<b>\$4,000</b>
Maintenance contract	<b>3,500</b>
Advertising	<b>700</b>
Accounting	500
Office supplies	75
Telephone	200
Insurance	500
Property taxes	200
Utilities	1,600
Replacement reserve	1,500

Total operating expenses	\$12,775
NOI	\$14,225