



The Park Acquisition Corporation of Marin Valley Mobile Country Club

October 29, 2025

Bill Rose, Assistant City Manager

Attached is an objective third-party review of both the Semple and Neet appraisals of MVMCC. David Rothermich's summary of qualifications is included at the end of the report. I have highlighted in yellow the more important points of which there are many. The critique focuses on four main issues:

- The sales comparison approach to the valuation of a mobile home community (MHC)
- Questionable entries and omissions in the income approach to valuation
- The derivation of the capitalization rate (cap rate or OAR)
- CIP allowance

Sales Comparison Approach

First, the sales comparison approach is not appropriate for the valuation of a MHC. Both Neet and Rothermich agree to this point. The fact that Semple attempted to apply this approach may be attributed to her lack of experience with mobile home community valuations.

Two additional factors demonstrate MVMCC is unique and has no comparable sales. All the "comps" are privately owned for-profit MHC's, whereas MVMCC is a nonprofit-operated, municipally-owned MHC whose potential sale is greatly constrained by the Surplus Land Act. In addition, Novato's strict rent-stabilization and vacancy control ordinance, and the extensive deferred maintenance of MVMCC make for a risky investment, and offer no up-side for generating a profit.

Income Approach

While this approach to real estate valuation is regarded as the most reliable, the resulting valuation is only as good as the available information. In this regard there are a few issues which contribute significant over-estimation of the MVMCC valuation by Semple.

Rothermich exposes two expense issues that are suspect: Repairs & Maintenance, and insurance. As it turns out, these are closely related. The city committed an egregious error in late 2019 or early 2020 by transferring MVMCC insurance policies to the City insurance pool, unbeknownst to PAC and thus not in accordance with the Delegation Agreement. This resulted in a sudden deficit of approximately \$200,000. The City attempted unsuccessfully to raise rents out of accordance with the Rent Stabilization Ordinance, and proceeded to drastically reduce the MVMCC operating budget. The majority of the budget cuts were the R&M category, thus artificially reducing the R&M expenses in the Semple appraisal. These drastic budget cuts occurred in 2023 and 2024, both of the years Semple used to calculate expenses.

Further, as Rothermich reports, the R&M percentage of 6% of gross income could not be justified. This alone raises the percentage to >12%, and combined with the insurance fiasco, would be far higher to be representative of reality.

Capitalization Rate (cap rate; OAR)

Cap rate estimates are unjustifiably low and should be increased to 5.5-6.0. ROC USA prepared a pro forma budget based on the City's ask of \$26M and derived a realistic cap rate of 5.75.

CIP Allowance

The McGill-Blunk Report (City Staff Report—March 28, 2023) clearly projects that the City must increase reserves by \$1-2M per year to meet CIP projected expenses. The Semple CIP allowance of \$400K is greatly insufficient.

These are a few of the questionable entries and deficiencies of the Semple appraisal. I would be happy to go through these and the other issues at your convenience.

Looking forward to Meeting #2 on Monday, November 3, 2025



John Hansen, President

Park Acquisition Corporation of the Marin Valley Mobile Country Club