A PROFESSIONAL LAW CORPORATION
Rudderow Law Group

October 22, 2025

Board of Supervisors &
Community Development Department
County Counsel
County of Tuolumne

alemieux@awattorneys.com

Re: Fair Return Application submitted by Mill Villa Estates Mobile Home Park
Board of Supervisors Public Hearing Date: November 5, 2025

RESPONSE BY PARK OWNER TO COUNTY EVALUATION AND TENANT REPRESENTATIVE SUBMISSIONS

Dear Board of Supervisors:

This law firm represents the owner of the Mill Villa Estates Mobile Home Park with respect to its application for a fair rate of return rent increase which is scheduled to be heard by the Board on November 5, 2025.

1. Owner's Response to County's Evaluation

We understand that the County has retained Dr. Kenneth Baar as a consultant and that Dr. Baar's report dated October 14, 2025, constitutes the County's written evaluation of the park owner's application. In compliance with the Board's Resolution No. 54-25, the park owner now submits this response to Dr. Baar's report:

To evaluate the arguments made by Dr. Baar in his report, the Applicant retained Mr. Brian Eid who is a Certified Public Accountant. Mr. Eid has opposed Dr. Baar on numerous occasions in other fair return hearings.

Enclosed is Mr. Eid's report responding to Dr. Baar's arguments. As the Board will note in the report, Mr. Eid actually agrees with Dr. Baar with regard to two of his opinions.

First, Mr. Eid agrees that the increase in property taxes resulting from the construction of 35 new spaces in the park is an expense which should not be used in

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the MNOI analysis. When the 35 spaces were constructed, they were exempt from rent control. The increase in property taxes resulted solely from the construction of these new 35 spaces. Since the property taxes were not an expense attributable to the rent control spaces, this expense should not be incorporated into the MNOI analysis.

Second, Mr. Eid agrees with Dr. Baar that the total amount of income from the 155 rent control spaces should have been determined off of the actual rents listed in the rent registration (rather than taking the total income of the park and multiplying it by a 155/193 fraction reflecting there was at the time 155 rent control spaces in a 193 space park).

Taking into consideration Dr. Baar's points above, Mr. Eid's opinion is that the park's rent increase request should be $101.67 rather than the $122.77 asked for in the application.

Dr. Baar notes on page 19 of his report that in cases in which there has been an unreasonable delay in granting a rent increase justified by a fair return application, park owners have been granted a "Kavanau" adjustment – allow rents that residents would have had to pay if a fair return was granted in a reasonable time.

In this case, the park owner's application was filed on December 26, 2024. Pursuant to the County's Resolution 54-25, a hearing should have taken place within 50 days, or by February 14, 2025. Instead, the hearing is taking place eight (8) months and twenty-two (22) days late on November 5, 2025. Multiplying $101.67 by 8 months equals $813.36. Applicant requests that residents pay this $813.36 by paying it over three years at $22.59 per month.

Thus, Applicant wishes to revise its Application and request that this Board of Supervisors grant a rent increase of **$124.26** which will last for 3 years, after which the rent increase will reduced back down to **$101.67**. Stated differently, the Applicant requests a permanent rent increase of $101.67 and a temporary rent increase of $22.59 that will last for only 3 years.

Dr. Baar suggests that the Board should grant a rent increase of only $72.43. Mr. Eid explains in the enclosed report why Dr. Baar's arguments do not support a rent increase of only $72.43.

In addition to the enclosed report by Mr. Eid, the Applicant wishes to make the following points in opposition to Dr. Baar's report and the submissions by the Tenant's Representative:

The Board of Supervisors Should Grant a Rent Increase of $101.67 Because this Amount is the Result of the Objective MNOI Standard

Applicant is before this Board of Supervisors to request that the Board grant a rent increase which would afford the park owner a "fair return" on its investment as permitted under Section 5.28.070 of the County's Mobilehome Rent Control Ordinance.

Courts have not defined exactly what the term "fair return" means or how such a rent increase should be calculated. Without instructions from the courts, landlords and tenants could no doubt argue for days about what is "fair" and what is "reasonable" which likely would not be helpful to this Board which must make the decision.

Recognizing that a debate about what is fair and/or reasonable does not accomplish anything, parties in rent control cases began to use a Maintenance of Net Operating Income (MNOI) method as a way to mathematically determine the amount of a "fair return" rent increase.

The MNOI is a mathematical formula: you calculate the net operating income (income minus expenses) in the base year of 2015-1016 and compare it to the net operating income in the current year of 2024. The idea is that a "fair return" is that which would allow the park owner to maintain the same NOI in the current year (2024) as the park owner enjoyed in the base year (2015-2016), adjusted for inflation.

In this case, the owner of Mill Villa employed the MNOI method and, based on that mathematical formula, determined that the owner needs a $122.77 increase in order to realize in 2024 the same NOI the park had in 2015-2016. The park owner calculated inflation by using the percentage change in the consumer price index. Mr. Eid has now adjusted this figure to $101.67 based on valid points made by Dr. Baar.

The County's consultant, Dr. Kenneth Baar, agrees in his report that the MNOI method or standard "is widely used in rent stabilization fair return cases and has been praised by the Courts."

As a strong proponent of the MNOI formula, Dr. Baar should fully endorse and approve a rent increase of $101.67, as that is the figure that results from an honest and correct use of the MNOI method. Instead, however, Dr. Baar, the consultant that the County presumably selected to render a fair and unbiased analysis in this matter, rejects this amount. Why?

The reason is simple: Dr. Baar has been a leading advocate for tenants and rent control for decades. To secure his reputation, and to ensure he is hired in the future by local governments such as the County of Tuolumne to "consult" on fair return petitions, Dr. Baar now tries to argue out of the MNOI result for something lower and presumably more acceptable to the County that retained him.

For example, in order to argue for some dollar amount less than $101.67, Dr. Baar offers his subjective opinion that the park's insurance expenses ten years ago in 2015-2016 of about $45 per space were "too low." However, as set forth more fully in the enclosed report of Brian Eid, Dr. Baar offers no evidence to support his subjective view that insurance a decade ago was too low. He submits a few appraisal reports that he claims show insurance costs for parks from 2011 to 2015 was $100 per space, but the reports also show that insurance was as low as $11 per space in some cases.

More disturbing, however, Dr. Baar evidently believes it appropriate to change the **actual** financial figures with **made-up** figures more to his liking. Even though the park's insurance costs were in fact around $45 per space in 2015-2016, Dr. Baar believes it is somehow appropriate to now simply change the financial figures to say that the insurance costs back in 2015-2016 were $100 per space even though that's not true. Dr. Baar calls this "projecting" (evidently into the past, not the future) as a way to justify his approach to change the actual numbers with fake numbers.

Applicant gave true and correct figures of the insurance costs back in 2015-2016 based on the records from the prior park owner. Applicant requests that this Board of Supervisors decline Dr. Baar's invitation to "project" fabricated expense amounts rather than what actually existed in 2015-2016.

Dr. Baar makes the same arguments with regard to the Waste Management (trash) expenses, but claims these expenses were "too high" not too low. Dr Baar says that these actual expenses should likewise be "changed" to something lower because (paraphrasing here) the park "could have" "years ago" "negotiated" a better trash rate with Waste Management.

Whether the park could have negotiated a better price years ago for trash in purely speculation. Indeed, Dr. Baar's report gives no information as to who he spoke with at Waste, what they said about commercial vs. individual billing, whether it would have been feasible, whether the dollar amount would have been less, etc. There is no analysis attached to his report. Dr. Baar simply speculates that if billing was done individually, the overall costs would have been less.

Without any evidence, and without any showing that Dr. Baar knows what he is talking about in terms of trash service, he nonetheless offers this Board of Supervisors his subjective (and unsupported) opinion that trash expenses "could have been" lowered years ago.

Whether trash costs could have been lower is speculative and irrelevant. What is relevant is the fact that the trash expenses did increase as claimed by the park owner. That is a fact, not a "projection". Indeed, **the park owner is giving the Board true facts as to what the actual costs were and how they increased, not made-up facts designed to support a rent control agenda or Dr. Baar's career**.

In sum, what Dr. Baar is trying to do is to bring this Board of Supervisors back to a debate about what, subjectively in his mind, is "reasonable" and "unreasonable" in an effort to avoid the outcome of the objective MNOI standard. The Board should decline this invitation.

2. Owner's Response to Tenant Representative

On September 22 and 29, 2025, the County published a Legal Notice to notify the public that the park owner's application will be heard on November 5, 2025. In that Legal Notice, the County stated that "Written submissions by the Tenant Representative or Owner **must be received in conformance with Resolution 54-25**." (Emphasis added.) Resolution No. 54-25, in turn, instructs that the written responses of the Tenant Representative and Individual Tenants be filed no later than 30 days before the hearing of November 5, or by October 6, 2025.

The Tenant's Representative, attorney Charles Smith, failed to file his written response by October 6, 2025. Instead, the response was filed late on October 8, 2025. The park owner objects to the Board's consideration of the Tenant's Representative's submission on the grounds that it does not comply with the filing deadlines adopted by the Board.

Separate and apart from the filing deadline, Resolution 54-25 also provides that the appointment of a tenant representative "shall" be conditioned on the submission to County of a notice signed by tenants occupying a majority of the spaces in the park. There are 228 spaces at the park. Our office has requested a copy of the notice signed by at least 115 tenants, but, as of writing this response, we have not received the notice. If there is no notice signed by 115 or more tenants, then the park owner objects to the Board considering the written response submitted by Mr. Smith on the grounds that there is no notice signed which authorizes him to act as a Tenant Representative.

In the unlikely event that the Board overrules both of these two objections (in effect ignoring its own procedures), the park owner responds as follows:

Attorney Charles Smith's written response appears to consist solely of a set of subjective opinions given by Geri Ramirez who is a bookkeeper and also a resident of the park. Geri Ramirez offers opinions on seven (7) items:

Item 1 – Ramirez says that inflation should not have been added to the base year NOI. That is incorrect as Dr. Baar can confirm. Under an MNOI analysis, inflation is added.

Item 2 – Ramirez says that payroll costs are high. Again, a discussion about what is low or high is not relevant. In any event, this park has 228 spaces. Management payroll and maintenance payroll are each about 5.5% of the park's income, which is more than reasonable.

Ramirez also requests copies of payroll for each year between 2015 and 2024. This information is not relevant because when you employ the MNOI method, you only look at (and compare) the payroll costs in the base year and the current year. You do not look at the costs for the years in between.

Item 3 – Ramirez objects to the expenses for road repairs but does not offer any valid argument as to why these expenses should not be included in the MNOI analysis.

Item 4 – Ramirez says trash expense is high which the park owner does not dispute is high. That is the reason why the park owner is requesting a rent increase.

Item 5 – Ramirez says that electrical costs for common area "seem high," but there is no information given as to whether Ramirez has the requisite training and experience to opine on the reasonableness of electrical costs. Again, the Board should not make a decision based on tenants' subjective beliefs that costs are "too high" or "unreasonable." The issue is what rent increase should the park owner receive in order to maintain today the same net operating income as existed in the base year.

Item 6 – Ramirez appears to be asking about utilities if a fair return rent increase were granted. The park owner is seeking only an increase in the rent, not the utilities.

Item 7 – Finally, Ramirez makes three arguments: (1) the park is not properly billing for utilities, (2) a new storage agreement being used is improper, and (3) water consumption charge is improper. While these may be issues residents wish to raise with the park owner, these arguments do not address the issue before the Board, namely should a rent increase of $101.67 be granted based on the MNOI analysis.

3. Conclusion

Since the consensus of all parties is that the Maintenance of Net Operating Income (MNOI) standard is the most appropriate method for determining the amount of a fair return increase, the Applicant requests that this Board of Supervisors grant a rent increase of **$124.26** which will last for 3 years, after which the rent increase will reduced back down to **$101.67**. Stated differently, the Applicant requests a permanent rent increase of $101.67 and a temporary rent increase of $22.59 that will last for only 3 years.

Sincerely,

Daniel T. Rudderow, Esq.
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Enclosure: Brian Eid, CPA report

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October 22, 2025

Mill Villa MHC, LP
Attn: Jeff Fisher
18006 Sky Park Circle, Ste. 200
Irvine, CA 92614
VIA E-MAIL jfisher@ipgliving.com

Re: Mill Villa Estates Special Rent Increase Petition

Mr. Fisher:

This letter sets forth limited findings and comments with respect to the report on the Analysis of the Mill Villa Estates Mobile Home Park Rent Increase Application ("Mill Villa" or the "Park") performed by Dr. Kenneth Baar dated October 14, 2025, as well as the analysis performed by the Park management. The application is subject to the Control of Rents in Mobilhome Parks ordinance in the County of Tuolomne Municipal Code Chapter 5.28 (the "Ordinance"). Capitalized terms not otherwise defined herein shall have the meaning prescribed in the Ordinance.

BASE YEAR RENTAL INCOME

Dr. Baar states on page 9 of his report:

> *"It appears to be reasonable to attribute 155/193 of the base year operating costs to the rent controlled spaces on the basis that the costs of operating the spaces were the same for the rent controlled and exempt spaces. However, the share of space rent income attributable to rent controlled spaces was lower than their share of total spaces because the rents of exempt spaces were higher than the rents of the rent controlled spaces. Therefore,* ***a projection of the base year space rent income*** *from the rent controlled spaces should be based on the actual rents of the rent controlled spaces in the base year."*

Whenever actual data is available it should be used instead of estimates. The annual registrations filed by the Park with the County on August 6, 2015 and May 3, 2016, as cited in Dr. Baar's report, contain the monthly rent of each individual space and the respective anniversary date. In this case, Dr. Baar calculated what he called a "projection" of base year rental income when the actual data was available. I analyzed the **actual** monthly rents of exempt spaces, taking into account their anniversary dates, and calculated the amount of rental income from July 1, 2015 through June 30, 2016. I did not use a projection. The results are significantly different. A summary of the differences between the actual data and Dr. Baar's projected data can be seen below:

Mill Villa Estates
Calculations of Base Year Rental Income from Rent-Controlled Spaces
2015/2016 Fiscal Year (Base Year)

	Total Rent Income	Rent-Controlled Rental Income	Exempt Rental Income
Per Applicant	$ 1,251,306	$ 1,004,935	$ 246,371
Per Eid	1,251,306	977,583	$ 273,722
Difference between Eid and Applicant	$ -	$ (27,351)	$ 27,351
Difference per Baar	-	(37,752)	37,752
Difference between Eid and Baar	$ -	$ 10,401	$ (10,401)

PROJECTION OF BASE YEAR INSURANCE EXPENSES

Dr. Baar's report states the following in page 11:

> *In this case, the insurance expenses reported for the base year are exceptionally low and out of line with the industry norm. Prior to the meltdown in the insurance market of the past few years, insurance costs for mobile home parks were typically in the range of about 2% of rental income.*

The report contains no citation of the support for this 2% figure. In footnote 14 to the report he discusses portions of four appraisal reports that he obtained in a prior fair return petition. This documentation was not provided to the Park as part of Dr. Baar's report or appendices; however, they were provided by the County after request on October 17, 2025.

First and foremost, these reports were not intended for the purpose of estimating insurance expense levels in the industry. While these excerpts below were omitted from that which was produced by Dr. Baar, I have experience with John Neet's reports as well and those that I have read include the following limiting conditions:

> **Intended Use**
>
> The intended use of the analysis and report is to provide relevant market data, market analysis, and supporting opinions of market rental value under general market conditions for an application for a discretionary rent increase to be made to the City of Santa Rosa.
>
> The use of this appraisal is invalid for any other purpose.

Client and Intended Users

The client in this appraisal assignment is [redacted] intended use stated above. There are no [redacted]

The intended users of the appraisal report are limited to the named client, the property owner, counsel, and advisors to the property owner, and the City of Santa Rosa, CA; all for the intended use stated above and for no other purpose.

Use of the report by others not named above is not intended by the appraiser or the client.

General Assumptions

- The information furnished by others is believed to be reliable, however, no warranty is given for its accuracy. Any income and expense records relating to the subject property that has been provided is assumed to be accurate as presented.

As stated in the footnote these were property appraisal reports performed by a licensed appraiser, Jonh Neet, MAI, not an insurance expert or even a mobile home park operator. As discussed in Mr. Neet's reports, the "…estimate of expenses is derived from a variety of sources, including a review of expense statements from comparable projects, historical data maintained in my files, and historical information provided to the appraisers by the subject's management." This is then footnoted as follows: "The reader should be aware that there are **no reliable** institutional data sources that report statistics on operating expenses for this property type…" So there is no reliable industry data according to the four reports that Dr. Baar cites as support for his assertion that industry standard for insurance is 2% of rental income. Further, Mr. Neet also states that "[Percentage of collected income] is not considered as reliable [cost per unit] analysis for several reasons…" While Dr. Baar claims that the insurance expense in the Base Year as a percentage of income is low, the reports he uses to support this claim state that percentage of income analysis is not as reliable as other analyses.

The reports contained the following explanations regarding the data collected:

Expense comparable data shown in the following tables are derived from provided confidential income and expense reports from appraisal files and other sources. The data included reflects operating expense reports for 2008 and 2009, and the data is taken from a sample of 60 manufactured housing communities located in the western United States. The properties are predominantly located in California, where expenses tend to be higher than in other states. Data is also included from parks located in Oregon, Washington, Nevada, Arizona, Colorado, Idaho, and Utah. Note that all parks report expenses in differing levels of detail. Some parks, for example, combine several utility expenses into single line items, which results in a lower number of samples in each expense category considered. The high and low, and mean amounts reported in the analysis are taken from samples containing between 27 and 57 individual operating reports. Actual properties and individual park reports are not reproduced in order to provide the highest number of data points and the most reliable data without compromising the confidential nature of the sources and the underlying data.

[illegible]

The following table provides expense comparable data from 10 mobile home parks from 2010 and 2011, the most recent years for which a full year of data is available. This data is unfiltered, that is it has not been adjusted to delete items that are not considered in my projections for the subject (expensed capital expenditures, higher than typical payroll expenses, use or lack of use of professional management services, etc.). The data does demonstrate the significant variability from project to project, and indicates the need to rely on multiple sources of data and analysis to support projections of future expense for the subject.

> The following table provides expense comparable data from 10 mobile home parks from 2011 and 2012, the most recent years for which a full year of data is available. This data is unfiltered, that is it has not been adjusted to delete items that are not considered in my projections for the subject (expensed capital expenditures, higher than typical payroll expenses, use or lack of use of professional management services, etc.). The data does demonstrate the significant variability from project to project, and indicates the need to rely on multiple sources of data and analysis to support projections of future expense for the subject.

Most of the data was gathered for 2008 to 2012. Only one data point in one of Mr. Neet's reports was for 2015; however, Dr. Baar did not produce the pages of the report that discuss how that data was compiled.

Footnote 14 to Baar's report states that the portions of the Neet reports consistently indicated average insurance costs in the range of $90 to $105 [per space]. Baar fails to mention that multiple data points show insurance costs in the $20 and $30 per Space dollar ranges and one was even at $11 per Space.

The insurance analysis performed and the recommended adjustment to Base Year insurance expense by Dr. Baar should be rejected for the following reasons:

1. Sufficient, reliable, and comparable data was not used in the analysis.
2. The reports and data used to support the analysis are from an appraiser and not an insurance expert.
3. The data was extracted from reports that were not intended for any other use than the appraisal of the property and were not intended for use by anyone other than the appraiser's client.
4. The data is mostly for years that are not comparable to the 2015/2016 fiscal year (the Base Year in this case).
5. The specific locations of the parks to which the data relate are not known.
6. There are clearly parks in the data set with insurance expense much lower than that of Mill Villa.

INSURANCE COST ALLOCATION IN 2024

The allocation of insurance cost to rent-controlled Spaces in 2024 is shown below. The Park allocated premiums from the master policies to Mill Villa using a total number of Spaces insured across all parks and that total number included Spaces that were not yet finished. Baar allocated insurance costs using unknown, inconsistent, and incorrect denominators in his ratios. Accordingly, I made corrections to both the Park's and Baar's calculations. Those calculations are shown below.

Mill Villa Estates
Insurance Allocation
2024

Insurance type	Total Premiums	Original Unit/employee value split	Add/Subtract to get to 204 Mill Villa spaces	Revised Unit/employee value split	EE/Spaces/Value at Mill Villa	Allocation to Mill Villa	Rent-Controlled Ratio	Allocation to Rent-Controlled Spaces
Cyber	7,160.20	22432	11	22443	204	$ 65.08	155 / 204	$ 49.45
Crime	41,375.00	472	0	472	5	448.81	155 / 204	341.01
EPL	170,076.33	466	0	466	5	1,868.65	155 / 204	1,419.81
Gen Liability	236,040.00	2480	-24	2456	204	19,605.93	155 / 204	14,896.66
Umbrella	236,812.00	2480	-24	2456	204	19,670.05	155 / 204	14,945.38
Auto	1,760.00	1	0	1	1	1,760.00	155 / 204	1,337.25
Property	1,378,000.00	0.008	0	0.008	2,516,244	20,129.95	155 / 204	15,294.82
						$ 63,548.48		$ 48,284.38

SELECTION OF CPI INDEX

Typically an ordinance will specify the exact data series from the Bureau of Labor Statistics (the "BLS") and even the index pertaining to certain months and years for the base and current years. This Ordinance does none of that. The Park used a 2023 Tuolomne County economic forecast produced by Caltrans. This report did not contain actual CPI index data for 2023 and 2024, rather those years were projected. Further, the report does not specify which index was used. In order to represent actual inflation in from the base year through the current year, in a relevant geographic location, I selected the All items in West urban, all urban consumers, not seasonally adjusted series ID CUUR0400SA0. I then selected the index from the mid-point of each of the base and current years (December 2015 for the base year and June 2024 for the current year) so that the inflation calculation would be more representative of the time period in question. The respective indexes were 243.434 and 333.662, resulting in a 37.1% increase in the CPI index from December 2015 to June 2024.

OTHER OPERATING COST ISSUES

Waste Management Costs

I wholly disagree with the discussion in Dr. Baar's report regarding Waste Management. I believe this is well beyond the scope of a consultant's analysis of a fair return petition. Dr. Baar is not a mobilehome park owner, manager, or operator, thus has no experience on which to speak about how to procure waste disposal at a park. His analysis contains no discussion of how much trash is disposed of at Mill Villa, thus no conclusion about whether individual trash cans would even suffice for this park.

Dr. Baar has not performed this same analysis in the base year, thus the analysis is not complete. It is also possible that the trash or other expenses were too high in the base year, yet his analysis does not address this. Indeed if the park used a different pool contractor it may save money, if it uses a different handyman, it may save money, if it used a different insurance carrier it may save money. This type of analysis is not part of an MNOI analysis and should be rejected. The Park actually paid these waste management expenses. They are not estimated or projected costs.
Dr. Barr states, "While waste management rates have increased since the base year, it appears that the dramatic increase in Mill Villa is mainly attributable to an increase in service levels in terms of the number of dumpster (bin) pickups per week." There is no documentation in his report or appendices in support of this statement.

For these reasons above, any recommendation for adjustment to waste management expenses must be rejected.

Management and Maintenance Costs
The analysis regarding the level of management and maintenance costs is incomplete and irrelevant. Dr. Baar states, "There are no systematic sources of data on operating costs of mobile home parks. The current year costs for the combination of management, maintenance, and administration, of about $200/month/space, appear to be above average, but not exceptional. The data that is available indicates that there are substantial variations among parks in management and maintenance costs per space." Yet he continues with a discussion that suggests management and maintenance costs may be high. In comparison to what? The only data point he references is a 2023 appraisal report for a park in Petaluma (approximately 150 miles away). The comparability of the parks is not discussed other than to suggest that the comparison might actually not be comparable with the following statement. "However, the strength of such a comparison is subject to the issue of how the facilities in the parks in the appraisal compared with the facilities in Mill Villa." The appraisal report quoted some components of these expenses in dollars per space and some as a percentage of revenue, yet Dr. Baar did not convert these, nor did he display any calculation to show whether he used the top end of each range, the bottom end, or something in between.

In a recent analysis that I did regarding on-site and off-site management costs, I looked at actual data between 2022 and 2023 and these costs ranged from $832 per space, per year to $1,780 per space per year. This was across six parks ranging in size from 75 to 254 spaces in Northern California. These costs at Mill Villa for 2024 are as follows:

Mill Villa Estates
On-Site and Off-Site Management Costs
2024

6411 - Regional Managers	$ -
6412 - Managers	38,843.42
6413 - Assistant Managers/Office Staff	35,317.49
6420 - Payroll Taxes	6,673.82
6710 - Workers Compensation	3,292.83
6090 - Management Fees	70,856.14
	$ 154,983.69
Per Rent-Controlled Space	$ 999.89

The cost per space at Mill Villa is at the lower end of the range of my study.

CALCULATION OF RENT ADJUSTMENT

Incorporating the adjustments to the Parks and Baar's analyses mentioned above, I have summarized the results of the rent increase necessary to provide a fair return in 2024 under the MNOI method. I have presented them in similar table format as that of Dr. Baar's report for comparability purposes:

Mill Villa Estates
MNOI Calculation and Rent Adjustment
2015/2016 - 2024

	Application	Baar Analysis	Amount of Modification-Baar	Eid Analysis	Amount of Modification-Eid
Rental Income	$ 1,004,935	967,183	(37,752)	977,583	(27,351)
Cost of Property Insurance			(9,882)		-
Base Year Net Operating Income	**573,071**	**525,437**	**(47,634)**	**545,720**	**(27,351)**
CPI Adjustment of Base Year NOI	32.4%	32.4%	32.4%	37.1%	37.1%
Fair Net Operating Income in 2024 = Base Year NOI adjusted by CPI	**$ 760,147**	**$ 695,679**	**$ (63,067)**	**$ 747,989**	**$ (12,158)**
Current Year Net Operating Income Reported by Applicant					
Property Taxes	121,996	106,242	15,754	106,242	15,754
Insurance Cost Attributable to Rent-Controlled Spaces	59,616	46,314	13,302	48,284	11,332
Current Year Net Operating Income	**531,790**	**560,846**	**29,056**	**558,875**	**27,086**

RENT ADJUSTMENT

	Application	Baar	Eid
Rent Adjustment Required to Permit Fair Net Operating Income in 2024	**$ 228,358**	**$ 134,834**	**189,114**
Rent Adjustment /Space/Month	**$ 122.77**	**$ 72.49**	**$ 101.67**

Note that the property tax amount of $122,658 in Table 10 of Dr. Baar's report was incorrect because it included $800 of California franchise tax, thus I reduced the property tax number in the "Application" column in the table above to appropriately account for the property tax adjustment for Baar and Eid. This increased the Rent Adjustment per space, per month in the Baar column by 6 cents.

RIGHT TO UPDATE

Should additional relevant information come to my attention, I reserve the right to adjust and modify the analysis, opinions, and conclusions set forth in this letter.

Sincerely,

Brian Eid, CPA, CVA, MAFF, MBA