

Adjusted Rent Monthly CPI-U Increases for 2018 By Business Unit Tenants

Background:

- 1 This information is a follow up to the December 2018 Board meeting discussion
- 2 In 2014 many leases were updated with an amendment changing the CPI -W index to CPI -U.
Some Airport tenants believed that the CPI- W index caused steep rental rate increases
- 3 Based on the review of 2014 Board meeting minutes, discussion with past board members and review of current rent rolls, the rent was re-calculated in general accordance with the 2014 lease amendment. Details and an example calculation an details are on Pg 2 to 6

Big Picture:

- a. Tenants who have rents more than \$1500/month and/or been here the longest have the bigger impacts; refer to Mooney, Flying Diesel and Blilie office in details below
- b. Seven tenants have impacts less than \$10/month, and rent was reduced for two tenants (\$-10 and \$-.50)
- c. Terminal office rental rates need futher review; rental cost per sf is not consistant office to office
- d. A back of envelope estimate of annualized impact of the rent difference is about \$6700 (Less than 3% of annual income received)
- e. Two tenants- Kerrville Aviation hangar leases and Drane Hangar were not included in 2014 CPI change and impact not evaluated

Summary of All Business Units:

2018 Monthly Rent Charged	\$ 19,932.65	
2018 Monthly Rent calculated with 2018 CPI-U	\$ 20,494.03	
Difference	\$ (561.38)	Difference times 12 months, is about \$6,740 of impact
FY 2018 Annual Rent Received (Audit)	\$ 236,739	2.86% of annual income received
FY 2018 Annual Rental Income Budgeted (Audit)	\$ 232,210	

Possible Next Steps:

- a. Recalculate the rents paid over time of every tenant's lease term and bill/credit for differences, or
- b. Notify tenants of change in base rate for 2018, then
 1. Implement during FY 2019 renewals; 2019 rent will start at 2018 CPI-U base plus 2019 CPI-U index, or
 2. Implement in FY 2020. In 2019 continue to bill with current rents and CPI calculation method, then implement to all starting Oct 1 2019 (FY 2020), or
- c. Another method as determined by Board.

Below is an example calculating rent adjustments for CPI increases. This method generally tracks with the 2014 Lease Amendment

Base CPI- U Index at time of Lease signed	=	Base rent at time of Lease execution
2018 CPI- U index available at Lease renewal		2018 Rent calc with CPI-U
	2018 Rent with CPI U=	CPI-U 2018 X Base Rent
		CPI U lease signed

Apache Springs Example

Lease signed	2008		
CPI-U index in 2018	248.991	2018 Rent=	<u>248.991</u> X \$459.38
CPI-U index in 2008	213.528		213.528
Current divided by base	1.166		
Base rent in 2008	\$ 459.38		
		2018 Rent with CPI U=	\$ 535.67
		2018 Rent actually charged=	\$ 493.91
		Difference=	\$ 41.76 less rent collected

Page 6 includes CPI-U chart from 2008 to 2018 and the 2014 Lease Amendment

<u>Apache Springs</u>		<u>George Stieren</u>		<u>Stephen Drane</u>	
Effective Date of Lease	03/03/2008	Effective Date of Lease	06/16/2011	Lease did not include CPI-U amendment	
CPI-U Base Index	213.528	CPI-U Index(6/11)	225.722		
Base Rent	\$ 459.38	Base Rent	\$ 448.73	Base Rent	\$ 140.00
FY 2018	03/01/2018	FY 2018	06/01/2018		
CPI-U Feb 18 Index	248.991	CPI-U May 18 Index	251.588		
(Current divided by Base)=	1.166	(Current divided by Base)=	1.115		
Rent Calc with CPI-U	\$ 535.67	Rent Calc with CPI-U	\$ 500.15		
2018 Rent Charged	\$ 493.91	2018 Rent charged	\$ 459.94	2018 Rent Charged	\$ 198.04
Difference	\$ 41.76	Difference	\$ 40.21		
	8.5%		8.7%		
<u>Flyin Diesel</u>		<u>Guadalupe</u>		<u>South Texas Refueling</u>	
Effective Date of Lease	08/16/2016	Effective Date of Lease	08/25/2009	Effective Date of Lease	08/01/2016
CPI-U Base Index	240.853	CPI-U Base Index	215.351	CPI-U Base Index	240.853
Base Rent	\$ 1,800.00	Base Rent	\$ 1,092.63	Base Rent	\$ 229.97
FY 2018	08/01/2018	FY 2018	08/01/2018	FY 2018	08/01/2018
CPI-U Jul 18 Index	252.006	CPI-U Jul 18 Index	252.006	CPI-U Jul 18 Index	252.006
(Current divided by Base)=	1.046	(Current divided by Base)=	1.170	(Current divided by Base)	1.046
Rent Calc with CPI-U	\$ 1,883.35	Rent Calc with CPI-U	\$ 1,278.61	Rent Calc with CPI-U	\$ 240.62
2018 Rent Charged	\$ 1,828.80	2018 Rent Charged	\$ 1,256.24	2018 Rent Charged	\$ 235.18
Difference	\$ 54.55	Difference	\$ 22.37	Difference	\$ 5.44
	3.0%		1.8%		2%
<u>Mooney</u>		<u>Kerrville Aviation</u>		<u>Air Evac EMS Inc.</u>	
Effective Date of Lease	10/01/2014	Kerrville Aviation has		Effective Date of Lease	
CPI-U Base Index	237.433	two land leases. The leases		CPI-U Base Index	211.1
Base Rent	\$ 6,000.00	didn't include the 2014 CPI U amendment		Base Rent	\$ 139.31
FY 2018	10/01/2018			FY 2018	
CPI-U Sep 18 Index	252.439			CPI-U Nov 18 Index	252.038
(Current divided by Base)=	1.0632			(Current divided by Base)	1.194
Rent Calc with CPI-U	\$ 6,379.21			Rent Calc with CPI-U	\$ 166.33
2018 Rent Charged	\$ 6,128.06	2018 Rent charged	\$ 2,210.22	2018 Rent Charged	\$ 163.29
Difference	\$ 251.15			Difference	\$ 3.04
	4.1%				1.9%
Summary					
2018 Monthly Rent Charged			\$ 12,974		
2018 Monthly Rent calculated with CPI-U			\$ 13,392		
Difference			\$ (419)		
FY 2018 Annual Rent Received (Audit)			\$ 154,473		
FY 2018 Annual Rental Income Budgeted (Audit)			\$ 154,174		

<u>Richardson Aviation 120B</u>		<u>MacDonald 120A</u>		<u>Paramount Devcor 120C</u>	
Effective Date of Lease	02/14/2017	Effective Date of Lease	07/01/2014	Effective Date of Lease	07/01/2014
CPI-U Base Index	243.603	CPI-U Base Index	238.25	CPI-U Base Index	238.25
Base Rent	\$ 900.00	Base Rent	\$ 3,000.00	Base Rent	\$ 600.00
FY 2018	02/01/2018	FY 2018	07/01/2018	FY 2018	07/01/2018
CPI-U Jan 18 Index	247.867	CPI-U Jun 18 Index	251.989	CPI-U Jun 18 Index	251.989
(Current divided by Base)=	1.018	(Current divided by Base)=	1.058	(Current divided by Base)=	1.058
Rent Calc with CPI-U	\$ 915.75	Rent Calc with CPI-U	\$ 3,173.00	Rent Calc with CPI-U	634.600
2018 Rent Charged	\$ 925.20	2018 Rent Charged	\$ 3,084.00	2018 Rent Charged	\$ 616.80
Difference	\$ (9.45)	Difference	\$ 89.00	Difference	\$ 17.80
Difference	-1.0%	% Difference	2.9%	Difference	2.9%
<u>AeroMax USA Office 109</u>		<u>Vacancy 120D- Former Commerical Aviation (hangar and office)</u>			
Effective Date of Lease	05/01/2017				
CPI-U Base Index	244.733				
Base Rent	\$ 375.00				
FY 2018	05/01/2018				
CPI-U Jun 18 Index	250.546				
(Current divided by Base)=	1.024				
Rent Calc with CPI-U	\$ 383.91				
2018 Rent Charged	\$ 384.38	2018 Rent Charged	\$ 925.20		
Difference	\$ (0.47)				
	-0.12%				
Summary					
2018 Monthly Rent Charged			\$ 5,935.58		
2018 Monthly Rent calculated with CPI-U			\$ 6,032.46		
Difference			\$ (96.88)		
FY 2018 Annual Rent Received (Audit)			\$ 69,469		
FY 2018 Annual Rental Income Budgeted (Audit)			\$ 65,448		

Terminal Leases Unit 47-325-602

FBO and Offices

Hill Country Aviation- Room 121, 142 sf		Grassel- Rm 106, 120 sf		Blilie- Rm 107, 120 sf	
Effective Date of Lease	03/01/2015	Effective Date of Lease	04/01/2015	Effective Date of Lease	04/02/2008
CPI-U Base Index	236.119	CPI-U Base Index	236.599	CPI-U Base Index	214.823
Base Rent	\$ 310.00	Base Rent	\$ 275.00	Base Rent	\$ 275.00
FY 2018	03/01/2018	FY 2018	04/01/2018	FY 2018	04/01/2018
CPI-U Feb 18 Index	248.991	CPI-U Mar 18 Index	249.554	CPI-U Mar 18 Index	249.554
(Current divided by Base)=	1.055	(Current divided by Base)=	1.055	(Current divided by Base)	1.162
Rent Calc with CPI-U	\$ 326.90	Rent Calc with CPI-U	\$ 290.06	Rent Calc with CPI-U	\$ 319.46
2018 Rent Charged	\$ 318.37	2018 Rent Charged	\$ 280.78	2018 Rent Charged	\$ 294.34
Difference	\$ 8.53	Difference	\$ 9.28	Difference	\$ 25.12
Difference	2.7%	Difference	3.3%	Difference	8.5%
Kerrville Aviation- Room 115 & 116, 292 sf		CPI-U Office Rental rates		Room 108, 120sf	
Effective Date of Lease	04/01/2007	HCA	\$ 2.30	Vacant	\$300
CPI-U Base Index	206.7	Grassel	\$ 2.42		
Base Rent	\$ 110.13	Blilie	\$ 2.66		
FY 2018	04/01/2018	K/A	\$ 0.46		
CPI-U Mar 18 Index	249.554				
(Current divided by Base)=	1.207				
Rent Calc with CPI-U	\$ 132.96				
2018 Rent Charged	\$ 129.90				
Difference	\$ 3.06				
Difference	2.4%				
Summary for Terminal Building					
2018 Monthly Rent Charged			\$ 1,023.39		
2018 Monthly Rent calculated with CPI-U			\$ 1,069.38		
Difference			\$ (45.99)		
FY 2018 Annual Rent Received (Audit)			\$ 12,797		
FY 2018 Annual Rental Income Budgeted (Audit)			\$ 12,588		

CPI-All Urban Consumers (Current Series)
Original Data Value

Pg 6 of 6

Series Id: CUUR0000SA0
 Not Seasonally Adjusted
 Series Title: All items in U.S. city average, all urban consumers.
 Area: U.S. city average
 Item: All items
 Base Period: 1982-84=100
 Years: 2008 to 2018

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	HALF-1	HALF-2
2008	211.080	211.693	213.528	214.823	216.632	218.815	219.964	219.086	218.783	216.573	212.425	210.228	214.429	216.177
2009	211.143	212.193	212.709	213.240	213.856	215.693	215.351	215.834	215.969	216.177	216.330	215.949	213.139	215.935
2010	216.697	216.741	217.631	218.009	218.178	217.965	218.011	218.312	218.439	218.711	218.803	219.179	217.535	218.576
2011	220.223	221.309	223.467	224.906	225.964	225.722	225.922	226.545	226.889	226.421	226.230	225.672	223.598	226.280
2012	226.665	227.663	229.392	230.085	229.815	229.478	229.104	230.379	231.407	231.317	230.221	229.601	228.850	230.338
2013	230.280	232.166	232.773	232.531	232.945	233.504	233.596	233.877	234.149	233.546	233.069	233.049	232.366	233.548
2014	233.916	234.781	236.293	237.072	237.900	238.343	238.250	237.852	238.031	237.433	236.151	234.812	236.384	237.088
2015	233.707	234.722	236.119	236.599	237.805	238.638	238.654	238.316	237.945	237.838	237.336	236.525	236.265	237.769
2016	236.916	237.111	238.132	239.261	240.229	241.018	240.628	240.849	241.428	241.729	241.353	241.432	238.778	241.237
2017	242.839	243.603	243.801	244.524	244.733	244.955	244.786	245.519	246.819	246.663	246.669	246.524	244.076	246.163
2018	247.867	248.991	249.554	250.546	251.588	251.989	252.006	252.146	252.439	252.885	252.038			

Section 3.02 Adjustment of Rent During Lease Term. During the Lease Term, the Base Rent paid by Lessee shall be adjusted on each anniversary of the effective date of the Lease Agreement for the ensuing Lease Year in the same percentage proportion that the "Consumer Price Index for all Urban Consumers (CPI-U)," the U.S. city average for all items, published monthly in the "Monthly Labor Review" by the United States Department of Labor ("the CPI") shall have increased over the price index for the month and year during which the term of this Lease commenced.* In no event, however, shall the Base Rent be less than \$_____ per year, or \$_____ per month, nor shall the rent increase more than 20% during the term of the lease, or in any five-year period, where this Lease is for a term longer than five years. In the event that the CPI is discontinued, comparable statistics on the purchasing power of the consumer dollar as determined by a responsible financial periodical of recognized authority selected by the Board shall be used as the basis for making adjustments of Base Rent during the Lease Term.