

# **Office of the Comptroller Response**

Case# 23-0005-I



City Hall – Room 304  
100 Holliday St Baltimore, MD 21202

March 30, 2023

Baltimore City Office of the Inspector General  
100 N. Holliday Street, Suite 635  
Baltimore, MD 21202

In response to the Management Alert OIG Case No. 23-0005-I

Dear Inspector General Cumming,

This is a response to the March 14, 2023 letter you provided of the Office of the Inspector General (OIG) Report of Investigation (ROI) Case No. 23-0005-I.

The Department of Real Estate (DORE) agrees with the recommendations and seeks to provide additional background on the lease. First, there is tremendous value to the neighborhood and the city to preserving historic structures like the Hebrew Orphan Asylum (HOA). Old buildings are witnesses to the aesthetic and cultural history of a city, helping to give people a sense of place and connection to the past. Historic preservation conserves resources, reduces waste, and saves money by repairing and reusing existing buildings instead of tearing them down and building new ones. Historic preservation is complicated to finance, involving layered financing that comes with challenging conditions.

Second, the Agent accurately portrayed how these deals are structured. For example, because Landlords want the right to judge the compatibility of a sub-tenant, it is not unusual to give Landlords the right to approve subleases, as long as the approval is not unreasonably withheld.

Third, the Agent is correct that as the tenant, the City is responsible for paying rent, which is structured as a triple net lease (NNN), meaning that the tenant pays a base rent and operating expenses. NNN is one of a few ways to pay rent; others include full service or modified gross. DORE was not involved in negotiating the rent, but NNN is not uncommon in historic transactions. The city always pays taxes on private leases that are taxable. Further, it is not unusual that with the Landlord's approval, the Tenant can sublet to a for-profit entity.

We agree with the recommendations. 1) DORE, in its role as a broker, could match a city agency needing space with unoccupied HOA space. DORE receives requests for space from city agencies regularly and its agents will be aware that this space is available. Further, if a private entity needs space, DORE can make a referral and negotiate the transaction. 2) DORE agrees that CHCD and BCDH should work closely to identify opportunities for sub-tenants. We agree that Dr. Rodwell should meet with BCDH as well as host a town hall meeting to provide members of the Rosemont community and potential tenants with a firsthand look at the building.

Thank you for giving us the opportunity to respond and for your investigation into this matter. If you have any questions or would like to discuss anything in this letter in greater detail, please feel free to contact me.

Sincerely,

A handwritten signature in blue ink that reads "Andy Frank".

Andy Frank  
Real Estate Officer

cc: Celeste Amato, Chief of Staff to Comptroller Bill Henry

