
CITY OF PORT LAVACA

PORT COMMISSION MEETING: JULY 19, 2022

DATE: 7.15.2022

TO: PORT COMMISSION BOARD MEMBERS CC: JIM RUDELLAT, HARBOR MASTER

FROM: JODY WEAVER, INTERIM CITY MANAGER

SUBJECT: Annual lease rate adjustment for Helena Agri-Enterprises, LLC

Helena's Ground Lease Agreement allows for the rent to be adjusted annually on August 1, pursuant to the increase in the Municipal Cost Index as of the latest date published prior to August 1.

- August 2018 starting rent = \$6,108.00
- August 2019 = \$6163.58 (0.91%)
- August 2020 = no adjustment MCI was -0.44%
- August 2021 = \$6,471.76 (5% flat rate approved by Council MCI was 9.8%)

As you recall at this time last year, City Council approved an amendment to their contract which provided for a flat 5% rent rate increase instead of the 9.8% MCI rate. This brought their monthly rent to \$6,471.76. This annual adjustment was to be re-evaluated again this year with input from the tenant Helena.

Note the following:

- The MCI for May 2022 (most current published) is 306.96
- The MCI for May 2021 was 272.97, therefore the May 2022 MCI is 12.45% higher than May 2021.
- A 12.45% increase will add \$805.73 each month resulting in a new monthly rent of \$7,277.49
- A flat 5% rent rate increase will add \$323.59 each month resulting in a new monthly rent of \$6,795.35
- The MCI for May 2018 compared to May 2022 = 250.02 vs 306.96 or 22.77%. $\$6,108 \times 1.2277 = \$7,498.97$

As instructed by Council last year, I reached out the Helena in early July to let them know that per the MCI, the annual rent would be increasing by at least 12% and to ask for them to provide any information they could regarding how their business is handling the current economy, for possible consideration of a lower percentage increase for the annual rent adjustment. They are putting some data together for our consideration, but I do not have anything back from them yet.

Also, for consideration, Helena paid \$43,416.82 in property taxes for the 2021 tax year and are projected to pay \$57,584.63 for the 2022 tax year a difference of \$14,167.81.

This annual rent adjustment is scheduled to be on the agenda of the Special Council meeting on July 25 for Council to consider a possible amendment to the contract to allow for a lower percentage than that which would result from the Municipal Cost Index. I hope to have more data and input from Helena to present at the Tuesday Port Commission meeting to help in making a recommendation to Council regarding this adjustment which will become effective on August 1.