Ex. 6

North Shore Community LLC

Request for Lot Rent Increase

Within the Town of Merrimac's Rent Control Rules and Regulations, the guidelines for granting an increase are:

Under:

Section 1 ……. Definitions

M. FAIR NET OPERATING INCOME: Fair Net Operating Income shall be that income which will yield a return, after all reasonable operating expenses, on the fair market value of the property, equal to the debt service rate for similar-type property generally available from institutional first mortgage lenders. The Board, in any given case, may, on the basis of evidence presents to it, adopt a different rate of return is such a different rate of return is deemed by the Board to be more appropriate to the circumstances of the case before it.

The way that we interpret this is as follows:

The Fair Park Rent	=	Reasonable Operating	+	[Fair Market [Value of Property]	*	Institutional] Rate of Return]

Therefore, to calculate "The Fair Park Rent", we need 3 things:

1. The reasonable Operating Expenses.
2. The Fair Market Value of the property (FMV).
3. The current Institutional Rate of Return

1. Reasonable Operating Expenses: For this we are going to use the fullest year 2024 (without the mortgage principal).

On top of our actual operating expenses for 2024, we should adjust the amount to reflect that to complete the projects listed the park will have to borrow the funds. This will add $ 67,398.72 ($ 5,616.56 per month) of mortgage interest and principal to the cash requirements.

Therefore:

Reasonable Operating Expenses with Capital Adjustment = $1,053,671.50 + $ 67,398.72 = 1,121,070.00

2. Fair Market Value (FMV) of the property : We are going to make the case that FMV of the property is the assessed Value $ 5,000,000.00.

3. Institutional Rate of Return or Debt Service Rate. After talking with professionals in the world of business, we have found the Debt Service Rate to be currently at 8%.

Therefore, plugging these values into the fair rent formula:

The Fair Park Rent	=	Reasonable Operating	+	[Fair Market [Value of Property	*	Institutional] Rate of Return]
	=	$ 1,121,070.00	+	($ 5,000,000.00	*	8%)
	=	$ 1,121,070.00	+	$ 400,000.00		
	=	$ 1,521,070.00				

On a per lot monthly basis, the park rent should be:

$ 1,521,070.00 / 198 lots /12 Months = $ 640.18

Therefore, we are proposing a rate of $ 640.00 per lot