

IN THE MATTER OR ARBITRATION BETWEEN

12-03-11102-11 PCVD

NOMAD VILLAGE MOBILE HOMEOWNERS,

Petitioner

and

OPINION AND AWARD
(Revised)

NOMAD VILLAGE MOBILE HOME PARK

Respondent.

ARBITRATOR	Stephen M. Biersmith Attorney at Law
DATE OF AWARD	December 20, 2011
HEARING SITE	County Administration Building County of Santa Barbara
HEARING DATES	September 19 -20 2011
RECORD CLOSED	October 19, 2011
REPRESENTING THE PETITIONER	Mr. Bruce Stanton, Esq. Law Offices of Bruce Stanton 6940 Santa Teresa Blvd. Suite 3 San Jose, CA. 95119
REPRESENTING THE RESPONDENT	Mr. James Ballantine Attorney at Law 329 East Anapamu Street Santa Barbara, CA. 93101

JURISDICTION

The Arbitrator was selected to serve pursuant to agreement by the parties and the relevant clauses in the Santa Barbara County Mobile Home Ordinance (hereinafter "Ordinance"). Both the Nomad Village Home Park (hereinafter "Park Owner") and the Nomad Village Mobile Homeowners (hereinafter "Homeowners") were afforded a full and fair opportunity to present their cases. Witnesses were sworn and their testimony was subject to cross-examination. The parties agreed to submit written closings, both of which were received by the Arbitrator.

ISSUE

Was the notice of increase dated January 26, 2011, demanding a percentage increase of 2.59% of the current base rent and an additional \$161 per space, effective May 1, 2011 from Nomad Village Management appropriate? If not what is the appropriate amount of the increase?

WITNESSES

For the Petitioner:

1. Kenneth Baar
2. Dan Waltz

For the Respondent:

1. Dr. Michael St. John
2. Ken Waterhouse
3. Ruben Garcia

EXHIBITS

Joint Exhibits:

1. Text of Santa Barbara county Rent Control Ordinance
2. Notice of Hearing

For the Petitioner:

1. Resume of Kenneth Baar

2. Appendix A Indexing Ratios in MNOI Standards.
3. Gardena (14.04.180 Standards for Review)
4. Court Decision (Rainbow Disposal)
5. Legal Expenses
6. Chapter 540-2 Mobile Home Space Rent Stabilization
7. Amortization table from unidentified document
8. Consent forms from homeowners

For the Respondent:

- A. Notice of Increase dated 1/26/11
- B. Example of space rent increases
- C. Nomad Village space rent increase spreadsheet, dated 5/11
- D. Tables
- E. Curriculum vitae for Michael St. John, PhD.
- F. CPI documents
- G. Property tax documents
- H. Lazy Landing ground lease
- I. Nomad Village, Inc. ground lease
- J. Capital expenses documents incurred by Nomad Village, Inc.
- K. Proposals to Waterhouse Management Corporation
- L. Nomad Village, Inc. financials, 1994, 2006 – 2008
- M. Proposal dated May 26, 2001
- N. Profit and Loss Statement dated 12/31/08
- O. Profit and Loss dated December 31, 1994
- P. Various Estimates
- Q. Statement of Account by Ballantine's fees for Professional Services
- R. Statement of Account of St. John & Associates
- S. Statement of Account by Ballantine's fees for professional services
- T. Table 3A Revised

PROCEDUARL MATTERS/STIPULATIONS

The parties agreed to the correctness of the CPI multiplier and the base data point used to make that calculation. Without waiving their right to argue the appropriateness of the professional fees category at all or any claim in a future proceeding, the parties stipulated to the fact that an actual numeric number will be submitted as opposed to using anticipated amount for professional fees. The parties also stipulated to the fact that Waterhouse Management and Lazy Landing MHP LLC ("Lazy") are the owners and subject to the provisions of the ordinance. They also agreed that the due process requirements for the meet and confer process were met.

TESTIMONY PRESENTED

Dr. Michael St. John

St. John testified as an expert witness. He is an economist with a PhD from UC Berkeley and has authored a study on the principle of fair return on mobile rent control. MNOI stands for maintenance of net operating income. It generally focuses on income and expenses. It is St. John's opinion that the ground lease would be such an expense. Besides the Ordinance allowing for an arbitrator to decide on the how to do a CPI calculation, it also has a provision for capital expenses, which can be noticed in advance if the Park Owner begins work within six months.

St. John noted there had been two large increase expense items in both the lease payment and property tax associated with the change in ownership. It is his understanding that the Park Owners are contemplating a challenge to the increased taxes, which if successful, would reduce the permanent increase and allow for the reimbursed tax payments from the County to pass through to the residents. . He believes a lease arrangement with the land owner in the range of 10 -20 % rental amount is reasonable. Besides his permanent increase calculation he also did one for temporary increases using a 9% amortization for capital improvements. Some of these items had a "regulatory lag, " which is the time from when the Park Owner first incurred the charges and when it could go through the regulatory process and begin recovering the cost. It could be due to the time it takes to calculate the CPI and get the books and records prepared before one can bring a fair return application. St. John believes a number of the large expenses could be treated as annual cost items. Instead he spread them out overtime similar to the way the capital expenses are treated. As to monies already spent by the Park Owner, St. John was not aware of any time

limit on going back and requesting that the Homeowners pay those amount whether it be 2, 5 or even ten years. Some adjustments to the data he used were necessarily given that the current and previous park owners had used different bookkeeping systems

St. John noted there had been no rent increase since 2008. He used 100% indexing instead of 75% to come to his permanent increase number. He acknowledged partial indexing is very often used for annual, but not fair return adjustments. As to which base year he used, St. John ran parallel calculations using 1994 and 2007, but believes the latter was more appropriate.

In putting together his findings, it was St. John's opinion that the Park Owners should be able to recover legal and professional fees. St. John confirmed that \$320,000 has been paid into escrow for park infrastructure, but was unaware of what improvements they were designated for to be spent on. He confirmed there had been some debate as to whether gas and electric expenses should be included. If such expenditures were for a major replacement, he believes it should be recoverable from the Homeowners. He would not contest a longer and more reasonable amortization schedule for such expenses such as 15 years, which would be more appropriate for streets and electrical replacement.

As to the professional fees associated with a possible property tax appeal, St. John believes if there was a reimbursement those amounts should also be returned to the Homeowners and any portion of the permanent rent increase associated with the same should be also reduced. He did acknowledge some charges, such as bank fees and professional dues may not have been appropriately categorized. He confirmed the ordinance prohibits debt service, interests and loan costs.

Kenneth Baar

Baar has a PhD in urban planning from UCLA and a law degree from Hastings. For approximately 20 years he has served as a consultant on mobile home park rent issues in about 30 different jurisdictions. Although he was not prepared to give an opinion as to what amount of rent increase would be appropriate, but did not believe a large one is justified. Baar agreed that the MNOI was the most appropriate fair return methodology to use in this case. Although not mandated by the ordinance he would have used 1994 and 75% indexing. He would not have included the increased lease payments in the MNOI analysis. He has seen cases where land rent

has both been allowed and not allowed. If it was allowed, it was something that was included in a particular ordinance. There is no such expressed provision here in Santa Barbara. Barr sees the ground lease payments as an allocation of profits between the landowner and Park Owner. He believes it should be treated as an acquisition costs which the ordinance does not allow to be considered. To allow payment would give the Park Owners a type of rent increase they could not have had if they instead had purchased the land. Barr argues that such a scheme would become circular, if the rent goes up, then it would increase the land lease payments, which would again justify another rent increase.

As to whether or not capital items which were incurred or paid for in the previous years should have been included in the rent increase, Baar believes it would be unusual. There is recover prospectively as long as the work is done within six months. He noted in this case bids have been received but nothing has been done. As far as any recoupment in the capital requests for replacing meters, a court in the *Rainbow* decision held they are pre-empted by utility regulations. The utilities provide the Park Owner with a differential to cover such costs. If those monies are not adequate, then Barr believes their argument is with the PUC. His opinion would include those professional fees associated with the same. He believes a 7% amortization rate would be more appropriate than the 9%. As for how long, he would like to see an opinion about how long they expect the assets to last.

As for the legal fees incurred in challenging the tax assessment, As long as they are reasonable, Baar believes they may be justified since the residents might benefit from a tax reduction but believes the \$125k number put forth by the Park Owners is too high. It was his opinion that \$30,000 - \$40,000 would have been more appropriate. If the Park Owners were to appeal, he would agree that they could come back and ask for additional legal fees. In regards to the supplemental tax increases, generally park owners do not make a claim for past expenses, unless there was a reason why they could not have claimed them sooner. Barr does not know of a clear time limit which would allow the Park Owner to pass along cumulative past increases. Some of the residents have moved and others were not in the park when expenses were incurred.

Ken Waterhouse

Waterhouse is a member of Lazy, the entity which purchased the land lease where the homeowners currently reside. He confirmed that the financial statements entered into evidence were kept in the normal course of business and that the bank fees noted as a charge were a late fee charged by the lender after Lazy initially did not initially pay the new property tax assessment. In his years of experience as a Park Owner of multiple parks, 10 – 20% is the typical range of rents paid for mobile home parks operating on long term leases. This particular investment is not risk free and Lazy is not building any equity in the property. Once the lease expires Lazy will have nothing.

Waterhouse initially looked into the propriety of the tax reassessment, but after talking to outside professional she believed Lazy was stuck with the increase. After receiving the assessment notice Waterhouse met with the Homeowners who told him that if they would pay professional fees to fight the assessment, they would get a credit for those amounts not spent. The Homeowners he spoke to did not want anything to do with it. He stated that the landowner stands ready to cooperate if the decision is made to move forward with an appeal. He has no idea as to the time period when such an appeal must be brought.

Waterhouse also testified that Lazy purchased plans and permits from the previous operator of the park. Several of those permits have expired, but he believes the County will work with them on that issue. He confirmed that the \$50k in professional fees listed was paid by Lazy and that \$320k is indeed in escrow for capital expenses. He has no problem with using the 15 years for the amortization period for recouping the same from the Homeowners. It is his understanding they can pass through to the Homeowners the costs for replacing the sub-metering gas or electric systems. Although discussions with the County are ongoing, he believes those improvements will cost about \$400k, including from \$230 - \$271 for replacement of the electrical system. As to the appropriateness of the legal fees submitted to the Homeowners, Waterhouse testified he has spent much more in other cases.

Rueben Garcia

Garcia is a vice-president for Waterhouse Management Corporation, responsible for its day to day operations. Garcia confirmed the records introduced into evidence were within the normal course of business and that he was present along with Waterhouse for the meet and

confers with the Homeowners. During those meetings they discuss the property tax appeal process, but the Homeowners told them they did not want to participate in the appeal process.

Dan Waltz

Waltz is a current resident of the park and has lived there for about the last 10 years. He was elected by the other Homeowners to serve as a representative and meet with the Park Owners. Waltz testified the representatives never told the Park Owner that they did not want them to go forward with the tax appeal. Waltz stated that to the contrary the Homeowners offered their help since they were the ones who were paying the rent. The Park Owners discussed in general terms what the legal fees noted were for, but the Homeowners were never asked by them to fund the appeal. The Homeowners never agreed to or disagreed about paying the anticipated professional fees for property taxes.

POSITION OF THE PARTIES

It is the Homeowner's position that their petition was not deficient in that it was verified by the County Clerk. They also believe that the \$161.00 per month charge as noticed by the Park Owners was really base rent in character. The County's ordinance does not contain specific authority to allow rent increases in a dollar-for-dollar fashion without looking at certain relevant factors. There is no precedent in fair return theory for the pass through the Park Owner is seeking. The burden of proving a rent increase rests with the Park Owner. Although it did not give one of their own during the hearing, the Homeowners did point out items which were either not supported by the evidence or inappropriate. Any inquiry into a fair return should utilize the MNOI which is what the Park Owner's expert even used.

As to the property tax line item, the Homeowners believe it is premature to make a determination as to the appropriateness of this amount. They do not believe these amounts should be claimed as part of the MNOI calculation and passed through if there is any chance there will be a determination that the reassessment was improper.

They also believe the increase lease payments being required of the Park Owner should not have been included in the MNOI analysis since it is not an operating expense. It is an investment expense and was part of the bargaining in reaching a purchase price of the leasehold. If allowed, there would be no incentive for them to negotiate a lower rate if the Park Owner

knew it could just pass it through. The Homeowner's expert noted such an item is allowed in other jurisdictions, if it is specifically spelled out in the ordinance. The Ordinance in this case is silent as to whether or not it is permissible. The Park Owner's expert admitted such pass through were relatively rare and he could not recall being involved in a case where it was allowed. The circular nature of such an allowance and other contingencies and variables associated with building them into an award are additional reasons why they should be excluded.

The Homeowners do not object to the use of the MNOI analysis, just as to how it was used in this case. They believe the 1994 base year should be used since it is the oldest data available. As to indexing, because the Ordinance indexes annual adjustments at 75%, that is the percentage the Homeowners feel it should be in this case. The Park Owner's attempt to pass through temporary expenses should also be denied in that they are being treated as capital items.

As to capital improvements, it is unclear as to why \$50,000 for professional fees would be needed. In regards to the "A & E" fees, the actual amount is \$62,145.55. Expense items incurred by the previous park owner should not be subject to reimbursement. Any portion associated relating to repairs, maintenance upgrade or replacement of the sub-metered gas or electric systems should also not be passed through given the sub-metered discount they receive each month from the utilities. The \$320k should not be allowed in that the Park Owner is not even sure what it is going to spend it on. The upgrade to the electrical system should not be included. It is unlikely the streets could be completed within six months. All capital expense should be identified, plus the definition of the capital improvements must be met before an increase is authorized. The "anticipated Profession Fees" need to be specifically explained and accounted for as well as supported by good faith estimates or billings of incurred legal expenses. The amounts due to what has been characterized as "regulatory lag amounts" are monies the Park Owner should have tried to recapture sooner. In any case, Baar testified the "lag" should be no more than 12 months.

It is the Park Owner's position that all of the components of the rent increase were well supported by the evidence presented and that the homeowners conceded the legal basis for all aspects of the rent increase. They did not present evidence establishing that the rent increase should be another number. As to the permanent increase, the Park Owner believes that the ordinance supports a request for recoupment of the increased operating expenses it has occurred

including those for the increased property tax and ground lease payments. There is no dispute that the taxes have nearly tripled. If the property taxes were reduced, the Homeowners would benefit with a reduced rent.

As to the increased rent, there is also no dispute that the amount the Park Owners have to pay the owners of the land has doubled or that it represents a market price for the same. It was an arms; length negotiation. Such amounts are typically included in a MNOI analyses. They did not object on the basis of the S.B. ordinance, but on what exists in other jurisdictions, which are irrelevant in this matter. The homeowner's consultant conceded that this increase could be considered by the arbitrator.

Unlike the Park Owners, the Homeowner did not do their own MNOI analysis and that their consultant did not disagree with the one put into evidence by St. John. The evidence they presented that the 1994 base year should be used and a discounted 75% indexing rate was not persuasive. The ordinance essentially leaves open the determination of which base year to use to the judgment of the analyst. The Homeowners had no knowledge of any factors that would make 1994 more appropriate. The argument that 100% indexing should not be used because the park was a risk free investment and the benefit of equity growth was unsupported by the evidence.

As to the temporary rent increase, the homeowners conceded that a "regulatory lag" could occur. There is no absolute line how far back a Park Owner can go before giving notice for such past expenses. The amortization for anticipated professional fees for challenging the assessment is also proper. Expensing them over time was to the benefit of the Homeowners as would be a reduction in the assessment. In regards to the amortization of costs of capital improvement, amounts paid into escrow for such items and for the plans associated with the same should also be recovered. The Park Owner believes that the interest used for the amortization period was correct.

OPINIONS AND FINDINGS

A. Permanent Increase

1. CPI Increase

With the stipulation agreed to by the parties and with a finding that such a proposed amount is within the parameters of the Ordinance, this particular increase should be granted as originally noticed in the letter to the Homeowners dated January 26, 2011 (Ex. A).

2. Lease Payment Increase

On or about July 31, 2008 the Park Owner executed a thirty-four (34) year lease with the Bell Trust UDT dtd 8/12/91 the current owners of the land (Ex H). The previous lease between the landowner and Nomad Village, a California corporation, expired on August 1, 2008. Over the years the owners of the property have entered into various leases and amendments since 1958 (Ex. I). The new lease contained a number of different terms, including a provision for the payment of \$500,000 plus an amount equal to 20% of all collected rents. There was no evidence disputing Waterhouse's representation that this new lease was an arm's length transaction.

Historically the 10% rent increase under the old lease had been passed through and paid by the Homeowners. There is no evidence that any of the present Homeowners or their predecessors in interest ever challenged those charges. With the new leasehold and corresponding increase to 20%, the question is whether or not this increase should be classified as an operating expense and passed along. The Ordinance is clear that ordinary and necessary maintenance and operating expenses can be considered by the arbitrator (Section 11A-5f). As noted by Baar, this additional lease obligation is more properly characterized as a cost of acquisition and not an operating expense. It was just one of the new lease terms negotiated by the parties, some of which appear to have been to the benefit of the landowner and others more to Park Owner.

To allow such a pass through would take away the incentive of any future operator to keep this percentage down. They could for example, in the future with a new lease or possibly even an amendment to pay only \$250,000 (which could not be recouped) in exchange for even a larger rent, which the Homeowners would then have to pay using the Park Owner's rational.

The Ordinance is silent as to whether or not such a contractual expenditure can be passed along to the Homeowners. Although every jurisdiction is different, there is some value to be gained by looking at other ordinances and how they handle such payments. There are ordinances in other jurisdictions which specifically allow such a recovery. It is a fair assumption then that by omission the County most likely did not want to allow such amounts, which are really more in line of acquisition costs, passed through to the Homeowners.

3. Property Tax Increase

Section 11A-5 of the Ordinance allows the arbitrator to consider "increases in property taxes and fees. Historically the Homeowners have been paying the property tax assessed to the landowners. The issue now is whether they should be responsible for the increase in property

taxes associated with the change of ownership as the result of the Park Owner purchasing the leasehold. The weight of the evidence supports the Park Owner's position that the Homeowners are responsible for these amounts. Unlike the lease purchase negotiations, the outcome of which was controlled by those parties, this tax increase was not negotiable. It was an amount apparently decided on by the County and its interpretation of the *California Revenue and Tax Code*. The Park Owners would not be charging the Homeowners any more than the County is charging them (Ex. G).

As the Homeowners noted, there is a certain amount of the uncertainty on how any appeal or reassessment will come out if one is pursued. It is rational that the Park Owner should not bear the cost burden of any such challenge alone. There is no benefit at all to the Park Owner associated with such an increase. Given the allowance in the Ordinance that the Homeowners could be charged for taxes paid, they are the only ones who would benefit from any past or future reduction.

The purpose of this hearing was not to determine the probability of success with either an appeal or reassessment, but with the reduction of property values statewide, there may be an opportunity for the latter. The Park Owner believes there is some possibility that the park could be reappraised or that this assessment could be successfully challenged on appeal. The protective mechanism, as acknowledged by the Park Owner, in the form of a reimbursement for all excess amounts paid and a reduction in the permanent rate going forward is sufficient protection for the Homeowners. Absent such an adjustment, the increase in taxes associated with this new assessment should be paid by the Homeowners to the Park Owners as a permanent increase.

B. Temporary Increase

As to the Park Owner's request for a temporary increase to cover additional expenditures, there is some justification that would allow charges in some areas, but not in others.

Capital Improvements (Infrastructure)

In reading the Ordinance it is clear that the Park Owner can pass along capital improvements and expenses, if they are properly characterized and are completed within six months of the approval of such amounts. In this case Waterhouse testified that as a financing condition of the loan taken out to purchase the leasehold, the Park Owner was required to place \$320k in escrow for capital improvements. It was unclear as to whether or not these amounts were part of a sinking fund, which could be drawn down as expenditures dictate, or if this escrow amount was a minimum that needed to be maintained for the length or some portion of the term of the loan. Regardless, this escrow requirement, like the increase in the land lease payments,

was associated with the acquisition of the leasehold and an amount the Homeowners should not have to pay on that basis alone.

It is notable that had a purchaser of the leasehold paid all cash, there would have been no such escrow requirement. If there were no plans to spend these monies for capital expenses or improvements, the Ordinance does not allow the Park Owner to recoup these amounts. This is not the stated intention of the Park Owner. Waterhouse testified that Lazy will be spending much more than this escrow amount on other capital items besides just the utilities, including for the roads in the park.

The Ordinance makes it clear that such funds can be collected, but with the restriction that those monies must be spent on eligible items within six months or returned. As far as what is eligible, the Ordinance in Section 11A-2(b) defines such items as a “repair or replacement of existing facilities or improvements which have an expected life of more than one year.” The Park Owner can charge the Homeowners this \$320k via a temporary increase, but any amounts which are not itemized as being eligible and/or spent by from six months of the date of this award, including for the capital replacement of the meters, must be returned and no longer charged to the Homeowners.

Professional fees

The professional fees spent on capital improvement item should not be treated as a one shot expense, but rather amortized (Ex. K & Q). After considering the objections raised by the Homeowners, a good portion of the line items submitted by the Park Owner do not appear to be relevant to any capital improvements, therefore, a reduction of \$25,000 from the original request is warranted. The remaining \$25,000 is to be charged to the Homeowners.

A&E Fees

Waterhouse testified he purchased certain plans to facilitate evaluating and then moving forward on certain capital improvements for the park. Given the age on some of the supporting documentation, some of this work appears stale. Although the Park Owner represented that the County will work with them with such things as expired permits, some of this work may have little or no value as of this date. A more reasonable amount to be charged would b \$40k.

Uncompensated Increases

Supplemental Tax Increase

The \$130,531 spent by the Park Owners can be included in the temporary increase. The parties were unsure whether or not such fees could be awarded as part of any favorable property tax appeal. If there is such an award, judgment or settlement in the future those amounts should be credited to the Homeowners.

Increased Land Lease

For the same rational as noted above denying the request for the lease payments as part of the proposed permanent increase, these amounts should also not be passed along to the Homeowners.

Anticipated professional fees relating to property taxes

Although the Park Owner has expressed an interest in and has already done some preliminary investigation into the matter, it remains unknown as to whether or not it will unilaterally proceed with a tax appeal or request a reassessment without a financial contribution from the Homeowners. The Park Owner should not be expected to start such an appeal and expend professional and legal fees if none of the benefit of a reduction would fall to them. Unlike the property owners, who one suspects would want a lower base both for possible future lease negotiations and/or a reversion of the property the Park Owners have no real incentive to move forward. If they do nothing, as noted above, the Homeowners will be responsible for the additional assessment and any multiplier affect related to the same as the years go on.

From the testimony presented there is a dispute as to whether or not the Homeowners wanted to go forward. Both Waterhouse and Garcia testified they asked the representatives of the Homeowners if they wanted to participate by paying the anticipated fees, but they declined. Waltz, testifying as a Homeowner representative, said they were never asked to contribute. This was an important matter and one that needed to be clarified further before any additional legal expenses pursuing this particular item were incurred. Since the arbitration the Homeowners have now decided and the Park Owner had been informed that they do not wish to pursue any reassessment or appeal of the property tax increase.

Anticipated professional fees relating to rent increase

After reviewing the itemizations submitted by the Park Owner for expert and legal services expended in this matter (Ex. R & S) and the Homeowners response, a reasonable amount to be paid by the later would be \$110,000.

AWARD

1. The CPI increase as calculated and proposed by the Park Owners in its letter dated January 26, 2011 can be charged to the Homeowners.
2. The Homeowners do not have to pay the additional 10% increase in ground rents.
3. The Homeowners are to pay the Park Owners for all real property taxes assessed by the County.

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AWARD

1. The CPI increase as calculated and proposed by the Park Owners in its letter dated January 26, 2011 can be charged to the Homeowners.
2. The Homeowners do not have to pay the additional 10% increase in ground rents.
3. The Homeowners are to pay the Park Owners for all real property taxes assessed by the County.

4. All granted temporary increases are to be amortized at 9% for seven (7) years.
5. The Homeowners are to pay the \$320,000. If any of these monies are not spent on eligible items with six months from the date of this award, the residual amounts are to be returned to the Homeowners.
6. The Homeowners are to pay \$25,000 for professional fees associated with the capital improvements.
7. The Homeowners are to pay \$40,000 for the A&E fees associated with the capital improvements.
8. The Homeowners are to pay \$130,531 for the supplemental tax increase payments already paid by the Park Owner.
9. The Homeowners do not need to pay for the uncompensated increases associated with the increased lease payments.
10. The Homeowners have elected not to proceed with a property tax appeal or reassessment and should not be charged with professional fees associated with the same.
11. The Homeowners are to pay \$110,000 for legal fees associated with the challenge to the rent increase.
12. The Permanent Increase is to be \$25.59 and the Temporary Increase \$67.09 as supported by Respondent's Exhibit T.
13. The Parties are to work towards agreement and payment of any overpayments by the Homeowners as a result of this award by March 1, 2012.
14. The Arbitrator will maintain jurisdiction until the expiration of the time line noted in #13 above.

Dated: December 20, 2011


Stephen M. Biersmith, Esq.
Arbitrator

PROOF OF SERVICE

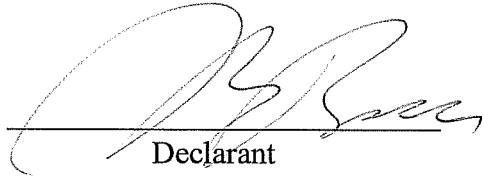
I am employed in the County of Ventura. I am over 18 years old and not a party to the within action. My business address is 5462 Rincon Beach Park Drive in Ventura, CA. 93001.

On the day set forth below I served the following "Opinion and Award" on all of the parties to this action by placing the duplicate originals of said document in a sealed envelope in the following manner:

(X) (By U.S. Mail) I placed such envelopes addresses as shown below for collection and mailing at Santa Barbara, California following our ordinary business practices. I am readily familiar with this office's practice for collecting and processing correspondence for mailing. On the same day that correspondence is placed for collection and mailing, it is deposited in the ordinary course of business with the United States Postal Service in a sealed envelope with postage full prepaid.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed on December 20, 2011, at Santa Barbara, California.


Declarant

NAME AND ADDRESSES OF EACH PERSON TO WHOM SERVICE WAS MADE

Mr. Bruce Stanton, Esq.
Law Offices of Bruce Stanton
6940 Santa Teresa Blvd. Suite 3
San Jose, CA. 95119

Mr. James Ballantine
Attorney at Law
329 East Anapamu
Santa Barbara, CA. 93101

County of Santa Barbara
105 East Anapamu Street, Room 105
Santa Barbara, CA 93101

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