

Attachment E
Arbitration Hearing Brief by Nomad Village Mobile
Home Park

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ARBITRATION PROCEEDINGS UNDER THE SANTA BARBARA COUNTY
MOBILEHOME RENT CONTROL ORDINANCE

IN RE NOMAD VILLAGE MOBILE HOME PARK)
)
) ARBITRATION HEARING
) BRIEF BY NOMAD VILLAGE
) MOBILE HOME PARK
)
)
)
)
) Before
) Stephen Biersmith, Esq.
) Arbitrator
)
) Date: September 19, 2011
) Time: 9:00 A.M.
) Location: Board of
) Supervisors Hearing Rm

Nomad Village Mobile Home Park Management hereby submits
its Arbitration Hearing Brief for the arbitration proceedings
initiated by certain of its homeowners.

INTRODUCTION

1
2
3 Nomad Village Mobilehome Park was operated for many years
4 by Nomad Village, Inc., pursuant to a ground lease or series of
5 ground leases, which expired on July 31, 2008, and was not
6 renewed. Commencing August 1, 2008, a new ground lessee, Lazy
7 Landing, LLC, entered into a 34-year ground lease for the
8 property on which the Park is located, pursuant to arms-length
9 negotiations with the ground lessor. The park is now operated
10 for Lazy Landing by Waterhouse Management Company.

11 The last space rent increase at the Park was made by Nomad
12 Village, Inc., and was effective May 1, 2008. There have been
13 no space rent increases since the new management. Expenses, on
14 the other hand, have increased significantly, primarily due to
15 increases in property taxes and ground lease fees. There are
16 several capital projects in the planning stages. Roughly
17 \$325,000 has been paid by the Park operator into a reserve
18 account to accomplish the needed capital improvements.

19 Waterhouse Management notified park residents in late
20 January 2011 of space rent increases to be effective on May 1,
21 2011. The notice covered the standard CPI increase, which
22 varied slightly by space, plus a \$161 per space, permanent
23 increases of \$58.16 per space and temporary increases of \$102.84
24 per space.

25 Before the rent increase notice, rents in the Park ranged
26 between 265 and 407 and were among the lowest in the South Coast
27 area subject to the Santa Barbara County Rent Control
28

1 jurisdiction, and there have never been any significant rent
2 increases since the Rent Control Ordinance was enacted in 1979.

3 The Park held an informational meeting for all residents,
4 and held a noticed meet & confer session with the residents, as
5 required by the mobilehome rent ordinance. Management and
6 residents met a second time. During this process, the Park
7 provided a substantial amount of documents and information
8 concerning the rent increase to all Park residents, as well as
9 to the persons identifying themselves as the homeowner
10 representatives.

11 A group of residents filed a petition with Santa Barbara
12 County, contesting the noticed space rent increase in its
13 entirety; the Park filed its Objections and Response to the
14 Petition, and the matter has been set for an arbitration
15 hearing.

16 This Arbitration Hearing Brief by Nomad Village Mobile Home
17 Park sets forth the rationale and documents supporting the rent
18 increase that should be considered in the arbitration context.

19
20 II

21 FACTUAL BACKGROUND

22
23 Nomad Village Mobile Home Park is located at 4326 Calle
24 Real, Santa Barbara, CA 93110, between El Sueño Road and San
25 Marcos Pass. Nomad Village is a 150-space mobile home park, in
26 which the mobilehomes are all owned by homeowners who rent their
27 Spaces from the Park. The Park was developed in the late 1950's
28 and from 1958 to 2008, was operated by Nomad Village, Inc.,

1 which leases the land on which the Park is located under a
2 ground lease which expired in 2008. The fee interest in the
3 ground on which the Park is located is owned by the Bell Trust,
4 the longtime owner of the land.

5 Nomad Village Mobile Home Park is operated by Waterhouse
6 Management Company, the management company for Lazy Landing,
7 LLC, which entered into a long-term Ground Lease for the Park
8 commencing August 1, 2008. The term of the Ground Lease is 34
9 years. The Ground Lease requires that the Park operator pay
10 property taxes and maintain the Park and make all necessary
11 improvements to the Park. The Ground Lease requires that the
12 Park operator pay rent to the property owner in the amount of
13 20% of the gross space rents paid, which is double the amount of
14 rent that was charged to the prior operator, Nomad Village,
15 Inc., which paid rent in the amount of 10% of the gross space
16 rents paid.

17 There has not been any space rent increases in Nomad
18 Village Mobile Home Park at all since the current management
19 took over.

20 On January 26, 2011, the Park delivered to all homeowners
21 in the Park two separate notices with respect to rent, as
22 follows:

23 1. A Notice of Increase in Monthly Rent Effective May 1,
24 2011, dated January 26, 2011, to all homeowners of Nomad Village
25 Mobile Home Park. The same Notice was sent to all homeowners of
26 the Park. This Notice stated that the homeowner's Base Rent
27 would be increased by 75% of CPI for the period of May 1, 2009
28 through May 1, 2011 (i.e. 75% of CPI for May 1, 2009, May 1,

1 2010 and May 1, 2011). The Notice stated that in addition to
2 the Base-Rent increase, the homeowner's Space Rent is also being
3 increased in accordance with the terms of the Ordinance by the
4 amount of \$161 per space, per month; of this amount, \$102.84
5 will be temporary, for a period of 7 years, beginning May 1,
6 2011, and terminating April 30, 2018. This increase was in
7 accordance with the terms of the Ordinance for recoupment of
8 expenses incurred by Park management for increased operating
9 expenses by park management for increased property taxes, and
10 increased ground lease payments, as well as for capital expenses
11 being incurred by the Park. The Notice stated that it was being
12 issued pursuant to the Santa Barbara County Rent Control
13 Ordinance (referred to as "Ordinance" herein). A copy of this
14 Notice is attached hereto as Exhibit A.

15 2. A Notice of Amount of Space Rent Commencing May 1,
16 2011, constituting a ninety-day Notice of Rent Increase in the
17 Base Rent for each of the Spaces in the Park, dated January 26,
18 2011; the increases were in the exact amount of 75% of the CPI
19 of the existing Base Rent for each of the Spaces, for the dates
20 of May 1, 2009, May 1, 2010, and May, 1, 2011, with the rent
21 increase effective May 1, 2011. The amount of Base Rent,
22 obviously, differs from Space to Space; but for each given
23 space, Base Rent was increased by 75% of CPI, for the period.
24 An example of such a Notice (with the name and space number
25 redacted) is attached hereto as Exhibit B.

26 Homeowners of the Park were also provided with a
27 Spreadsheet, entitled **Nomad Village Space Rent Increase (May,**
28 **2011)** setting forth in detail the amounts of the space rent and

1 the charges on which they were based. A copy of the Spreadsheet
2 is attached hereto as Exhibit C.
3

4 Four representatives of the Park management attended the
5 Meet and Confer, including the Park owner, the management
6 company head in charge of the management of the Park, and Park's
7 economist who had calculated the rent increase. In addition,
8 Park management had its electrical engineer, John Maloney,
9 available for any questions by the homeowner representatives.
10 Four persons who indicated that they were designated
11 representatives of the homeowners attended, including Tony
12 Allen, Debra Hamrick, and Dan Waltz.

13 However, the homeowner representatives indicated that they
14 were not empowered to enter into negotiations with Park
15 management at that time. Park management provided a number of
16 financial and other documents supporting the rent increase at
17 the time of the Meet and Confer, as well as before and after
18 the Meet and Confer. A follow-up Meet and Confer was held on
19 March 8, 2011, at the Park recreation room. Three
20 representatives of Park management attended. Two of the
21 representatives of the homeowners attended, however, they again
22 indicated that they were not empowered to enter into
23 negotiations with Park management at that time.

24 The Homeowner representatives, and all homeowners in the
25 Park, were also provided with various documents supporting the
26 rent increase, and additional documents were provided to the
27 homeowner representatives as well.
28

1 on investment and to cover operating cost increases., and is a
2 permanent increase in space rents. The calculations are set out
3 in Table 3-A, "MNOI Analysis 2007-2010" and Table 3-B, "MNOI
4 Analysis 1994-2010," and follow the methodology set forth in the
5 Ordinance.

6 The third category, Capital Expenses, include soft
7 (architectural, engineering, and professional fee) and hard
8 (construction) costs associated with infrastructure improvements
9 planned for the park. Cost estimates and amortization
10 calculations appear in Table 4 - Temporary (Amortized) Space
11 Rent Increases.

12 The fourth category, Uncompensated Increases, cover
13 reimbursement of the property tax increase and the lease fee
14 increase from the time in which they were effectively incurred
15 (when the new operator took over) through the effective date of
16 the noticed rent increase of May, 2011. Calculations appear in
17 Table 4 - Temporary (Amortized) Space Rent Increases.

18 The fifth category, Anticipated Professional Fees -
19 Property Tax Appeal, covers the expected cost of the property
20 tax appeal process, with the Park to begin incurring the costs
21 following approval of the rent increase for this purpose. Cost
22 estimate and amortization calculation appear in Table 4 -
23 Temporary (Amortized) Space Rent Increases.

24 The sixth and final category, Anticipated Professional Fees
25 - Rent Increase Arbitration, covers the professional fees
26 expected to be incurred over the course of the rent increase
27 arbitration process now underway. Cost estimate and
28

1 amortization calculation appear in Table 4 - Temporary
2 (Amortized) Space Rent Increases.

3 The foregoing elements of the noticed increase are further
4 explained in the following sections.

5
6 **1. Automatic (CPI) Increase.**

7 The Ordinance (Section 11A-5 ff) establishes as an
8 "automatic" annual increase of the Base Rent in an amount equal
9 to 75% of the CPI for the immediately preceding 12 months. At
10 Nomad Village, there has been no increase since May 2008. The
11 "automatic increase" in this case therefore covers the three-
12 year period 2008 to 2011 (CPI figures for December 2007-December
13 2010). This rent increase covered for 75% of CPI increases that
14 would otherwise have occurred on May 1, 2009, May 1, 2010, and
15 May 1, 2011, and were based upon the applicable changes in the
16 CPI from December 2007 - 08, 2008 - 09, and 2009 - 10,
17 respectively as provided for in the Ordinance. Since the
18 applicable CPI was a negative number for the May 1, 2008, date,
19 the tenants were given a credit for that portion of the rent
20 increase. Calculations supporting these increases, the dollars
21 amounts which vary slightly from space to space, are set out in
22 Table 2, "CPI Calculations".

23 It appears from the Tenant's petition that they are
24 challenging the Park's right to this automatic increase. Such a
25 claim by the tenants is groundless, and contrary to the terms of
26 the Ordinance.

27 Sub-section (d) of Section 11A-5 specifies that the
28 arbitrator must deny a hearing upon finding that the noticed

1 rent increase is not in excess of seventy-five percent of CPI,
2 and provides as follows, emphases added:

3 (d) The arbitrator **shall** deny a hearing on a noticed
4 increase:

5 (1) Where management...proves by a preponderance
6 of evidence that:

7 **(B) The noticed increase is not in excess of seventy-**
8 **five percent of CPI.**

9 As to subsection (B), the noticed increase in Base Rent is
10 not in excess of seventy-five percent of CPI, and therefore the
11 homeowners' petition must be denied as to the Base Rent
12 increase. The increase in Base Rent, as set forth in the Park's
13 January 26, 2011 Notice, is seventy-five percent of CPI, and
14 therefore, necessarily, **not** in excess of seventy-five percent of
15 CPI. The pass-through for capital improvement expenses and the
16 increases for increased operating expenses for ground lease rent
17 and property taxes is a proper separate basis for a rent
18 increase, as set forth herein.

19 The Notice of Increase in Rent and the Notice of Amount of
20 Space Rent Commencing May 1, 2011 clearly set forth that the
21 Base Rent is being increased by seventy-five percent of CPI for
22 the period at issue, May 1, 2009 through May 1, 2011, calculated
23 as explained above. The last rent increase at the Park was
24 effective May 1, 2008. The Ordinance allows a rent increase no
25 more than annually.

26 The reference in the Ordinance to the CPI index is as
27 follows:

28 ...the percentage by which the most recently published
edition of the United States Department of Labor,
Bureau of Labor Statistics, Consumer Price Index for
Urban Wage Earners and Clerical Workers, Los Angeles-
Long Beach-Anaheim area, all items, Base Index

1 1967=100, shows that such index has increased during
2 the immediately preceding twelve months for which said
3 index has been published at the time notice of said
increase was given or since the last rent increase...

4 (Ordinance, § 11A-5(a)(2) emphasis added.)

5 The Base Rent increase employed the 12-month increase for
6 December, the month before the rent increase notice was given,
7 and did it for each of the relevant years in question. The
8 Ordinance **specifically contemplates** that the increase may cover
9 a period for longer than one year since the last increase, by
10 providing that the CPI adjustment is either for the CPI increase
11 over the last year OR since the last increase.
12

13 Accordingly, the annual Base Rent increase was 75% of CPI,
14 so that under the terms of the Ordinance, it is mandatory that
15 the Petition be denied as to the challenge of the increase in
16 the base rent.
17

18 **2. NOI (Fair Return) Increase.**

19 The Ordinance states in Section 11A-1 (Purpose) that " ...
20 *the board of supervisors finds ... it necessary to protect the*
21 *owners and occupiers of mobilehomes from unreasonable rents while*
22 *at the same time recognizing the need for mobilehome park owners*
23 *to receive a fair return on their investment and rent increases*
24 *sufficient to cover their increased costs."* (Emphasis added.)

25 The requirement that a fair return on investment be allowed
26 and that increased operating costs be passed through is
27 articulated in Section 11A-5(i), which sets out the algorithm
28

1 that the arbitrator is to use for this purpose. We have followed
2 this algorithm precisely in Table 3-A, "MNOI Analysis 2007-2010"
3 and Table 3-B, "MNOI Analysis 1994-2010.

4 We considered various base years. 1994 was chosen initially
5 because 1994 is the earliest year for which we have reliable
6 income and expense data. 2007, the last full year under the
7 former park operator, Nomad Village, Inc. is another logical
8 choice. We present the calculations using both base years,
9 believing that this adds to the certainty that a significant
10 space rent increase is warranted.

11 It is noteworthy that different park operators use different
12 bookkeeping systems. The expense categories are not the same
13 between one park operator and another. The category numbers
14 (5200, 5210, etc) recorded here are the expense categories used
15 by the current management company. The 2007 books of record
16 don't include category numbers. When the meaning of a category
17 is obvious, we put the 2007 expense into the 2010 category line.
18 When the meaning is less obvious, we made another category name
19 without a category number. Thus, for example, the 2007 figure
20 for workman's compensation insurance appears along with the
21 workman's compensation insurance figure for 2010, but the 2007
22 figure for wages appears on its own line because the 2007 figure
23 doesn't differentiate between manager wages and maintenance
24 wages. It can be confirmed that the expense totals for the two
25 years match the expense totals in the books of record exactly.

26 Columns E and F record amounts listed in the books of
27 record. The books of record are included in Exhibit A. Columns H
28 and I show the same figures as columns E and F, with adjustments

1 required by standard rent control technology. Adjustments are
2 explained in notes at the end of each spreadsheet.

3 We followed the method outlined in the Ordinance, with the
4 results for the justified permanent space rent increase shown in
5 Tables 3-A and 3-B. The Ordinance, however, provides for the CPI
6 calculations to be performed at 75% indexing. This is a purely
7 political manipulation having no basis in economics or real
8 estate finance. There is no other context in the U.S. economy in
9 which partial indexing is used in this way to arbitrarily reduce
10 standard entitlements. There is no other regulatory scheme –
11 other than rent control – that uses partial indexing. Partial
12 indexing is in wide use in rent control contexts in California,
13 but widespread use is insufficient justification. Partial
14 indexing imposes an impermissible financial burden on all park
15 owners and its use should be avoided. The same calculation,
16 performed at 100% indexing, results in justified space rent
17 increases higher than for the confiscatory, 75% calculation.

18 The County's "Rules for Hearings" require that park owners
19 provide **"a detailed list of expenses and income, including**
20 **utility costs and charges, for the prior four (4) years."**
21 Accordingly, Table 5, Income & Expense Summary 2006-2010, lists
22 income and expense in a consistent format for these five years.
23 Note that 2008 was under one operator for the first half of the
24 year and the new operator for the second half of the year.
25 Column H is the sum of Columns F and G. It can be demonstrated
26 that the bottom line "Overall Cash Flow" matches the net income
27 or net profit figure in the books of record for each year. Note
28 that no adjustments are made in this spreadsheet to match rent

1 control technology. Adjustments of the data for 2007 and 2010
2 appear in Table 3-A.

3 The Ordinance provides for rent increases for increased
4 Park operating costs. As set forth in the Notice on Rent
5 Increase and the Nomad Village Space Rent Increase Spreadsheet,
6 part of the rent increase component is for recoupment of
7 expenses incurred by Park management for increased operating
8 expenses by park management for increased property taxes, and
9 increased ground lease payments. Property taxes for the Park
10 were nearly doubled effective August 1, 2008. In addition, at
11 that time, lease payments for the ground lease for the Park also
12 doubled.
13

14 Section 11A-5 of the Ordinance, deals with Increases in the
15 Maximum Rent Schedule, and section 11-A(f) provides in pertinent
16 part, with emphases added, as follows:
17

18 (f) [T]he arbitrator shall consider all relevant
19 factors to the extent evidence thereof is introduced
20 by either party or produced by either party on request
21 of the arbitrator.

22 (1) Such relevant factors may include, but are not
23 limited to, **increases in management's ordinary and
24 necessary maintenance and operating expenses,**
25 **insurance and repairs; increases in property taxes and
26 fees and expenses in connection with operating the
27 park;** capital improvements; capital expenses;
28 increases in services, furnishings, living space,
equipment or other amenities; and expenses incidental
to the purchase of the park except that evidence as to
the amounts of principal and interest on loans and
depreciation shall not be considered.

Accordingly, the rent increase based upon increased
operating costs due to the property tax increases and ground

1 lease increases are properly the bases for the rent increase, in
2 addition to the capital expenses, discussed below.
3

4
5 **3. Capital Expenses.**

6 There are elements of park infrastructure that will require
7 investment over the coming years. The streets need extensive
8 work. The County has required that the Park make certain
9 upgrades to its infrastructure. Projects to cover these
10 requirements are in the planning stages. Advance costs have
11 already been incurred. Cost and amortization calculations
12 appear in Table 4.

13 Two of the cost components are for planning and
14 professional fees, including legal fees, all relating to the
15 Park infrastructure, all of which expenses have been incurred.
16 Rather than treat these expenses as ordinary operating expenses
17 in order to justify a permanent increase, they instead have been
18 treated as temporary increase, amortized over seven years, so
19 that they phase out after seven years. The Park believes that
20 this treatment is more fair to the tenants due to the non-
21 recurring nature of the expenses.

22 The third component of the capital expenses are a payment
23 that the Park management has made toward capital improvement
24 projects. The Park has funded a reserve fund in an escrow
25 account of approximately \$325,000, to be used solely for Park
26 capital improvement projects. By agreement with the Park's
27 lender, these funds can be used for no purpose other than
28 capital improvements to the infrastructure of the Park. These

1 improvement projects will be ongoing, as bids are obtained and
2 work is performed. Accordingly, these funds have all been
3 incurred by the Park management, although they have not been
4 spent. Regardless of whether they have been incurred or not,
5 the Ordinance provides for anticipated expenses to be the basis
6 for a rent increase notice.

7 The Ordinance expressly provides that the costs of capital
8 improvements and capital expenses may properly be passed on to
9 homeowners in the form of a rent increase, including for work to
10 be performed in the future.

11 Section 11A-2 of the Ordinance defines Capital Improvements
12 and Capital Expenses as follows:

13 (a) "Capital improvement" is any addition or
14 betterment made to a mobilehome park which consists of
15 more than mere repairs or replacement of existing
16 facilities or improvements and which has a useful life
of five or more years.

17 (b) "Capital expense" is a repair or replacement
18 of existing facilities or improvements which has an
19 expected life of more than one year.

20 Section 11A-6 of the Ordinance, which deals with Capital
21 Improvements and Capital Expenses, provides as follows:

22 (a) Capital Improvements

23

24 (3) Notwithstanding any other provision to the
25 contrary, the cost of capital improvements required by
26 a change in governmental law or regulation may be
27 **automatically passed on to homeowners** at the time of
28 an annual increase. Any hearing on such costs shall
be **solely** for the purpose of determining whether
management's plan for compliance or for recoupment of
costs is unreasonable if so alleged by homeowners.

Subsection (b) Section 11A-6 of the Ordinance, is entitled
"Capital Expenses," and has the same provisions for Capital
Improvements.

1 The Ordinance also makes clear that these expenses may
2 include those to be incurred in the future.

3 Section 11A-6(b)(1) states:

4 (b) Capital Expenses.

5 (1) The cost of capital Expenses **incurred or**
6 **proposed**, including reasonable financing costs, may be
7 passed on to homeowners at the time of an annual
8 increase.

9 As noted above, Capital Expenses, or Capital Improvements,
10 set forth in a rent increase notice may be "current or
11 proposed". The Park then has a six-month window to **begin**
12 **construction** with the money after the rent increase is approved:

13 (5) If management fails to begin construction of
14 a capital expense item within six months after
15 approval of the cost of the capital expense, then
16 management shall discontinue the increase for the
17 capital expense and shall credit any amount collected
18 to each homeowner. If management fails to
19 automatically discontinue such increase, then such
20 increase shall be considered an increase in the
21 maximum rent schedule and shall be subject to all the
22 provisions of this chapter, including, but not limited
23 to, amount and frequency of increase.
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25
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1 **4. Uncompensated Increases.**

2 The lease fee and property tax increases are covered for
3 future years in the permanent NOI increase explained in section
4 2 above and documented in Tables 3-A and 3-B. These cost
5 increases began, however, in mid-2008 when the park changed
6 hands. A separate space rent increase is needed to reimburse
7 the Park for these costs between purchase and the permanent
8 space rent increase – 34 months through the permanent increase
9 becoming effective 5/1/11. The Park is willing to take this
10 reimbursement over time, amortized, like other temporary
11 increases, at 9% interest over 7 years to cushion the impact on
12 residents.

13
14 **5. Anticipated Professional Fees – Property Tax Appeal.**

15 The County has raised the property taxes significantly,
16 nearly doubling them, on the property on which the Park is
17 located. The Park is responsible for payment of all property
18 taxes assessed against the Property, pursuant to the terms of
19 the ground lease. The apparent basis for the increased property
20 taxes is that the County claimed that the expiration of the
21 ground lease by the prior property owner gave the County the
22 right to reassess the property. The Park disagrees, based upon
23 its initial assessment of the matter, and believes that this
24 reassessment and tax increase is a violation of Proposition 13
25 and the California Revenue and Taxation Code, in that there was
26 no change of ownership of the property. The Park intends to
27 perform a fuller legal and factual assessment of the issue, and,
28 if warranted, to file an appeal of this tax increase, if the

1 costs of pursuing such a process are approved through these
2 proceedings. As explained above, the Ordinance clearly provides
3 a mechanism for the Park to propose a rent increase for this
4 purpose, and wait for approval of the expense before incurring
5 the expense. Additionally, because this expense is a non-
6 reoccurring expense, the Park felt that it was more fair to the
7 tenants for the expense to be absorbed by the tenants as a
8 temporary rent increase that phases out in seven years, instead
9 of serving as a basis for a permanent rent increase.

10 Expected costs and amortization calculations appear in
11 Table 4. If the appeal is made and is successful, the Section 5
12 amount would be imposed but the Section 2 amount and conceivably
13 — if there is a refund — the Section 4 amount would be reduced.
14

15 **6. Anticipated Professional Fees — Rent Increase Arbitration.**

16 Legal and professional fees have been, are being, and will
17 be incurred in connection with the rent increase notice and its
18 defense. These fees, anticipated overall in the amount shown in
19 Table 4, should be reimbursed to the park owner through space
20 rent increases. Exact totals will be provided at the conclusion
21 of the arbitration. The Park owner is willing to take payment
22 over time on an amortized basis, as with the other temporary
23 increases. Anticipating that this increase will take place,
24 legal and professional fees associated with the space rent
25 increase have been removed from the MNOI calculations in Tables
26 3-A and 3-B.


27 ///

28 ///

CONCLUSION

The attached spreadsheets, calculations, and the other documentation provided or to be provided indicate that the space rent increase noticed on January 26, 2011, to commence May, 2011, is reasonable and justified, and is in accordance with the provisions of the Ordinance.

Dated: September 15, 2011



JAMES P. BALLANTINE
Attorney for NOMAD VILLAGE
MOBILE HOME PARK

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ATTACHMENTS

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3 Exhibit A – Notice of Increase in Monthly Space Rent

4 Effective May 1, 2011

5 Exhibit B – Notice of Amount of Space Rent (Exemplar)

6 Exhibit C – Nomad Village Space Rent Increase (May, 2011)

7
8 Table 1 – Space Rent Increase Breakdown

9 Table 2 – CPI Calculations

10 Table 3-A – MNOI Analysis 2007-2010

11 Table 3-B – MNOI Analysis 1994-2010

12 Table 4 – Temporary (Amortized) Space Rent Increases

13 Table 5 – Income & Expense Summary 2006-2010

NOMAD VILLAGE
4326 CALLE REAL
SANTA BARBARA, CA 93110

To: Homeowners, Nomad Village Mobilehome Park

Date: January 26, 2011

Re: Notice of Increase in Monthly Rent Effective May 1, 2011

Dear Homeowner:

This Notice is in accordance with the Santa Barbara County Mobilehome Rent Control Ordinance ("Ordinance") and the California Mobilehome Residency Law ("MRL"), that effective May 1, 2011, pursuant to the terms of the Ordinance, your Base-Rent for your monthly Space Rent at Nomad Village Mobilehome Park will increase by 75% of the change in the Consumer Price Index – Urban Wage Earners and Clerical Workers for the Los Angeles-Riverside-Orange County, California, for the three 12-month percentage changes for the period through December 2010 (CPI adjustments of -.6%, 2.5% and 1.6%, respectively).

There have been no rent increases whatsoever to Homeowners at Nomad Village for 3 years. The Park is also giving you the benefit of a reduction credit for one of the years.

In addition to the Base-Rent increase, your Space Rent is also being increased in accordance with the terms of the Ordinance by the amount of \$161 per space, per month; of this amount, \$102.84 will be temporary, for a period of 7 years. This increase is in accordance with the terms of the Ordinance for recoupment of expenses incurred by Park management as follows: The permanent increase is for increased operating expenses by park management for increased property taxes, and increased lease payments. The Santa Barbara County Assessor has recently tripled the property tax assessment of Nomad Village, which management has been forced to pay; management has evaluated this increase and believes it is not legal and plans to challenge the increase, and if the challenge is ultimately successful at reducing the taxes, then the Homeowners will receive a reduction in the amount of the net reduction received by the Park. The Lease payment for the Park recently doubled. The temporary increase is for costs for capital improvements and expenses that have been and are being incurred by Park Management for improvements dealing with the Park infrastructure, and for reimbursement of the increased tax and lease expense through the date of the effect of the Rent increase. These expenses incurred by the Park, totaling \$564,692.00, have been capitalized at 9% interest, amortized over 7 years, for a total monthly rent increase payable beginning May 1, 2011, and terminating April 30, 2018, in the amount of \$102.84 per space.

EXHIBIT A

Attached is a statement showing the specific dollar amount of your Base-Rent increase, along with the other Space Rent adjustment. This new Space Rent amount will first appear on your May 2011 rent statements.

The Park is providing the Homeowners with an **Informational Meeting** to explain the rent increase and discuss other matters relating to the Park, to be held at the **Park recreation room on Wednesday, February 16, 2011 at 6:00 P.M.** Pursuant to the terms of the Ordinance, the Park is also providing you with the following information. The increase in this Notice is greater than 75% of the increase in the Consumer Price Indices. The Park is offering the Homeowners a Meet and Confer session at the Park recreation room on February 16, 2011 at 7:30 P.M., to be held immediately following the Informational Meeting, to discuss the basis for this increase. You must send representatives to this session. If you fail to send representatives to this session, you may be forfeiting your right to a hearing to contest this increase. Your representatives may obtain information upon which this Base-Rent increase is based at the Waterhouse Management Office as of February 4. If the date for meet and confer is not convenient for your representatives, it may be possible to change that date by consulting with this office.

Should you have any question concerning this increase prior to that time, please contact this office.

Yours very truly,

NOMAD VILLAGE MANAGEMENT

Notice of Amount of Space Rent Commencing May 1, 2011:

[REDACTED]
4326 Calle Real # [REDACTED]
Santa Barbara, CA 93110

Space # [REDACTED]

Your new Space Rent commencing May 1, 2011 will be as set forth below, and will appear on your May, 2011 rent statement:

CURRENT RENT	75% CPI 12/2008	75% CPI 12/2009	75% CPI 12/2010	2011 CPI INCREASE	2011 SPECIAL INCREASE	NEW 2011 RENT
\$ 338.04	-0.45%	1.86%	1.17%	\$ 8.76	\$ 161.00	\$ 507.80

EXHIBIT B

	A	B	C	D	E	F	G	H	I
1	NOMAD VILLAGE SPACE RENT INCREASE (May, 2011)								
2									
3	PERMANENT INCREASES:								
4						2008	2009	Increase	Notes
5	1 Property Tax Increase								
6				Tax Bill		70,598	121,111		1
7				Sewer Fees		-50,145	-54,588		1
8				Taxes per se		20,453	66,523	46,070	1
9									
10	2 Lease Payment Increase								
11				Rental Income		549,053	563,090		
12				Rate		10%	20%		
13				Lease Payment		54,905	113,527	58,622	2
14	Total Permanent Increases								
15								104,692	
16	TEMPORARY INCREASES:								
17									
18	Amortization: rate: 0.09 years: 7 3								
19									
20	3 Capital Improvements								
21				A&E Fees	90,000				4
22				Professional Fees	50,000				5
23				Infrastructure	320,000				6
24				Total	460,000				
25				Amortization:				91,398	
26									
27	4 Uncompensated Increases								
28				Supplemental Tax Increase	46,070	3,839.15	130,531		7
29				Increased Land Lease	58,622	4,885.15	166,095		8
30				Uncompensated for (X) months:		34	296,626		9
31				Amortization:				58,937	
32									
33	5 Anticipated professional fees relating to Property Taxes								
34				Amortization:			50,000		10
35								9,935	
36	6 Anticipated professional fees relating to rent increase								
37				Amortization:			125,000		11
38				Total Temporary Increases	931,626			24,836	
39								185,105	
40	Total Permanent and Temporary Increases								
41								289,797	
42	TOTAL PER MONTH PER SPACE - PERMANENT (150 spaces)								
43	TOTAL PER MONTH PER SPACE - TEMPORARY (150 spaces)								
44	TOTAL PER MONTH PER SPACE - PERMANENT AND TEMPORARY								
45								58.16	12
								102.84	13
								161.00	

EXHIBIT C

NOMAD VILLAGE - TABLE 2					
CPI CALCULATIONS					
		DEC 2007	DEC 2008	DEC 2009	DEC 2010
GENERAL					
	CPI	212.282	211.007	216.233	219.619
	CPI Increase		-0.601%	2.477%	1.566%
	75% CPI Increase		-0.45%	1.86%	1.17%
	Overall				3.46%
EXAMPLE					
	Space Rent	319.89	318.45	324.36	328.17
	Annual Increase		-1.44	5.92	3.81
	Overall Increase				8.28
	Result	319.89			328.17
Notes:					
	1 The sum of the year-by-year percentages will be slightly different from the first-year-to-last-year percentage computation because of compounding.				
	2 The use of 75% indexing is a purely political requirement having no rational basis in economics or finance.				

	A	B	C	D	E	F	G	H	I
1	NOMAD VILLAGE - TABLE 3-A								
2	MNOI ANALYSIS 2007-2010								
3					BOOKS OF RECORD			MNOI ANALYSIS	
4					2007	2010		2007	2010
5									
6	INCOME								
7		Rental Income							
8		4100 -	Rental Income		535,997.58	564,327.90		535,997.58	564,327.90
9		Utility Income							
10		4310 -	Electric Income		55,861.63	56,143.53	1		
11		4300 -	Gas Income		53,157.45	47,546.22	1		
12		4340 -	Sewer Income		30,199.32	54,230.04		30,199.32	54,230.04
13		4320 -	Water Income		32,960.72	33,805.52		32,960.72	33,805.52
14		Other Income							
15		4510 -	Laundry Income		4,014.65	2,775.30		4,014.65	2,775.30
16		4590 -	Clubhouse & Event Fees			120.00			120.00
17		4620 -	Returned Ck Charges			55.00			55.00
18		4630 -	Late Charges		-165.11	1,272.00		-165.11	1,272.00
19		4660 -	Other Interest Income		736.16	650.22	1		
20		4710 -	Write Off Bad Debt			443.45	1		
21			Credit Checks		210.00			210.00	
22			Misc. Income		209.70			209.70	
23			Recycle Fee		120.00			120.00	
24			Refund		59.00			59.00	
25			Surcharge - Road Improvement		4,751.93			4,751.93	
26		Total Income			718,113.03	761,369.18		608,357.79	656,585.76
27									
28	EXPENSE								
29		Employee Costs							
30		5200 -	Wages-Managers			40,960.34			40,960.34
31		5210 -	Wages-Maintenance			39,680.68			39,680.68
32		5241 -	P/R Tax-Soc Sec			4,999.78			4,999.78
33		5242 -	P/R Tax-Medicare			1,169.38			1,169.38
34		5243 -	P/R Tax-FUTA			167.99			167.99
35		5244 -	P/R Tax-Suta			730.30			730.30
36		5260 -	Insur-Work Comp		8,043.00	7,814.32		8,043.00	7,814.32
37		5270 -	Rent (employee housing)			3,342.24			3,342.24
38			Wages		113,198.81			113,198.81	
39			Payroll Taxes		12,656.77			12,656.77	
40		Total Employee Costs			133,898.58	98,865.03		133,898.58	98,865.03
41									
42		Utility Expenses							
43		5310 -	Electricity		48,071.14	47,467.92	1		
44		5300 -	Gas		31,514.01	25,649.72	1		
45		5320 -	Water Expense		38,779.12	38,905.57		38,779.12	38,905.57
46		5330 -	Sewer		33,854.31	54,587.92		33,854.31	54,587.92
47		5360 -	Trash		11,179.93	11,144.53		11,179.93	11,144.53
48		5380 -	Cable TV			666.45			666.45
49			Park Utility Expense		527.92			527.92	
50		Total Utility Expenses			163,926.43	178,422.11		84,341.28	105,304.47

	A	B	C	D	E	F	G	H	I
1	NOMAD VILLAGE - TABLE 3-A								
2	MNOI ANALYSIS 2007-2010								
3					BOOKS OF RECORD			MNOI ANALYSIS	
4					2007	2010		2007	2010
5									
51									
52				Repair and Maintenance					
53				5400 - R&M-Common Areas		1,728.34			1,728.34
54				5420 - R&M-Electrical		1,417.92	1		
55				5430 - R&M-Tools & Equip.		145.80			145.80
56				5450 - R&M-Gas System		930.06	1		
57				5460 - R&M-Landscape		248.02			248.02
58				5470 - R&M-Laundry, Showers, etc.		49.89			49.89
59				5480 - R&M-Lights		1,365.49			1,365.49
60				5490 - R&M-Park Owned Homes/Bldgs		43.95			43.95
61				5510 - R&M-Pool & Spa		5,228.53			5,228.53
62				5520 - R&M-Sewer System		2,706.44			2,706.44
63				5530 - R&M-Streets		327.22			327.22
64				5540 - R&M-Street Sweeping		2,340.00			2,340.00
65				5560 - R&M-Vehicles		1,198.62			1,198.62
66				5570 - R&M-Water System		566.53			566.53
67				Repair & Maintenance	13,882.85			13,882.85	
68				Total Repair & Maintenance	13,882.85	18,296.81		13,882.85	15,948.83
69									
70				Operating Supplies					
71				5600 - Clubhouse Supplies		862.41			862.41
72				5610 - Common Area Supplies		619.63			619.63
73				5615 - Equipment Gas		679.46			679.46
74				5620 - Janitorial Supplies		369.48			369.48
75				5650 - Tools, Equip, Vehicles		79.20			79.20
76				5655 - Vehicle Gas		1,724.04			1,724.04
77				Supplies	1,578.16			1,578.16	
78				Total Operating Supplies	1,578.16	4,334.22		1,578.16	4,334.22
79									
80				Office & Administration					
81				5710 - Advertising -		126.70			126.70
82				5730 - Bank Charges	71.60	781.59		71.60	781.59
83				5740 - Credit Checks		88.50			88.50
84				5750 - Dues & Subscriptions	140.00	13,923.88		140.00	13,923.88
85				5760 - Education & Seminars		850.00			850.00
86				5470 - Insurance-Prop & Liab	11,944.01	10,959.15		11,944.01	10,959.15
87				5785 - Land Lease Payments	53,614.70	113,340.74		53,614.70	113,340.74
88				5790 - Legal-Evictions		1,176.00			1,176.00
89				5800 - Legal-General		51,045.00	3		
90				5810 - Licenses & Permits		2,379.00			2,379.00
91				5820 - Management Fees		35,309.73	2		35,309.73
92				5830 - Meals & Entertainment		80.97			80.97
93				5860 - Office Supplies	1,243.83	1,006.68		1,243.83	1,006.68
94				5870 - Outside Services - Consulting		6,562.50	3		
95				5870 - Outside Services - Other		4,683.29			4,683.29

	A	B	C	D	E	F	G	H	I
1	NOMAD VILLAGE - TABLE 3-A								
2	MNOI ANALYSIS 2007-2010								
3					BOOKS OF RECORD			MNOI ANALYSIS	
4					2007	2010		2007	2010
5									
96				5885 - Payroll Service		1,710.40			1,710.40
97				5890 - Postage	201.00	1,826.93		201.00	1,826.93
98				5900 - Taxes - Property	37,966.32	66,485.84		37,966.32	66,485.84
99				5900 - Taxes - Property - Supplemental		15,766.98	4		
100				5907 - Security Patrol	3,230.50	5,998.50		3,230.50	5,998.50
101				5910 - Telephone	4,958.42	3,476.17		4,958.42	3,476.17
102				5940 - Travel		1,048.00			1,048.00
103				5945 - Cash Over/Short		3.02	1		
104				Accounting & Legal	84,290.47		5	10,245.69	
105				Amortization Expense	457.00		1		
106				Auto Expense	6,382.80			6,382.80	
107				Casual Labor	500.00			500.00	
108				Cleaning Expense	1,348.50			1,348.50	
109				Depreciation	4,577.00		1		
110				Donations	150.00		1		
111				Professional Services	2,546.26			2,546.26	
112				Officers Salary	43,560.00		1		
113				Taxes - Corporation	1,617.00			1,617.00	
114				Tenant Services	112.06			112.06	
115				Total Office & Administration	258,911.47	338,629.57		136,122.69	265,252.07
116									
117				Total Operating Expenses	572,197.49	638,547.74		369,823.56	489,704.62
118									
119									
120				Space Rent Income	535,997.58	564,327.90		535,997.58	564,327.90
121				Total Income	718,113.03	761,369.18		608,357.79	656,585.76
122				Total Operating Expenses	572,197.49	638,547.74		369,823.56	489,704.62
123				Net Operating Income	145,915.54	122,821.44		238,534.23	166,881.14
124									
125									
126	NOTES:								
127	1			Item not included in MNOI calculations					
128	2			Management fees in 2007 included in Wages. (Wages in 2007 = \$113,199. Wages + Management in					
129				2010 = \$115,951.)					
130	3			Legal and Consulting Services are included in another section of the increase notice					
131	4			Supplemental Property Taxes are included in another section of the increase notice					
132	5			2007 Legal Expenses for Taylor lawsuit - \$74,044.78 - was reimbursed later. Legal & Accounting for 2007					
133				is residual. As comparison, average Legal & Accounting for ten years 1994-2003 was \$9,619.08 per year.					
134									
135									
136									
137									

	A	B	C	D	E	F	G	H	I
1	NOMAD VILLAGE - TABLE 3-A								
2	MNOI ANALYSIS 2007-2010								
3					BOOKS OF RECORD			MNOI ANALYSIS	
4					2007	2010		2007	2010
5									
138	Rent Increase Following Method Set Out In The Ordinance:								
139									
140	1	CPI Base and Comparison Years						209.661	218.435
141		CPI increase from base to comparison year							4.2%
142		75% CPI increase from base to comparison year							3.1%
143		Base Year Space Rent Income						535,997.58	
144		CPI-justified space rent increase						16,823.02	
145		One-half CPI-justified increase = fair return on investment							8,411.51
146									
147	2	One-half CPI-justified increase against cost increases							8,411.51
148									
149	3	Base Year Operating Costs						369,823.56	
150		Comparison Year Operating Costs						489,704.62	
151		Increase in Operating Costs						119,881.06	
152		Excess over #2							111,469.55
153									
154	4	Justified Rent Increase (Sum 1, 2, and 3)							128,292.57
155		Increase Taken Already							28,330.32
156		Net Justified Increase							99,962.25
157		Space Rent Increase per space per month (divide by 150 spaces and 12 months)							55.53
158									
159									
160									
161	Rent Increase Following Method Set Out In The Ordinance @ 100% Indexing:								
162									
163	1	CPI Base and Comparison Years						209.66	218.44
164		CPI increase from base to comparison year							4.2%
165		Base Year Income						535,997.58	
166		CPI-justified space rent increase						22,430.70	
167		One-half CPI-justified increase = fair return on investment							11,215.35
168									
169	2	One-half CPI-justified increase against cost increases							11,215.35
170									
171	3	Base Year Operating Costs						369,823.56	
172		Comparison Year Operating Costs						489,704.62	
173		Increase in Operating Costs						119,881.06	
174		Excess over #2							108,665.71
175									
176	4	Justified Rent Increase (Sum 1, 2, and 3)							131,096.41
177		Increase Taken Already							28,330.32
178		Net Justified Increase							102,766.09
179		Space Rent Increase per space per month (divide by 150 spaces and 12 months)							57.09
180									
181									
182	2007-2010MNOI-080911								

	A	B	C	D	E	F	G	H	I
1	NOMAD VILLAGE - TABLE 3-B								
2	MNOI ANALYSIS 1994-2010								
3					BOOKS OF RECORD			MNOI ANALYSIS	
4					1994	2010		1994	2010
5									
6	INCOME								
7				Rental Income					
8				4100 - Rental Income	394,164.95	564,327.90		394,164.95	564,327.90
9				Utility Income					
10				4310 - Electric Income	44,216.62	56,143.53	1		
11				4300 - Gas Income	34,520.47	47,546.22	1		
12				4340 - Sewer Income	19,990.32	54,230.04		19,990.32	54,230.04
13				4320 - Water Income	17,875.36	33,805.52		17,875.36	33,805.52
14				Other Income					
15				4510 - Laundry Income	4,671.14	2,775.30		4,671.14	2,775.30
16				4590 - Clubhouse & Event Fees		120.00			120.00
17				4620 - Returned Ck Charges	184.46	55.00			55.00
18				4630 - Late Charges		1,272.00			1,272.00
19				4660 - Other Interest Income	73.83	650.22	1		
20				4710 - Write Off Bad Debt		443.45	1		
21				Credit Checks					
22				Misc. Income					
23				Recycle Fee					
24				Refund					
25				Surcharge - Road Improvement	4,337.36			4,337.36	
26				Total Income	520,034.51	761,369.18		441,039.13	656,585.76
27									
28	EXPENSE								
29				Employee Costs					
30				5200 - Wages-Managers		40,960.34			40,960.34
31				5210 - Wages-Maintenance		39,680.68			39,680.68
32				5241 - P/R Tax-Soc Sec		4,999.78			4,999.78
33				5242 - P/R Tax-Medicare		1,169.38			1,169.38
34				5243 - P/R Tax-FUTA		167.99			167.99
35				5244 - P/R Tax-Suta		730.30			730.30
36				5260 - Insur-Work Comp	8,844.44	7,814.32		8,844.44	7,814.32
37				5270 - Rent (employee housing)		3,342.24			3,342.24
38				Wages	47,103.68			47,103.68	
39				Payroll Taxes	8,589.46			8,589.46	
40				Total Employee Costs	64,537.58	98,865.03		64,537.58	98,865.03
41									
42				Utility Expenses					
43				5310 - Electricity	45,513.30	47,467.92	1		
44				5300 - Gas	25,871.74	25,649.72	1		
45				5320 - Water Expense	25,329.42	38,905.57		25,329.42	38,905.57
46				5330 - Sewer	20,928.50	54,587.92		20,928.50	54,587.92
47				5360 - Trash		11,144.53		0.00	11,144.53
48				5380 - Cable TV		666.45			666.45
49				Park Utility Expense	6,518.74			6,518.74	
50				Total Utility Expenses	124,161.70	178,422.11		52,776.66	105,304.47

	A	B	C	D	E	F	G	H	I
1	NOMAD VILLAGE - TABLE 3-B								
2	MNOI ANALYSIS 1994-2010								
3					BOOKS OF RECORD			MNOI ANALYSIS	
4					1994	2010		1994	2010
5									
51									
52				Repair and Maintenance					
53				5400 - R&M-Common Areas		1,728.34			1,728.34
54				5420 - R&M-Electrical		1,417.92	1		
55				5430 - R&M-Tools & Equip.		145.80			145.80
56				5450 - R&M-Gas System		930.06	1		
57				5460 - R&M-Landscape		248.02			248.02
58				5470 - R&M-Laundry, Showers, etc.		49.89			49.89
59				5480 - R&M-Lights		1,365.49			1,365.49
60				5490 - R&M-Park Owned Homes/Bldgs		43.95			43.95
61				5510 - R&M-Pool & Spa		5,228.53			5,228.53
62				5520 - R&M-Sewer System		2,706.44			2,706.44
63				5530 - R&M-Streets		327.22			327.22
64				5540 - R&M-Street Sweeping		2,340.00			2,340.00
65				5560 - R&M-Vehicles		1,198.62			1,198.62
66				5570 - R&M-Water System		566.53			566.53
67				Repair & Maintenance	30,325.60			30,325.60	
68				Total Repair & Maintenance	30,325.60	18,296.81		30,325.60	15,948.83
69									
70				Operating Supplies					
71				5600 - Clubhouse Supplies		862.41			862.41
72				5610 - Common Area Supplies		619.63			619.63
73				5615 - Equipment Gas		679.46			679.46
74				5620 - Janitorial Supplies		369.48			369.48
75				5650 - Tools, Equip, Vehicles		79.20			79.20
76				5655 - Vehicle Gas		1,724.04			1,724.04
77				Supplies	9,108.85			9,108.85	
78				Total Operating Supplies	9,108.85	4,334.22		9,108.85	4,334.22
79									
80				Office & Administration					
81				5710 - Advertising -	2,585.41	126.70			126.70
82				5730 - Bank Charges	73.42	781.59		73.42	781.59
83				5740 - Credit Checks		88.50			88.50
84				5750 - Dues & Subscriptions	294.61	13,923.88		294.61	13,923.88
85				5760 - Education & Seminars		850.00			850.00
86				5470 - Insurance-Prop & Liab	9,797.24	10,959.15		9,797.24	10,959.15
87				5785 - Land Lease Payments	39,338.45	113,340.74		39,338.45	113,340.74
88				5790 - Legal-Evictions		1,176.00			1,176.00
89				5800 - Legal-General		51,045.00	2		
90				5810 - Licenses & Permits		2,379.00			2,379.00
91				5820 - Management Fees	57,388.96	35,309.73		57,388.96	35,309.73
92				5830 - Meals & Entertainment		80.97			80.97
93				5860 - Office Supplies	1,506.42	1,006.68		1,506.42	1,006.68
94				5870 - Outside Services - Consulting		6,562.50	2		
95				5870 - Outside Services - Other		4,683.29			4,683.29

	A	B	C	D	E	F	G	H	I
1	NOMAD VILLAGE - TABLE 3-B								
2	MNOI ANALYSIS 1994-2010								
3					BOOKS OF RECORD			MNOI ANALYSIS	
4					1994	2010		1994	2010
5									
96				5885 - Payroll Service		1,710.40			1,710.40
97				5890 - Postage	290.00	1,826.93		290.00	1,826.93
98				5900 - Taxes - Property	25,527.17	66,485.84		25,527.17	66,485.84
99				5900 - Taxes - Property - Supplemental		15,766.98	3		
100				5907 - Security Patrol		5,998.50			5,998.50
101				5910 - Telephone	2,695.08	3,476.17		2,695.08	3,476.17
102				5940 - Travel	107.00	1,048.00		107.00	1,048.00
103				5945 - Cash Over/Short	-0.20	3.02	1		
104				Accounting & Legal	6,979.32			6,979.32	
105				Auto Expense	4,578.74			4,578.74	
106				Casual Labor	184.00			184.00	
107				Depreciation	1,301.00		1		
108				Donations	200.00		1		
109				Meals & Entertainment	663.25			663.25	
110				NSF & collection fees	9.00			9.00	
111				Pension	12,000.00		1		
112				Taxes - Corporation/Franchise	2,428.00			2,428.00	
113				Tenant Services	30.00			30.00	
114				Total Office & Administration	167,976.87	338,629.57		151,890.66	265,252.07
115									
116				Total Operating Expenses	396,110.60	638,547.74		308,639.35	489,704.62
117									
118									
119				Space Rent Income	394,164.95	564,327.90		394,164.95	564,327.90
120				Total Income	520,034.51	761,369.18		441,039.13	656,585.76
121				Total Operating Expenses	396,110.60	638,547.74		308,639.35	489,704.62
122				Net Operating Income	123,923.91	122,821.44		132,399.78	166,881.14
123									
124									
125	NOTES:								
126	1			Item removed - inappropriate for MNOI calculations					
127	2			Legal and Consulting Services are included in another section of the increase notice					
128	3			Supplemental Property Taxes are included in another section of the increase notice					
129									
130									
131									
132									
133									
134									
135									
136									
137									

	A	B	C	D	E	F	G	H	I
1	NOMAD VILLAGE - TABLE 3-B								
2	MNOI ANALYSIS 1994-2010								
3					BOOKS OF RECORD			MNOI ANALYSIS	
4					1994	2010		1994	2010
5									
138	Rent Increase Following Method Set Out In The Ordinance:								
139									
140	1	CPI Base and Comparison Years						152.300	223.220
141		CPI increase from base to comparison year							46.6%
142		75% CPI increase from base to comparison year							34.9%
143		Base Year Space Rent Income						394,164.95	
144		CPI-justified space rent increase						137,660.10	
145		One-half CPI-justified increase = fair return on investment							68,830.05
146									
147	2	One-half CPI-justified increase against cost increases							68,830.05
148									
149	3	Base Year Operating Costs						308,639.35	
150		Comparison Year Operating Costs						489,704.62	
151		Increase in Operating Costs						181,065.27	
152		Excess over #2							112,235.22
153									
154	4	Justified Rent Increase (Sum 1, 2, and 3)							249,895.32
155		Increase Taken Already							170,162.95
156		Net Justified Increase							79,732.37
157		Space Rent Increase per space per month (divide by 150 spaces and 12 months)							44.30
158									
159									
160									
161	Rent Increase Following Method Set Out In The Ordinance @ 100% Indexing:								
162									
163	1	CPI Base and Comparison Years						152.30	223.22
164		CPI increase from base to comparison year							46.6%
165		Base Year Income						394,164.95	
166		CPI-justified space rent increase						183,546.80	
167		One-half CPI-justified increase = fair return on investment							91,773.40
168									
169	2	One-half CPI-justified increase against cost increases							91,773.40
170									
171	3	Base Year Operating Costs						308,639.35	
172		Comparison Year Operating Costs						489,704.62	
173		Increase in Operating Costs						181,065.27	
174		Excess over #2							89,291.87
175									
176	4	Justified Rent Increase (Sum 1, 2, and 3)							272,838.67
177		Increase Taken Already							170,162.95
178		Net Justified Increase							102,675.72
179		Space Rent Increase per space per month (divide by 150 spaces and 12 months)							57.04
180									
181									
182	2007-2010MNOI-080911								

	A	B	C	D	E	F	G	H	I	J
1	NOMAD VILLAGE - TABLE 4									
2	TEMPORARY (AMORTIZED) SPACE RENT INCREASES									
3										NOTES
4		Amortization:			rate:	0.09	years:	7		1
5										
6	3	Capital Improvements						PER MONTH	PER RESIDENT	
7				A&E Fees	90,000					2
8				Professional Fees	50,000					3
9				Infrastructure	320,000					4
10				Total	460,000					
11				Amortization:				7,616	50.78	
12										
13	4	Uncompensated Cost Increases			Annual	Monthly	Total			
14				Supplemental Tax Increase	46,070	3,839.17	130,532			5
15				Increased Land Lease	58,622	4,885.17	166,096			6
16				Uncompensated for (X) months:		34	296,627			7
17				Amortization:				4,911	32.74	
18										
19	5	Anticipated professional fees relating to Property Taxes					50,000			8
20				Amortization:				828	5.52	
21										
22	6	Anticipated professional fees relating to rent increase					125,000			9
23				Amortization:				2,070	13.80	
24										
25		Total Temporary Increases						15,425	102.84	10
26										
27										
28	NOTES:									
29	1	Amortization rate and term.								
30	2	Architectural and Engineering fees for infrastructure improvements.								
31	3	Professional fees in connection with infrastructure improvements.								
32	4	Estimated cost of infrastructure improvements - 2011 and 2012.								
33	5	Supplemental tax increase from date of sale to time of increase. Tax increase paid in advance								
34		of allowed space rent increase should be reimbursed.								
35	6	Ditto for increased land lease payments.								
36	7	The new lease was signed at the end of July, 2008. The temporary increase for these two								
37		categories should be computed to the date space rent increases begin.								
38	8	Anticipated cost of appeal to S.B. County re property tax increase.								
39	9	Anticipated cost of professional fees in connection with the proposed space rent increase.								
40	10	Space rent increase that should be imposed as a temporary surcharge.								
41										
42										
43	SJA - 9/12/11									

	A	B	C	D	E	F	G	H	I	J
1	NOMAD VILLAGE - TABLE 5									
2	Income & Expense Summary 2006 - 2010									
3			Nomad Village, Inc.					Lazy Landing LLC		
4			2006	2007	2008	2008	2008	2008	2009	2010
5					Jan-June	July-Dec				
6										
7	INCOME									
8		Rental Income								
9		Rental Income	529,524.40	535,997.58	314,691.97	234,360.63	549,052.60	563,090.16	564,327.90	
10		Utility Income								
11		Electric Income	58,122.37	55,861.63	33,898.88	22,367.20	56,266.08	55,011.02	56,143.53	
12		Gas Income	54,447.29	53,157.45	39,808.77	20,442.99	60,251.76	42,688.28	47,546.22	
13		Sewer Income	28,790.78	30,199.32	17,616.27	15,862.11	33,468.38	50,549.74	54,230.04	
14		Water Income	31,174.61	32,960.72	19,566.54	14,623.32	34,189.86	34,361.48	33,805.52	
15		Other Income								
16		Credit Checks	210.00	210.00	90.00		90.00			
17		Late / Bounce Ck Charges	838.30	-165.11	16.00	381.03	397.03	1,944.77	1,327.00	
18		Laundry Income	2,243.70	4,014.65	1,339.63	1,776.40	3,116.03	3,225.21	2,775.30	
19		Misc./ Other Income	480.00	209.70	733.63		733.63	1,375.59	1,213.67	
20		Recycle Fee		120.00	20.00		20.00			
21		Refund		59.00	-100.00		-100.00			
22		Surcharge-Road Work	13,147.16	4,751.93	815.81		815.81			
23		Total Income	718,978.61	717,376.87	428,497.50	309,803.68	738,301.18	752,246.25	761,369.18	
24										
25	OPERATING EXPENSES									
26		Administrative Expenses								
27		Accounting								
28		Accounting & Legal	35,041.79	84,290.47	133,884.67		133,884.67	1,915.00		
29		Advertising								
30		Bank Charges	26.92	71.60	72.00	194.51	266.51	660.47	126.70	
31		Cash <Over>/<Short								
32		Credit Checks								
33		Donations	325.00	150.00	260.00		250.00	132.00	88.50	
34		Dues & Subscriptions	140.00	140.00		2,759.72	2,759.72	4,230.80	13,923.88	
35		Education & Seminars				825.00	825.00	850.00	850.00	
36		Insurance-Prop & Liab	9,366.87	11,944.01	5,218.98	7,270.71	12,489.69	14,899.54	10,959.15	
37		Insur-Work Comp	12,265.76	8,043.00	3,362.00	2,307.77	5,669.77	7,714.86	7,814.32	
38		Interest			2.18		2.18			
39		Legal-Evictions						1,728.00	1,176.00	
40		Legal-General				9,004.12	9,004.12	6,001.59	51,045.00	
41		Licenses & Permits				2,990.00	2,990.00	948.00	2,379.00	

A	B	C	D	E	F	G	H	I	J
1	NOMAD VILLAGE - TABLE 5								
2	Income & Expense Summary 2006 - 2010								
3			Nomad Village, Inc.				Lazy Landing LLC		
4			2006	2007	2008	2008	2008	2009	2010
5					Jan-June	July-Dec			
6									
42		Meals & Entertainment						60.90	80.97
43		NSF Cks & Coll. Fees	417.70						
44		Office Equipment							
45		Office Supplies	1,429.22	1,243.83	1,894.43	196.32	196.32	874.33	1,006.68
46		Payroll Service				411.90	411.90	1,788.83	1,710.40
47		Postage	302.46	201.00	291.00	888.70	1,159.70	1,635.66	1,826.93
48		Professional Services			1,897.50		1,897.50		
49		Promotional							
50		Telephone	4,570.37	4,958.42	3,299.14	1,441.56	4,740.70	2,979.28	3,476.17
51		Tenant Expense/Services	116.71	112.06				57.60	
52		Title Search				25.00	25.00		
53		Travel/Lodging				8,417.80	8,417.80	2,651.02	1,048.00
54		Total Admin	64,002.80	113,700.65	150,161.90	38,352.00	188,513.90	49,128.42	98,296.31
55									
56		Employee Expenses							
57		P/R Tax-FUTA				165.56	165.56	223.99	167.99
58		P/R Tax-Medicare				473.74	473.74	1,099.81	1,169.38
59		P/R Tax-Soc Sec				2,025.54	2,025.54	4,702.63	4,999.78
60		P/R Tax-Suta				716.45	716.45	988.11	730.30
61		Taxes - Payroll	14,361.39	12,656.77	9,800.48		9,800.48		
62		Wages	108,828.31	113,198.81	74,506.26		74,506.26		
63		Wages-Maintenance				15,769.44	15,769.44	42,519.71	39,680.68
64		Wages-Managers				16,900.46	16,900.46	33,236.42	40,960.34
65		Total Employee	123,189.70	125,855.58	84,306.74	36,051.19	120,357.93	82,770.67	87,708.47
66									
67		Operating Expenses							
68		Auto Expense	2,886.95	6,382.80	1,676.30		1,676.30		
69		Casual Labor	590.00	500.00	660.00		660.00		
70		Cleaning Expense	897.00	1,348.50	1,225.00		1,225.00		
71		Clubhouse Supplies				17.78	17.78	65.21	862.41
72		Common Area Supplies				797.80	797.80	177.18	619.63
73		Janitorial Supplies				159.85	159.85	498.35	369.48
74		Management Fees				9,979.67	9,979.67	32,850.69	35,309.73
75		Officers' Salary	43,560.00	43,560.00	39,930.00		39,930.00		
76		Outside Services				7,902.75	7,902.75	5,028.76	11,245.79

A	B	C	D	E	F	G	H	I	J
1	NOMAD VILLAGE - TABLE 5								
2	Income & Expense Summary 2006 - 2010								
3				Nomad Village, Inc.					
4			2006	2007	2008	2008	2008	2009	2010
5					Jan-June	July-Dec			
6									
77			4,666.50	3,230.50	2,440.00	920.00	3,360.00	8,621.50	5,998.50
78						1,392.60	1,392.60	3,446.30	3,342.24
79			52,689.61	53,614.70	36,421.60	46,866.82	83,288.42	113,526.95	113,340.74
80			4,507.00	1,617.00	1,788.00		1,788.00		
81			37,121.97		10,196.23		10,196.23		
82				37,966.32		21,199.58	21,199.58	59,255.26	82,252.82
83			146,919.03	148,219.82	94,337.13	89,236.85	183,573.98	223,470.20	253,341.34
84									
85									
86						20.00	20.00	232.43	679.46
87								21.50	
88						493.45	493.45	974.39	1,728.34
89						1,912.66	1,912.66		
90						256.66	256.66	28,970.69	1,417.92
91						15,617.50	15,617.50	21.73	
92						566.96	566.96	10,017.01	930.06
93						205.48	205.48	364.17	248.02
94									49.89
95						29.92	29.92	173.25	1,365.49
96						531.71	531.71	4,808.81	43.95
97						16.14	16.14		
98						1,403.96	1,403.96	3,621.93	5,228.53
99						11,200.00	11,200.00	14,637.58	2,706.44
100								935.00	2,340.00
101								117.26	327.22
102						1,322.63	1,322.63	876.78	145.80
103						679.95	679.95	1,400.21	1,198.62
104						2,088.07	2,088.07	4,410.67	566.53
105			40,723.06	13,882.85	18,374.43		18,374.43		
106			4,007.04	1,578.16	1,168.70		1,168.70		
107					1,010.70		1,010.70		79.20
108					610.78		610.78	1,207.15	1,724.04
109			44,730.10	15,461.01	19,543.13	37,966.57	57,509.70	72,790.56	20,779.51
110									
111									

A	B	C	D	E	F	G	H	I	J	
1	NOMAD VILLAGE - TABLE 5									
2	Income & Expense Summary 2006 - 2010									
3			Nomad Village, Inc.						Lazy Landing LLC	
4			2006	2007	2008	2008	2008	2009	2010	
5					Jan-June	July-Dec				
6										
112		Utility Expenses								
113		Cable TV				288.12	288.12	640.99	666.45	
114		Electricity	51,376.25	48,071.14	33,419.92	17,494.89	50,914.81	49,296.45	47,467.92	
115		Gas Expense	35,923.92	31,514.01	33,589.20	11,092.20	44,681.40	20,850.16	25,649.72	
116		Garbage Expense	12,220.08	11,179.93	7,131.69	1,434.35	8,566.04	9,343.99	11,144.53	
117		Park Utility	2,728.71	527.92	344.02		344.02			
118		Sewer Expense	30,892.36	33,854.31	18,408.73	25,072.31	43,480.44	52,366.27	54,587.92	
119		Water Expense	33,502.41	38,779.12	28,261.30	15,061.46	43,322.76	43,200.73	38,905.57	
120		Total Utilities	166,643.73	163,926.43	121,154.26	70,443.33	191,597.59	175,698.59	178,422.11	
121										
122		Total Income	718,978.61	717,376.87	428,497.50	309,803.68	738,301.18	752,246.25	761,369.18	
123		Total Operating Expenses	545,485.36	567,163.49	469,503.16	272,049.94	741,553.10	603,858.44	638,547.74	
124		Net Operating Income	173,493.25	150,213.38	-41,005.66	37,753.74	-3,251.92	148,387.81	122,821.44	
125										
126		OTHER INCOME								
127		Interest Income	679.77	736.16	236.96		236.96			
128		Miscellaneous Income	1,000.00		114,621.76		114,621.76			
129		Loss-Abandoned Assets			-57,777.24		-57,777.24			
130		Total Other Income	1,679.77	736.16	57,081.48	0.00	57,081.48	0.00	0.00	
131										
132		OTHER EXPENSE								
133		Amortization Expense	1,961.00	457.00	343.00	6,964.00	7,307.00	18,863.00		
134		Interest - Capmark				6,161.94	6,161.94	200,697.41	198,496.92	
135		Interest - Lipscomb						2,000.00		
136		Depreciation	1,803.00	4,577.00	2,399.00	10,910.00	13,309.00	3,105.00		
137		Total Other Expense	3,764.00	5,034.00	2,742.00	24,035.94	26,777.94	224,665.41	198,496.92	
138										
139		OVERALL CASH FLOW	171,409.02	145,915.54	13,333.82	13,717.80	27,051.62	-76,277.60	-75,675.48	
140										
141										
142		Note: This chart puts on one chart figures from two different management companies. The Overall Cash Flow figures match the Net Income or Net Profit figures at the end of each income-expense statement (the books of record). These figures are unadjusted. See MNOI analysis for adjustments.								
143										
144										
145										
146		SJA - 9/9/11								

DECLARATION OF SERVICE BY E- MAIL

I, LISA M. PAIK, declare:

I am, and was at the time of the service hereinafter mentioned, over the age of 18 years and not a party to the within action. My business address is 329 East Anapamu Street, Santa Barbara, California 93101, and I am a resident of Santa Barbara County, California.

On September 16, 2011, I served the foregoing document described as ARBITRATION HEARING BRIEF BY NOMAD VILLAGE MOBILE HOME PARK on the interested parties in this action by e-mailing a true and correct copy thereof as follows:

Bruce E. Stanton **E-mail: brucestantonlaw@yahoo.com**
Law Offices of Bruce E. Stanton
6940 Santa Teresa Blvd., Suite 3
San Jose, California 95119

I caused such document to be e-mailed to the addressee.

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

Executed on September 16, 2011, at Santa Barbara, California.

