



**MARKET RESEARCH REPORT OF ALAN N. NEVIN
in the matter of the Proposed Southwest Key Facility
City of Escondido, California
October 3, 2014**

I was retained by Southwest Key Programs to analyze the economic impact of its proposed facility on the local Escondido community. As part of this assignment, I studied the national operations of Southwest Key Programs, visited several of its facilities in California and Arizona, and prepared an analysis of the financial implications of the proposed facility on the local economy and home values.

The report is in eight sections:

- Section 1 - The Assignment
- Section 2 - My Qualifications for Completing the Assignment
- Section 3 - Information Reviewed
- Section 4 - Background Information on Southwest Key Programs
- Section 6 - Economic Benefits
- Section 7 - Housing Market Implications
- Section 8 - Summary of Benefits



SECTION 1 – THE ASSIGNMENT

My assignment was to analyze and determine the potential economic impacts of the operation of a proposed 96-bed, unaccompanied youth care facility, in the space formerly occupied by the Palomar Continuing Care Center in the City of Escondido. Included in this report is an analysis of the economic benefits of the proposed facility on the City, and a study of home-value impacts from other like facilities.

SECTION 2 - MY QUALIFICATIONS FOR COMPLETING THE ASSIGNMENT

I, Alan N. Nevin, am a real estate economist and demographer. For the past 30+ years, I have undertaken economic feasibility and valuation studies of real estate development and investment properties throughout the United States.

I presently serve as Director of Economic and Market Research for Xpera Group, a consultancy based in San Diego County.

Xpera Group is the largest source of construction and real estate-related experts on the West Coast and provides consulting advisory services to the legal community, homebuilders, insurance companies, governmental agencies, non-profit organizations and investors. Attachment A to this report contains my complete curriculum vitae.

SECTION 3 - INFORMATION REVIEWED

Attachment B hereto is a list of materials, including site visitation and interview lists, that I relied on in preparation of this report.

SECTION 4 - BACKGROUND INFORMATION ON SOUTHWEST KEY PROGRAMS

Southwest Key Programs (“Southwest Key”) is a nationwide, non-profit organization that was founded almost 27 years ago. In 2013, Southwest Key provided 225,000 persons and families with safe shelters all across the United States.

Based in Austin, Texas, it currently has 2,200 employees and an annual budget of \$172 million. Southwest Key has reunified thousands of immigrant children with their families and provided temporary homes for unaccompanied minors. The organization provides food, shelter, education and health services.

Southwest Key operates 68 programs in Wisconsin, New York, Georgia, Arizona, Texas and California, including 25 immigrant youth shelters.



It is accredited by the Council of Accreditation: a national accrediting organization for non-profit businesses.

SECTION 5 - SOUTHWEST KEY ESCONDIDO FACILITY

Southwest Key proposes to utilize a 96-bed facility, which was formerly a Palomar Continuing Care Center and has been unoccupied for more than a year, to temporarily house unaccompanied minors awaiting immigration proceedings.

The existing facility is surrounded on three sides by a Sikh Temple (and two houses), an Apostolic Church and the Del Lago Academy. The nearest subdivision is across West Valley Parkway.

SECTION 6 - ECONOMIC BENEFITS

Southwest Key will have a beneficial financial impact on the employment and retail community of the City of Escondido. The program will bring new jobs, retail sales tax from the purchase of goods and services, and property taxes.

Annual Operating Budget: The designated annual operating budget for the proposed Southwest Key facility will be approximately \$8,400,000, which includes costs for personnel, food, supplies and operating and maintenance services.¹

Annual Projected Operating Budget Southwest Key Program City of Escondido	
Children:	96
Employees	120
Category	
Personnel	\$5,765,710
Supplies	\$120,380
Direct Costs	\$936,540
Operating Costs (incl. Prop. Taxes)	\$1,563,780
Total Annual Budget	\$8,386,410

Source: Southwest Key

¹ The underlying data used in Section 6 derives from the current Southwest Key budget submitted to the Office of Refuge Resettlement. That budget is subject to change.



New Jobs: As currently budgeted, the proposed facility will hire approximately 120 employees. The annual salary and benefits budgeted for these employees (which are incorporated into annual budget) will be \$5,800,000, some portion of which will be expended in the City of Escondido and result in enhanced retail sales tax.

Employee salaries will range from \$22,000 to \$75,000 annually, as shown below. In addition, these employees will be receiving a benefit package which includes: medical, dental, vision, and retirement accounts.

Personnel Salary Ranges Southwest Key Facility City of Escondido	
Title	AnnualSalary Range
Administrative	
Program Directors	\$65,000-75,000
Administrative Assts.	\$29,000-30,000
Trainers	\$40,000-42,000
Household Admin.	
Cooks	\$27,000-34,000
Maintenance Specialist	\$29,000-31.000
Caseworker/Clinician	
Case Manager	\$51,000-55,000
Case Aide	\$29,000-30,000
Clinician	\$52,000-60,000
Teachers/Youth Care	
Teachers	\$38,000-44,000
Teacher Assistant	\$29,000-30,000
Medical Coordinator	\$29,000-40,000
Shift Leader	\$36,000-37,000
Youth Care Worker	\$22,000-25,000

Source: Southwest Key



Construction/Improvements: Initial construction and improvements for the facility include substantial landscaping, installation of tubular fencing and safety and security equipment, interior renovation, and property maintenance. The total construction/improvement budget will be more than \$300,000.

Construction/Improvements Southwest Key Facility City of Escondido CA		
Construction/Improvements		
Computer Software	\$	3,500
Telephone	\$	35,000
Maint. & Repair - Grounds	\$	40,000
Maint. & Repair - Building	\$	75,000
Fire & Security	\$	154,500
Construction/Improvements	\$	308,000
Source: Southwest Key		

Start-up Costs: Initial start-up costs include the acquisition of furnishings, floor covering, computers and electronic equipment, storage facilities, office supplies, kitchen equipment and recreation supplies. Budgeted start-up costs total over \$900,000.

Start-up Expenditures Southwest Key Program City of Escondido	
Children:	96
Employees	120
Category	
Personnel	\$267,970
Supplies	\$439,810
Direct/Indirect Costs	\$21,980
Operating Costs	\$237,410
Total Start-Up Costs	\$967,170



Source: Southwest Key

In the table below, I have summarized these spending categories:

Summary of Expenditures Southwest Key Facility City of Escondido	
Category	Amount
1. Initial Costs	
Construction/Improvements	\$ 308,000
Start-up Costs	\$ 967,170
Total Initial Costs	\$ 1,275,170
2. Annual Operating Budget	\$ 8,386,410



Tax Benefits to City of Escondido

The proposed Southwest Key facility will also generate tax revenue for the City.

Sales Tax Benefits: Southwest Key has stated that its intent is to direct its expenditures for food, services and other items to retailers in the City of Escondido. Several of these expenditures will produce retail sales taxes. I have calculated the anticipated retail sales tax revenue that will result from the operation of the proposed Southwest Key facility and go directly to the City of Escondido. In total, the initial start-up expenditures will result in sales tax revenue of \$13,660. The annual operating costs will result in total tax revenue of \$7,531 per annum.

The following table shows the anticipated retail tax revenue to the City. Of the total collected, approximately 15% goes directly to the City with the balance going to the state. The 85% going to the state is largely redistributed to the City in the form of payments for infrastructure, health and welfare services, and education.

Property Taxes: The Palomar facility did not pay tax on the property as it was a non-profit institution. The proposed Southwest Key facility will pay property taxes because it is owned by a private entity which does not have non-profit status. The expected annual property tax is \$5,760.

Property taxes collected are also allocated 15% to the City and 85% to the state. Most of the property taxes at the state level are returned to the community for education, infrastructure and social services.

Summary of Economic Tax Benefits				
Southwest Key Facility				
City of Escondido				
Category	Amount	Taxable Items	Total Tax	Tax to City of Escondido
Initial Costs				
Construction/Improvements	\$ 308,000	\$ 288,000	\$23,040	\$ 3,291
Start-up Costs	\$ 967,170	\$ 447,010	\$35,761	\$ 5,109
Vehicle	\$ 438,347	\$ 438,347	\$35,068	\$ 5,260
Total Initial Costs	\$1,713,517	\$ 1,173,357	\$93,869	\$ 13,660
Annual Operating Budget				
(incl. prop. Taxes)	\$8,386,410	\$ 658,660	\$50,206	\$ 7,531



SECTION 7 – HOUSING MARKET IMPLICATIONS

I undertook a detailed study of several facilities in California and Arizona that house youths to test the hypothesis that the proposed Southwest Key facility would have a negative effect on housing values.

The facilities I analyzed in the study include four Southwest Key operations in California and Arizona and two operated by other entities. In total, I completed research on six facilities.

Number of Sales and Home Price Comparables Single Family Detached Homes Various Facilities, California and Arizona						
State	City	Facility Name	Address of Facility	ZIP	Property Opening Date	Geographic Comparison
Arizona	Youngtown	Southwest Key	12030 No. 113th Avenue	85363	2013	City of Youngtown
Arizona	Glendale	Southwest Key	5125 W. Myrtle Avenue	85301	2008	City of Glendale
California	El Cajon	Southwest Key	9780 Dunbar Lane	92021	2000	City of El Cajon
California	Pleasant Hill	Southwest Key	808 Grayson Road	94523	2005	City of Pleasant Hill
California	San Marcos	Casa de Ampara	325 Buena Creek Road	92069	2012	City of San Marcos
California	Escondido	San Pasqual Academy	17701 San Pasqual Road	92025	2001	City of Escondido

Methodology

For each of the six facilities, I analyzed home sales in the neighborhood of the facility at the time of opening, then looked back three years at sales activity, then looked forward three years after the facility opened to discern any aberrant trends in sales or pricing. Then I compared housing data from neighborhoods nearest to a facility to that of the community as a whole.

For the neighborhood analysis, I isolated single-family home sales within one mile of the subject property. The one-mile boundary lines were established using U.S. Census tract level boundaries. Housing data was obtained from Dataquick, which gathers home sale and sale prices directly from each county's assessor's office in California and Arizona. Thus, its database is not a sample, but instead includes 100% of all sales.

I utilized median dollar per square foot as the unit of measurement for home sales as that method has historically provided a more accurate portrayal of home values. The data was compiled on a monthly basis.



The findings of our study indexed the number of sales and the median price of the housing, using 100 as the base index. A time period 36 months before the opening of the facility was used as the base period. This methodology provides an ability to view the pattern of home sales and pricing for the subject properties and the communities in which they reside. The results from our analysis can be seen for each facility in Attachment C.

Note that two of the facilities have been opened less than three years. In those cases, I looked at home sales since they opened until the present time.

A snapshot of each facility follows:

Youngtown, Arizona

Youngtown is a city with a population of 6,000, sited to the west of Sun City, and is a suburb of Phoenix. Newer homes in Youngtown typically sell for between \$150,000 to \$175,000.

The 130-bed Southwest Key facility in Youngtown was formerly a skilled nursing and memory care facility and was not well maintained. Southwest Key substantially renovated the facility and opened 15 months ago. There are 150 employees.

My analysis shows that prices for houses sold within a mile of the subject property were above, but not statistically different from, prices of houses within the same size range sold elsewhere in the City of Youngtown.

Glendale, Arizona

Glendale is a middle-income suburb of Phoenix, with a population of 225,000. Home prices are typically in the \$150,000 to \$200,000 range. Last year, more than 4,000 homes were resold in Glendale.

In 2008, the Southwest Key facility opened in Glendale within a middle-income suburban neighborhood. It has 64 beds.

As in Youngtown, tracking the home sales and prices for six years (three years before the facility opened and three years thereafter) indicates no statistically significant differential between the immediate neighborhood of the facility and the community as a whole.



El Cajon, California

The City of El Cajon is located at the eastern edge of San Diego County. Its population is approximately 100,000. It has a wide variety of housing types, including single-family homes on estate lots, subdivision homes, and “for sale” and “for rent” attached housing.

The Southwest Key facility is located on the eastern rim of the City and has been in place since 2000. The facility has 15 beds and an all-male occupancy. It is sited next to a subdivision with homes priced over \$500,000.

I analyzed the home sales between 1997 and 2003 and found minimal difference between the vicinity of the Southwest Key facility and that of the balance of the City of El Cajon. In that timeframe, the housing market was not highly active in El Cajon or in the subject property area.

Pleasant Hill, California

Pleasant Hill is a highly affluent Bay Area suburb of Contra Costa County. Its population is 34,000.

The Southwest Key facility here has 28 beds and has been in operation since 2005. Most homes within walking distance of the facility sell for \$700,000 to \$900,000.

There is no statistical evidence that the facility accelerated home sales prior to opening, nor is there any evidence that home prices suffered as a result of the facility’s presence in the community.

San Marcos, California

The City of San Marcos, in the northern part of San Diego County is a growing suburb and the home of California State University San Marcos. Its population is 87,000. It is a middle to upper-middle income suburb with single family home prices in the \$400,000 to \$1,000,000+ range.

Casa de Amparo opened its facility in San Marcos in 2012. It houses 42 children ages six to twenty-one.

The home sale and pricing patterns within the immediate vicinity of Casa de Amparo do not statistically differ from that of the balance of the community, either before or after the opening of the facility.



Escondido, California

San Pasqual Academy is located in Escondido, California, a city of 150,000. It is a first-in-the-nation residential education campus designed for foster teenagers. It has a capacity to serve 184 youths. It has an accredited high school on-site. The facility was previously a boarding school for the Seventh Day Adventist Church. The Academy acquired the site in 2001.

The Academy has a successful neighbors program that pairs local persons over 55 with the foster children to assume the role of surrogate grandparents. The grandparents can live on-site and provide tutoring and mentoring to the foster children.

My analysis of home sales and pricing indicate the sale of homes prior to and after the opening of the facility coincided and showed negligible differences.

CONCLUSION

On balance, the results indicate that there is no correlation between the placement of any of these youth facilities and either home sales or housing prices in the immediate areas of these facilities.



SECTION 8 – SUMMARY OF BENEFITS

- The building will no longer be a vacant complex.
- The proposed Southwest Key facility will provide up to 120 paying jobs and is projected to input over \$8,400,000 annually in the local economy, with most of it going to the City of Escondido.
- Initial start-up costs will produce more than \$13,000 in retail sales taxes directly to the City. Annual operating expenses will produce retail sales taxes of more than \$7,000 directly to the City. Property taxes, now zero, will increase to \$5,700 per annum.
- Our research indicates that six residential youth facilities have had no effect on either home sales or pricing within a mile of each facility.



ATTACHMENT A – CURRICULUM VITAE

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EXPERIENCE SUMMARY

With more than 25 years in practice, Mr. Nevin is considered the “Dean of Real Estate Feasibility Research” in Southern California. His extensive background in demographics, real estate economic research and forensic expert witness services places him among the educational and analytical leaders in his field. He was previously the Chief Economist for the California Building Industry Association. **He is presently Team Director of the Market Research and Forensic Services Division of Xpera Group.**



PROFESSIONAL HISTORY

Xpera Group 2013 - Present

Solana Beach, California

- Mr. Nevin brings to Xpera Group an extensive background in real estate development, real estate investment economics, lending and market analysis.
- He has completed a wide range of **feasibility and valuation studies** in the sale housing, apartment, retail, office, industrial and hotel industries.
- He serves the **development and investment community** with a broad range of services, including:
 - **Valuations of Residential and Commercial Properties**



- Market Trends Analysis
- Market and financial analyses of real estate developments and investments
- Portfolio acquisition and disposition strategies

London Group 2011 - 2013

San Diego, California

- Principal
- The London Group is a 20-year old diversified real estate consulting firm that focuses on litigation support and market and financial feasibility studies. Its practice includes both residential and commercial real estate and serves both the public and private sector.
- Mr. Nevin provided consulting and expert witness services, drawing on his extensive background in development analysis and real estate development, and served as a mentor to the staff on real estate development investment issues.

MarketPointe Realty Advisors.-1997 - 2011

San Diego, California

- Director of Economic Research
- His practice focused on real estate development, rental housing, age restricted communities (including assisted living facilities), condominiums, condominium conversions, office, retail, hotel and industrial developments.
- He has also served as the Chief Economist for the California Building Industry Association and authored annual economic forecasts and other technical and demographic and economic studies.

Con Am Research- 1992-1997

San Diego, California

- Managing Director, Chief Economist
- Con Am Research provided a broad range of economic and demographic research, real estate feasibility



studies, development impact studies, due diligence and litigation support to the private and public sector. The firm developed specific expertise in fiscal impact analysis and investment forecasting and developed a proprietary acquisition/disposition model ranking multi-family investment potential for 60 major metropolitan areas.

HomeFed Bank- 1990-1991

San Diego, California

- Director of Real Estate Research, 1990-1991
- Provided economic forecasting, demographic and market research studies, portfolio analysis and disposition strategies for Bank's \$10+ billion bi-coastal asset management, lending and development portfolio. Also served on the Investment Committee of HomeFed Trust Co. and as advisor to the Bank's appraisal department.

Con Am Securities, Inc.- 1983-1990

San Diego, California

- President, 1987 - 1990;
- Executive Vice President, 1983 -1987
- Responsible for market research, real estate acquisition and development strategies for firm's nationwide multi-family portfolio, and managed investor relations for the firm's limited partners. Created marketing campaigns and directed a \$500,000,000 sales effort for public and private offerings through Wall Street firms.

Sanford Goodkin and Associates- 1974-1983

Del Mar, California

- Senior Vice President
- Directed feasibility and valuation studies for developers, property owners, lending institutions, litigation counsel, and governmental clients throughout the United States.

American Housing Guild (predecessor to Con Am)- 1971-1974



San Diego, California

- National Director of Market Research

Gladstone Associates- 1969-1971

Washington, D.C.

- Urban Economist

Ernst & Ernst (now Ernst & Young)- 1967-1969

Washington, D.C.

- Economic & Research Analyst

SPECIAL PROJECTS

Development Experience:

Nevin/Karel Investments
Douglas Development Company
Elden/Nevin
Urban Pacific Partners

- Co-founder of four firms that bought, built, rehabbed and operated more than three-dozen Southern California properties, valued in excess of \$250,000,000.
 - Apartment rehab & development
 - Office buildings
 - Apartment development
 - Industrial projects
 - Condominium development/conversions
 - Custom homes
 - Medical office complexes
 - Self-storage

Lending Experience:

- Past affiliations: Board Member- Equality Savings & Loan, Provident Capital Corp (Subsidiary of Provident Savings of Boston); Rancho Bernardo Savings & Loan; former Director of Real Estate Research, HomeFed Bank; organizer and original board member, 1st Pacific Bank

Teaching and Writing: University of California San Diego, Extension Division

- Senior Advisor, Land Use Programs



- Author, Statewide Curriculum, "Investing in Real Estate"
- Litigation Economics, CLE Course Creator and Instructor
- Chair: Responsible Public Debt Financing Forum
- Authored and instructed courses in:
 - Real Estate Investment, Real Estate Development, Real Estate Feasibility, Condominium Conversion, Apartment Investments, Architectural Monuments, Trends in California Demographics
- University of San Diego - Instructor, CLE-approved Seminar on Litigation Economics.
- University of San Diego – Instructor – capstone course on feasibility studies – Master’s Program at Burnham Moores Institute of Real Estate

Presentations:

- 30-40 speaking engagements annually to business, real estate and community service and trade associations

EDUCATION

- **STANFORD UNIVERSITY**
 - Master of Arts Degree
Statistics and Research
- **AMERICAN UNIVERSITY**
 - Completed Doctoral Coursework
Advanced Graduate Studies
 - Master of Business Administration
Real Estate Economics
 - Bachelor of Arts Degree
Marketing

COMMUNITY ACTIVITIES

- Past President, San Diego Chapter, Lambda Alpha, an international honorary land economics society and incoming international editor of Keynotes newsletter
- Advisory Member and co-founder, UCSD Economics



Roundtable

- Council of Academic Advisors, University of San Diego Center for Real Estate
- Past Board Member, San Diego Co. Apartment Association
- Member, Dean's Advisory Board, School of Business, National University
- Member, Board of Trustees, La Jolla Country Day School (1992 - 2002)
- San Diego service to NGO's: United Jewish Federation , co-chair of its Real Estate Committee and Land banking Committee; executive secretary, Hillel San Diego; advisor on real estate issues, Jewish Family Services; real estate advisor, Jewish Community Foundation

ORGANIZATIONS

- SPIRE (Stanford Professionals in Real Estate)
- Building Industry Association of San Diego
- San Diego County Apartment Association
- Urban Land Institute
- TASA Expert Witness Consultancy

PUBLICATIONS

- University of California system-wide course: "Investing in Real Estate"
- "1983 and Beyond" series (through 1988) Sponsor: E.F. Hutton Co.
- Series and articles in building and apartment industry trade Publications; Urban Land Institute magazine; Realtors Forum, Metropolitan Magazine, San Diego County Apartment Assn., et al.
- Regular author of articles on real estate and demographics for San Diego Daily Transcript

HONORS

- City of San Diego and County of San Diego, declared November 12, 2004: Alan N. Nevin Day for service to community



ATTACHMENT B - MATERIALS REVIEWED AND RESEARCH CONDUCTED

Visitations

Southwest Key undocumented minor facilities in Pleasant Hill, El Cajon and Lemon Grove California and in Youngtown Arizona.

Sheriff's offices in San Diego County and with the City Manager of Youngtown, Arizona.

The subject property and surrounding neighborhoods

Documents Reviewed

ACLU Application to Appeal a Decision to the City Council, Project Case No. PHG 14-0017

Flores v. Reno Settlement Agreement

City of Escondido Planning Commission PCP Packet 062414

City of Escondido Planning Commission minutes
Planning commission decision, July 23 2014

Dataquick statistics on home sales and home prices in California and Arizona

Phone Conversations

Michael LeVault, Mayor of Youngtown Arizona

Tamara Fleck-Myers CEO, and Jasmine Shafik, Media Staff, Casa de Ampara

Alexia Rodriguez, Vice President of Immigrant Children's Services/Legal Counsel, Southwest Key Programs

Robert Ely, CPA, Southwest Key Programs

Aron Miller, County of San Diego Tax Assessor's Office

Kay Chester, office of David Ferguson, Lounsberry, Ferguson, Altona & Peak



ATTACHMENT C – HOME SALES AND PRICE ANALYSIS

Number of Homes Analyzed in Section 7						
State	City	Facility Name	Property Opening Date	Geographic Comparison	No. of Homes in Analysis	
					in S/P Area	in City
Arizona	Youngtown	Southwest Key	2013	City of Youngtown	341	296
Arizona	Glendale	Southwest Key	2008	City of Glendale	1,667	35,348
California	El Cajon	Southwest Key	2000	City of El Cajon	1,204	10,653
California	Pleasant Hill	Southwest Key	2005	City of Pleasant Hill	1,017	2,870
California	San Marcos	Casa de Amparo	2012	City of San Marcos	1,585	5,323
California	Escondido	San Pasqual Academy	2001	City of Escondido	1,679	10,025











