

**Office of the County Auditor**  
**Auditor's Analysis**

**Council Bill No. 29-2023**

Introduced: June 5, 2023

Auditor: Lori Buchman

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**Fiscal Impact:**

Based on information received from the Department of Public Works (DPW), the fiscal impact to the County for providing utility and general maintenance services for the 5-year extended lease agreement will be an average cost of approximately \$400,000 per year, for a total of approximately \$2 million over the life of the agreement. The projections shown below are based on the actual utility and general maintenance costs from Fiscal Year 2022.

<b>Fiscal Year</b>	<b>Utility Costs</b>	<b>General Maintenance</b>	<b>Total</b>
2024	\$ 96,516	\$ 262,623	\$ 359,139
2025	101,342	275,754	377,096
2026	106,409	289,541	395,951
2027	111,730	304,018	415,748
2028	117,316	319,219	436,536
<b>Total Costs</b>			<b>\$ 1,984,470</b>

Funding for the costs of utility and maintenance service is appropriated in the General Fund, within the Department of Public Works, Bureau of Facilities.

DPW has indicated that the County will install an air filtration system and exhaust system to meet indoor air quality requirements in the areas using oil paint products, oil paints, and paint thinners. The Arts Council will purchase the equipment and the installation will be completed by DPW, Bureau of Facilities.

Entering into this lease may result in foregone revenues and expenses associated with alternative uses of the space, such as the County using the space to house Agencies that are currently occupying leased space, leasing of the space to an external agency for lease revenues based on market rate, or the sale of the facility.

Purpose:

The proposed legislation will provide a five-year extension to the lease agreement between Howard County, Maryland and The Howard County Arts Council, Inc., for a County-owned facility located at 8510 High Ridge Road. The current lease agreement is set to expire on June 30, 2023.

The lease terms require the County to provide utility and general maintenance services to the premises.

Other Comments:

The Howard County Center for the Arts uses their leased County space to sublet studios to various artists and organizations. The County, to date, has not required the revenues derived from these tenants to be paid to the County to recover its costs for providing utilities and general maintenance for the leased space.

According to DPW, there are no plans to relocate the Arts Council's operations to the New Cultural Center (NCC). However, the County is working with the Arts Council on potential options for the Arts Council to establish its presence at the NCC.

DPW indicated that the County is permitted to use the building subject to the proposed lease, per the terms of its Deed of Trust, to serve community and/or governmental needs.