

**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.

I  
INTRODUCTION

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

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

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

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

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           There were settlement negotiations, both with the homeowner  
2 representatives, as well as through offers made Park-wide to all  
3 interested residents.     Some residents have signed memoranda of  
4 understandings with Lazy Landing, LLC, which establishes their  
5 space rents.

6           In April 2011, Park management was notified that a Petition  
7 challenging the Park's rent increase had been filed with Santa  
8 Barbara County.     It was purported that the Petition was made by  
9 a majority of homeowners, as required by the Santa Barbara  
10 County Code.     The Petition states that it is challenging the  
11 rent increase in its entirety, although the Petition does not  
12 properly identify the basis of the Petition.

13           The Petition was represented to be brought under the Santa  
14 Barbara County Rent Control Ordinance ("Ordinance"), which is  
15 set forth in Chapter 11A of the Santa Barbara County Code.

16  
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18                           **III**

19                           **SUMMARY AND EXPLANATION OF SPACE RENT INCREASE**

20           The January 26, 2011, rent notice indicated that space  
21 rents would be increased above the rents last changed in May,  
22 2008 in the categories set out on Table 1, "Space Rent Increase  
23 Breakdown".

24           The first category is the "automatic" or "CPI" increase  
25 that is calculated for each space individually. Table 2, "CPI  
26 Calculations", gives the basis for these increases.

27           The second category is the "NOI" or "fair return" increase  
28 set out in the Ordinance, Section 11A-5(i). As spelled out in  
the Ordinance, this increase is intended to allow a fair return



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.  
24  
25  
26  
27  
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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



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JAMES P. BALLANTINE  
Attorney for NOMAD VILLAGE  
MOBILE HOME PARK

ATTACHMENTS

1  
2  
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**





<b>NOMAD VILLAGE - TABLE 2</b>					
<b>CPI CALCULATIONS</b>					
		<b>DEC 2007</b>	<b>DEC 2008</b>	<b>DEC 2009</b>	<b>DEC 2010</b>
<b>GENERAL</b>					
	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%
<b>EXAMPLE</b>					
	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
<b>Notes:</b>					
	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	<b>NOMAD VILLAGE - TABLE 3-A</b>								
2	<b>MNOI ANALYSIS 2007-2010</b>								
3					<b>BOOKS OF RECORD</b>			<b>MNOI ANALYSIS</b>	
4					<b>2007</b>	<b>2010</b>		<b>2007</b>	<b>2010</b>
5									
6	<b>INCOME</b>								
7		<b>Rental Income</b>							
8		4100 -	Rental Income		535,997.58	564,327.90		535,997.58	564,327.90
9		<b>Utility Income</b>							
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		<b>Other Income</b>							
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		<b>Total Income</b>			<b>718,113.03</b>	<b>761,369.18</b>		<b>608,357.79</b>	<b>656,585.76</b>
27									
28	<b>EXPENSE</b>								
29		<b>Employee Costs</b>							
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		<b>Total Employee Costs</b>			<b>133,898.58</b>	<b>98,865.03</b>		<b>133,898.58</b>	<b>98,865.03</b>
41									
42		<b>Utility Expenses</b>							
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		<b>Total Utility Expenses</b>			<b>163,926.43</b>	<b>178,422.11</b>		<b>84,341.28</b>	<b>105,304.47</b>

	A	B	C	D	E	F	G	H	I
1	<b>NOMAD VILLAGE - TABLE 3-A</b>								
2	<b>MNOI ANALYSIS 2007-2010</b>								
3					<b>BOOKS OF RECORD</b>			<b>MNOI ANALYSIS</b>	
4					<b>2007</b>	<b>2010</b>		<b>2007</b>	<b>2010</b>
5									
51									
52				<b>Repair and Maintenance</b>					
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				<b>Total Repair &amp; Maintenance</b>	<b>13,882.85</b>	<b>18,296.81</b>		<b>13,882.85</b>	<b>15,948.83</b>
69									
70				<b>Operating Supplies</b>					
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				<b>Total Operating Supplies</b>	<b>1,578.16</b>	<b>4,334.22</b>		<b>1,578.16</b>	<b>4,334.22</b>
79									
80				<b>Office &amp; Administration</b>					
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	<b>NOMAD VILLAGE - TABLE 3-A</b>								
2	<b>MNOI ANALYSIS 2007-2010</b>								
3					<b>BOOKS OF RECORD</b>			<b>MNOI ANALYSIS</b>	
4					<b>2007</b>	<b>2010</b>		<b>2007</b>	<b>2010</b>
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				<b>Total Office &amp; Administration</b>	<b>258,911.47</b>	<b>338,629.57</b>		<b>136,122.69</b>	<b>265,252.07</b>
116									
117				<b>Total Operating Expenses</b>	<b>572,197.49</b>	<b>638,547.74</b>		<b>369,823.56</b>	<b>489,704.62</b>
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	<b>NOTES:</b>								
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	<b>NOMAD VILLAGE - TABLE 3-A</b>								
2	<b>MNOI ANALYSIS 2007-2010</b>								
3					<b>BOOKS OF RECORD</b>			<b>MNOI ANALYSIS</b>	
4					2007	2010		2007	2010
5									
138	<b>Rent Increase Following Method Set Out In The Ordinance:</b>								
139									
140	1	<b>CPI Base and Comparison Years</b>						209.661	218.435
141		<b>CPI increase from base to comparison year</b>							4.2%
142		<b>75% CPI increase from base to comparison year</b>							3.1%
143		<b>Base Year Space Rent Income</b>						535,997.58	
144		<b>CPI-justified space rent increase</b>						16,823.02	
145		<b>One-half CPI-justified increase = fair return on investment</b>							8,411.51
146									
147	2	<b>One-half CPI-justified increase against cost increases</b>							8,411.51
148									
149	3	<b>Base Year Operating Costs</b>						369,823.56	
150		<b>Comparison Year Operating Costs</b>						489,704.62	
151		<b>Increase in Operating Costs</b>						119,881.06	
152		<b>Excess over #2</b>							111,469.55
153									
154	4	<b>Justified Rent Increase (Sum 1, 2, and 3)</b>							128,292.57
155		<b>Increase Taken Already</b>							28,330.32
156		<b>Net Justified Increase</b>							99,962.25
157		<b>Space Rent Increase per space per month (divide by 150 spaces and 12 months)</b>							55.53
158									
159									
160									
161	<b>Rent Increase Following Method Set Out In The Ordinance @ 100% Indexing:</b>								
162									
163	1	<b>CPI Base and Comparison Years</b>						209.66	218.44
164		<b>CPI increase from base to comparison year</b>							4.2%
165		<b>Base Year Income</b>						535,997.58	
166		<b>CPI-justified space rent increase</b>						22,430.70	
167		<b>One-half CPI-justified increase = fair return on investment</b>							11,215.35
168									
169	2	<b>One-half CPI-justified increase against cost increases</b>							11,215.35
170									
171	3	<b>Base Year Operating Costs</b>						369,823.56	
172		<b>Comparison Year Operating Costs</b>						489,704.62	
173		<b>Increase in Operating Costs</b>						119,881.06	
174		<b>Excess over #2</b>							108,665.71
175									
176	4	<b>Justified Rent Increase (Sum 1, 2, and 3)</b>							131,096.41
177		<b>Increase Taken Already</b>							28,330.32
178		<b>Net Justified Increase</b>							102,766.09
179		<b>Space Rent Increase per space per month (divide by 150 spaces and 12 months)</b>							57.09
180									
181									
182	2007-2010MNOI-080911								

	A	B	C	D	E	F	G	H	I
1	<b>NOMAD VILLAGE - TABLE 3-B</b>								
2	<b>MNOI ANALYSIS 1994-2010</b>								
3					<b>BOOKS OF RECORD</b>			<b>MNOI ANALYSIS</b>	
4					1994	2010		1994	2010
5									
6	<b>INCOME</b>								
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				<b>Total Income</b>	<b>520,034.51</b>	<b>761,369.18</b>		<b>441,039.13</b>	<b>656,585.76</b>
27									
28	<b>EXPENSE</b>								
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				<b>Total Employee Costs</b>	<b>64,537.58</b>	<b>98,865.03</b>		<b>64,537.58</b>	<b>98,865.03</b>
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				<b>Total Utility Expenses</b>	<b>124,161.70</b>	<b>178,422.11</b>		<b>52,776.66</b>	<b>105,304.47</b>

	A	B	C	D	E	F	G	H	I
1	<b>NOMAD VILLAGE - TABLE 3-B</b>								
2	<b>MNOI ANALYSIS 1994-2010</b>								
3					<b>BOOKS OF RECORD</b>			<b>MNOI ANALYSIS</b>	
4					1994	2010		1994	2010
5									
51									
52				<b>Repair and Maintenance</b>					
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				<b>Total Repair &amp; Maintenance</b>	30,325.60	18,296.81		30,325.60	15,948.83
69									
70				<b>Operating Supplies</b>					
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				<b>Total Operating Supplies</b>	9,108.85	4,334.22		9,108.85	4,334.22
79									
80				<b>Office &amp; Administration</b>					
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	<b>NOMAD VILLAGE - TABLE 3-B</b>								
2	<b>MNOI ANALYSIS 1994-2010</b>								
3					<b>BOOKS OF RECORD</b>			<b>MNOI ANALYSIS</b>	
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				<b>Total Office &amp; Administration</b>	<b>167,976.87</b>	<b>338,629.57</b>		<b>151,890.66</b>	<b>265,252.07</b>
115									
116				<b>Total Operating Expenses</b>	<b>396,110.60</b>	<b>638,547.74</b>		<b>308,639.35</b>	<b>489,704.62</b>
117									
118									
119				Space Rent Income	394,164.95	564,327.90		394,164.95	564,327.90
120				<b>Total Income</b>	<b>520,034.51</b>	<b>761,369.18</b>		<b>441,039.13</b>	<b>656,585.76</b>
121				<b>Total Operating Expenses</b>	<b>396,110.60</b>	<b>638,547.74</b>		<b>308,639.35</b>	<b>489,704.62</b>
122				<b>Net Operating Income</b>	<b>123,923.91</b>	<b>122,821.44</b>		<b>132,399.78</b>	<b>166,881.14</b>
123									
124									
125	<b>NOTES:</b>								
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	<b>NOMAD VILLAGE - TABLE 3-B</b>								
2	<b>MNOI ANALYSIS 1994-2010</b>								
3					<b>BOOKS OF RECORD</b>			<b>MNOI ANALYSIS</b>	
4					1994	2010		1994	2010
5									
138	<b>Rent Increase Following Method Set Out In The Ordinance:</b>								
139									
140	1	<b>CPI Base and Comparison Years</b>						152.300	223.220
141		<b>CPI increase from base to comparison year</b>							46.6%
142		<b>75% CPI increase from base to comparison year</b>							34.9%
143		<b>Base Year Space Rent Income</b>						394,164.95	
144		<b>CPI-justified space rent increase</b>						137,660.10	
145		<b>One-half CPI-justified increase = fair return on investment</b>							68,830.05
146									
147	2	<b>One-half CPI-justified increase against cost increases</b>							68,830.05
148									
149	3	<b>Base Year Operating Costs</b>						308,639.35	
150		<b>Comparison Year Operating Costs</b>						489,704.62	
151		<b>Increase in Operating Costs</b>						181,065.27	
152		<b>Excess over #2</b>							112,235.22
153									
154	4	<b>Justified Rent Increase (Sum 1, 2, and 3)</b>							249,895.32
155		<b>Increase Taken Already</b>							170,162.95
156		<b>Net Justified Increase</b>							79,732.37
157		<b>Space Rent Increase per space per month (divide by 150 spaces and 12 months)</b>							44.30
158									
159									
160									
161	<b>Rent Increase Following Method Set Out In The Ordinance @ 100% Indexing:</b>								
162									
163	1	<b>CPI Base and Comparison Years</b>						152.30	223.22
164		<b>CPI increase from base to comparison year</b>							46.6%
165		<b>Base Year Income</b>						394,164.95	
166		<b>CPI-justified space rent increase</b>						183,546.80	
167		<b>One-half CPI-justified increase = fair return on investment</b>							91,773.40
168									
169	2	<b>One-half CPI-justified increase against cost increases</b>							91,773.40
170									
171	3	<b>Base Year Operating Costs</b>						308,639.35	
172		<b>Comparison Year Operating Costs</b>						489,704.62	
173		<b>Increase in Operating Costs</b>						181,065.27	
174		<b>Excess over #2</b>							89,291.87
175									
176	4	<b>Justified Rent Increase (Sum 1, 2, and 3)</b>							272,838.67
177		<b>Increase Taken Already</b>							170,162.95
178		<b>Net Justified Increase</b>							102,675.72
179		<b>Space Rent Increase per space per month (divide by 150 spaces and 12 months)</b>							57.04
180									
181									
182	2007-2010MNOI-080911								

	A	B	C	D	E	F	G	H	I	J
1	<b>NOMAD VILLAGE - TABLE 4</b>									
2	<b>TEMPORARY (AMORTIZED) SPACE RENT INCREASES</b>									
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	<b>NOMAD VILLAGE - TABLE 5</b>									
2	<b>Income &amp; Expense Summary 2006 - 2010</b>									
3			Nomad Village, Inc.							
4			2006	2007	2008	2008	2008	2008	2009	2010
5					Jan-June	July-Dec				
6										
7	<b>INCOME</b>									
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	<b>OPERATING EXPENSES</b>									
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						0.54	781.59
32			Credit Checks						132.00	3.02
33			Donations	325.00	150.00	260.00		250.00		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	<b>NOMAD VILLAGE - TABLE 5</b>								
2	<b>Income &amp; Expense Summary 2006 - 2010</b>								
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	<b>NOMAD VILLAGE - TABLE 5</b>								
2	<b>Income &amp; Expense Summary 2006 - 2010</b>								
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	<b>NOMAD VILLAGE - TABLE 5</b>									
2	<b>Income &amp; Expense Summary 2006 - 2010</b>									
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		<b>OTHER INCOME</b>								
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		<b>OTHER EXPENSE</b>								
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		<b>OVERALL CASH FLOW</b>	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.

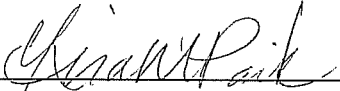
On September 16, 2011, I served the foregoing document described as ARBITRATION HEARING BRIEF BY NOMAD VILLAGE MOBILE HOME PARK on the interested parties in this action by e-mailing a true and correct copy thereof as follows:

Bruce E. Stanton                      **E-mail: [brucestantonlaw@yahoo.com](mailto: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.

  
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