This is an informational opinion based on my personal research and is not intended as legal advice. My opinion is as verifiable as possible. Others have every right to disagree.

I have reviewed the testimony given in opposition to **HB3054A.**

I understand that the landlords have invested in their facility or facilities to create a higher **Market Value and increase their Net Operating Income, Capital Rate** and **Cash Flow.**

Operating Expenses are normally 30% to 40% of **Gross Income** and should include a **Reserve for Capital Improvements** of 2% to 3% of **Gross Income.**

All facility property tax statements have a Real Market Value **RMV.**

A quick formula is average Rent times # of filled spaces times 70 equals Real Market Value.

Example: $700 rent x 100 spaces x 70 = $4,900,000 **RMV**

By using the example below, landlord can have an informal estimate of their **Real Market Value, Gross Income, Operating Expenses (30 to 40%** including **2 to 3%** for **Cap. Improvements), Net Operating Income, Capital Rate** (7% or better is good) and **Cash Flow.**

Example: $700 rent x 100 spaces x 12 =		**Gross Income**	**840,000**
Operating Expenses	**40%** of **Gross Income**		**336,000**
Net Operating Income			**504,000**
Cap Rate (NOI / RMV) 504,000/4900000 =		**10.2%**	
Cash Flow equals NOI minus Debt payments			**404,000**
	$100,000 mortgage payment		

Cash Flow $404,000 divided by 100 spaces, divided by 12 months = $337 per space
Reserve for Capital Improvements $25,200 part of the Operating Expense**, 3% of Gross Income.**

An extreme example with a 70% Operating Expense:

Example: $700 rent x 100 spaces x 12 =		**Gross Income**	**840,000**
Operating Expenses	**-70%** of **Gross Income**		**588,000**
Net Operating Income			**252,000**
Cap Rate (NOI / RMV) 252,000/4900000 =		**5.1%**	
Cash Flow equals NOI minus Debt payments			**152,000**
	$100,000 mortgage payment		

Cash Flow $152,000 divided by 100 spaces, divided by 12 months = $127 per space

Reserve for Capital Improvements $25,200 part of the Operating Expense**, 3% of Gross Income.**

Items like replacing all the water lines or sewer lines for older parks, resurfacing the roads, topping all the trees, are large expenses that can occur in the future and they should be budgeted for. While they are not expensed for income tax purposes they are capitalized and depreciated over 15 years or so, and are therefore real costs.