

PROPOSAL TO LEASE HOWENSTINE SCHOOL
FOR A SCHOOL SERVING SPECIAL NEEDS STUDENTS

Submitted By

INTERMOUNTAIN CENTERS FOR HUMAN DEVELOPMENT,
Inc.

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Intermountain Centers for Human Development Inc. (ICHD) has more than 40 years of experience in serving special needs populations in the Tucson metropolitan area. ICHD proposes to lease Howenstine School for the purpose of operating a private not-for-profit school for special needs children. ICHD currently operates the Intermountain Academy, serving children with challenging behavior referred under contract with all school districts operating within the greater Tucson area. ICHD is in need of a facility which will permit the expansion of the current school's four classrooms to include a preschool and additional classrooms in order to serve children diagnosed with autism throughout all grade levels

ICHD has chosen to pursue Howenstine School as its chosen site because of its central location, its respected reputation for serving children with special needs, its outdoor physical education facilities, and the size of the physical plant relative to ICHD's intent to serve between 100-130 students.

ICHD is requesting a lease with TUSD to permit the school to operate by the beginning of the school year in August, 2013. ICHD is seeking a minimum of a one-year lease but would be interested in a longer term lease with the possible option to purchase the school if the opportunity permits.

ICHD currently operates on an annual budget of \$16 million. ICHD has sufficient reserves to cover the costs related to the school including required deposits and escrow funds. ICHD expects to lease the school at a rate of \$3.00 per square foot. Intermountain will pay for the cost of utilities and routine maintenance. ICHD would expect to receive the buildings in good condition with respect to plumbing, air conditioning, heating, roofing and other major systems. ICHD would consider leasing or purchasing educational furnishings and equipment that TUSD might elect to make available when Howenstine School is vacated. ICHD would welcome the opportunity to share the use of the therapeutic pool and associated locker area with TUSD and the City of Tucson. Intermountain would work cooperatively with the TUSD governing board to insure that the Intermountain Academy supports TUSD's educational mission in a non-competitive manner and promotes the academic interests of the community.

Intermountain's staff are excited at the prospect of working collaboratively with TUSD to provide educational opportunities to under-served special needs populations.

Submitted by:

David K. Giles, Ph.D., President and Chief Executive Officer

Exhibit A— ICHD Proposal to Lease Howenstine and Intermountain Academy Business Plan
Intermountain Centers for Human Development, Inc.

Intermountain Centers for Human Development

Business Plan for Intermountain Academy

Contributors:

David Giles, PhD, Chief Executive Officer

Christine Wells, PhD, MBA: Chief Operating Officer

Phil Pannabecker, Chief Financial Officer:

Jessica Reece, M.Ed., : Clinical Director

Gary Beckham, MPA, Quality Management and Information Technology Director

Tyson Gillespie, MSC, Education and Support Services Director

Executive Summary

Mission statement

The mission of Intermountain Centers for Human Development is to provide the highest quality, community-based, individualized services in the most cost effective manner to at-risk populations. Intermountain's core values include

- Focus upon each individual's strengths
- Adapting support services to the individual's needs, whatever the form and level of disability
- Employ positive teaching techniques, based on empirical learning theory, in the least restrictive environment
- Promote positive decision-making skills, community awareness and responsibility, and constructive future planning
- Teach academic, social, leisure, vocational, self-care and community-building skills to each client
- Promote greater self-control, self-esteem and self-sufficiency on the part of those we serve
- Work in partnership with teams that include clients, family, community members, service providers and guardians

Business opportunity

The public behavioral health and educational systems in Arizona are undergoing significant change. Integration of behavioral health services with medical services is a key component of the evolving system. Significant opportunities lie in the following service areas: development of health homes, collaboration with medical practitioners, behavioral medicine, homebased support and rehabilitation services, educational services for special needs populations, and vocational training. Expected growth in services to special populations served by Intermountain include: individuals with autism, individuals with developmental disabilities, individuals struggling with serious mental illness, families with limited economic means, and, young adults struggling with behavioral health challenges. Changes to the financing of behavioral health services also offers opportunities such as commercial insurance coverage of services for children with autism. Educational funding to private schools as well as tax incentives for corporations provide opportunities for the development of educational programming for individuals with special needs, under achieving youth and children displaying challenging behaviors in an academic setting.

Intermountain staff have identified several areas of growth potential that would expand the range of services offered as well as diversify its revenue sources beyond governmental funding sources. The lease of the Howenstine school property at 555 South Tucson Blvd., Tucson, will provide the facility space for several of the opportunities. These areas include:

- A range of educational and social services to children with autism and other developmental disabilities funded through both state funds and commercial insurances;
- Vocational training and support for youth struggling with autism or serious mental illness;

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- Academic programming for youth struggling with autism or behavioral health issues funded through state educational monies as well as private grants;
- Preschool targeting special needs populations focused on early intervention and school readiness;
- After school remedial support to any child or youth.

Program Detail

Autism Services

There has been an increase in the prevalence of children diagnosed with autism over the past decade. Research has shown a prevalence of 1 in 88 children identified with autism spectrum disorder, 18% of whom were identified by age 3 (CDC 2012). Families across the socioeconomic spectrum struggle with accessing necessary services for their children. In 2009 Arizona passed Steven's Law requiring commercial insurance companies to cover autism related services when provided by a Board Certified Behavior Analyst (BCBA). This created a new funding source for these services thus making it possible for more families to access the services. Intermountain's approach to treatment uses these behavioral techniques and thus positions the organization well to be a major provider in this area. Intermountain has invested in developing a pool of staff with required credentials to provide these services.

Children with autism demonstrate a wide range of developmental delays and levels of functioning. Service needs vary greatly across the autism spectrum. Consequently, Intermountain is developing a variety of programs to meet the varying needs of individuals and families.

1. Preschool for children ages 1-5 years

Research demonstrates that many children begin to show signs of autism within the first two years of life. Intervention prior to age 3 has been shown to significantly impact the achievement of developmental milestones as well as later functioning across school and home settings. Intermountain is proposing to develop a preschool for children identified as displaying early signs of autism. The focus would be on fostering development early in the child's life and assisting parents with learning techniques that encourage development and manage challenging behavior. Specific services would include Functional Behavior Assessment, creation of an individualized intervention plan, and, training of parents and staff to implement the plan. The preschool would initially have a capacity for 15 children. The University of Arizona Department of Education and Tucson Alliance for Autism (TAAFA) are identified as possible referral sources.

2. Homebased assessment and training

Homebased services are key to effective intervention by observing the child in the environment which has the primary impact on the child. Services include Functional Behavior Assessment, creation of an individualized intervention plan, and, training of parents and homebased support staff to implement the plan. Staff would include BCBA's capable of performing assessments and creating individual intervention plans and habilitation staff trained in behavioral interventions capable of implementing the intervention plan and provide coaching and support to parents. Revenue sources include

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Arizona Division of Developmental Disabilities, Optum for military families, and, commercial insurances.

3. School based intervention

Intermountain assumed management of a private school for children with challenging behaviors. The number of youth attending the school has increased from 12 to 26 (two classes to four classes) in the three months since Intermountain began management of the school. These children and youth have previously been unsuccessful in traditional school environments. The students are referred by all school districts in the greater Tucson area. The Intermountain Academy receives reimbursement from the school districts via contracts with the districts.

Intermountain plans to use this experience as an opportunity to expand the school services to children with autism by adding two classes in the current school. Currently there are several private schools serving children with autism in the Phoenix area; however, there are no such schools in Tucson. TAFE has identified this as a critical need for the local community. Intermountain's Clinical Director and several members of the Board of Directors have experience in this area. One Board member has experience developing a charter school for children with autism and has agreed to offer expertise in the creation of classrooms targeting this population.

Facility Acquisition

Intermountain Academy offers the Tucson community a positive teaching environment for youth with specialized needs – a school that builds on each individual child's strengths and interests. Building on 40 years of experience providing positive behavioral supports, the Intermountain Academy offers:

- Classroom instruction
- Individualized curriculum assessment and implementation
- Behavior assessment and behavior intervention plan development
- Monitoring Individualized Education Plans (IEP) and goal progress

Intermountain is seeking a location that will house a private school with 6 -10 classrooms for special needs populations in grades K-12 and a preschool as well as space for afterschool, respite, vocational and tutoring programs. Intermountain has been working to secure a location that will match the needs of the agency for a school campus setting and allows for expansion.

Howenstine School best meets the critical needs for the programming. The buildings are not likely to require significant renovation. The building has sufficient classrooms which would meet the current need and allow for expansion. The ability to offer a variety of activities including physical education in both indoor and outdoor facilities.

Howenstine School is located in the central area of Tucson. It has easy accessibility from all areas of Tucson via Kino parkway, Golf Links and freeway access via 22nd St. Its proximity to the University of Arizona permits student interns easy access from the UofA campus. Howenstine is also located less than a mile from the Tucson Alliance for Autism.

Financial projections

Intermountain has established funding sources through existing contracts with local public school districts. In January, 2013, Geico Insurance donated \$1 million through the existing tax credit program to the Arizona Leadership Foundation for scholarships exclusively for special needs students attending Intermountain Academy.

Intermountain's plan involves several revenue sources.

- Public school district contracts (30 students X\$27,000/yr). First year projection: \$810,000
- State educational funds to support classrooms for children with autism – projected income: \$36,000/child/year (8 students). First year projection: \$288,000 (8 students)
- AZ Leadership Foundation scholarship funds up to \$1M contributed by Geico Insurance. (Currently 2 students attending by scholarship)
- Private foundation grants for educational services. First year projection: \$50,000
- Preschool private funding.
- After school remedial tutoring. Private pay.

Industry Environment

Potential customers

Families with children diagnosed with autism or who display challenging behaviors in school settings impairing academic success.

Direct competitors

Currently, there is an identified need for educational opportunities for individuals with autism. Many public and private schools are unable to provide appropriate, individualized services that promote academic success. Tucson Alliance for Autism (TAFA) has identified this need through its referral and support services to families and individuals struggling with autism. In addition, a psychologist in Phoenix who specialized in the field has had families from Tucson call him about options in the Tucson area. For students whose challenging behavior is beyond the ability of the enrolled school to provide an adequate educational environment, Intermountain Academy is the only local option for them prior to placement in a residential facility. Similarly, local preschools rarely are able to meet the developmental needs of children displaying symptoms of autism, yet this is the most critical time for meaningful differences to occur.

Marketing

Company impact

Intermountain will provide needed local educational and support services for families and children with challenging behaviors and/or autism. Children will be able to receive individualized services in their home community creating an opportunity for academic

success. By targeting special needs populations, Intermountain can improve the outcomes of those who are most at risk of being marginalized in society.

Company strategy

To foster success, Intermountain will develop a strong promotional plan to solicit support from the community and navigate the various funding options available. The development plan will focus on ways to position Intermountain as the provider of choice for individuals with special needs for comprehensive educational and behavioral health services.

Intermountain will develop communications materials that identify the services offered and outcomes such as improved school performance and development of independent living skills. The Intermountain executive team will promote the educational and support services offered through presentations to target audiences within the community including district school personnel, behavioral health and social service agencies as well as local community groups where families congregate. Current Intermountain Academy staff will reach out to families in the communities as well. Other marketing methods will include advertisements in local print media and public service announcements.

Operations

Organizational history

For forty years, Intermountain has been a leader in developing innovative services for children and adults diagnosed with serious emotional disabilities, serious mental illness and/ or developmental delays. Currently Intermountain serves over 3,000 individuals per year in programs throughout Arizona including group residences, foster care, and semi-independent living arrangements. For the past 15 years, Intermountain has been a leader in the provision of home-based therapy programs and transitional support services which preserve cultural and familial ties and help build each individual's and/or family's resource base. Intermountain has recently developed the Intermountain Academy to address the educational requirements of children with special needs.

Organizational structure

Intermountain's executive team consists of David Giles, PhD, its founder and Chief Executive Officer, Phil Pannabecker, Chief Financial Officer, Christine Wells, PhD, MBA, Chief Operating Officer and Jessica Reese, MEd, Licensed Behavior Analyst, Chief Clinical Officer. Intermountain Academy is part of Intermountain's Educational and Support Services, overseen by Tyson Gillespie, MA. Academy administrators include skilled educators and licensed clinicians. Their graduate studies and professional experience are in educational leadership, early intervention, special education, positive behavior support and child psychology. Current staff include a certified principal, 3 teachers certified in special education, 5 teachers' aides with behavioral health training and a physical education instructor. Administrative support is provided by Intermountain operations staff. Recruitment for preschool staff will begin in June.

Capital requirements

Purchase price of the identified property has been negotiated at \$2 million. Intermountain has committed \$500,000 cash as down payment. Intermountain is seeking funding of \$1.5 million.