

OFFICE OF THE INSPECTOR GENERAL CITY OF BALTIMORE



Isabel Mercedes Cumming
Inspector General

Investigative Report Synopsis

OIG Case # 21-0026-I
Issued: April 14, 2021



OFFICE OF THE INSPECTOR GENERAL
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April 14, 2021

Dear Citizens of Baltimore City,

The Mission of the Office of the Inspector General (OIG) is to promote accountability, efficiency, and integrity in City government, as well as to investigate complaints of fraud, financial waste, and abuse.

The OIG initiated an investigation based on a complaint it received alleging potential mismanagement regarding the use and pending lease of the former Samuel F.B. Morse Elementary/Middle School (Morse) building. Specifically, the complaint arose from the impending eviction initiated by the former mayoral administration of one of two nonprofit entities that occupied the building (NP1 & NP2). Further, the complaint cited concerns of a lack of oversight by the Department of General Services (DGS) and the Comptroller's Office of Real Estate (CORE) in securing lease agreements with the two nonprofits. Until those lease agreements are finalized, the City continues to be responsible for all expenses related to the operation of the Morse building without receiving rent or fees for use of the building from the nonprofits.

In its investigation, the OIG interviewed employees from DGS, CORE, the administration of former Mayor Young, and the two nonprofits to gain knowledge and understanding of the relevant events. The OIG also relied on Baltimore City data and other information provided by agencies and systems.

Background

The 66,966 square foot Morse building was built in 1979 on 1.4 acres. The building includes a gym, cafeteria, library, classrooms, and 23 parking spaces. The annual utility expenses for the building are approximately \$130,000. Annual maintenance and repair costs are approximately \$150,000.

In December 2016, the Baltimore City Board of School Commissioners (BCBSC) approved the closure of the Morse school. In April 2017, the BCBSC approved the transfer of the school facility to the City because the property was no longer needed for educational purposes. Based on its last assessment in 2011, the BCBSC determined the cost for all building repairs was \$3,538,424 and the estimated replacement cost for the Morse building was \$14,322,860. The BCBSC recommended that anyone inquiring to use the Morse building must have the fiscal ability to make any repairs to the building without that cost impeding on any programs being run in the building.

On January 11, 2018, after community input, NP1 and NP2 signed Rights of Entry agreements (ROE) with the City. The initial ROEs were for six months and terminated on July 10, 2018. The City's intent was to provide NP1 and/or NP2 with leases before the expiration of their ROEs, or the nonprofits would be subject to eviction. After the expiration of the initial ROEs the City instead elected to issue additional ROEs to NP1 and NP2. The new ROEs became effective on July 28, 2018 with an expiration date of June 30, 2019. Examples of the areas granted by the ROEs for NP1 and NP2 are shown in Figures 1 & 2.

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Figure 1: NP1 Occupied Space



Figure 2: NP2 Occupied Space



The OIG learned that both sets of ROEs required the nonprofits to be responsible for operational upkeep of the building and, if requested by DGS, to pay \$1.00 in annual rent. However, DGS never requested the \$1.00 in annual rent and itself incurred all of the operational costs associated with the Morse building during that period. After the ROEs expired on June 30, 2019, neither DGS nor CORE had secured lease agreements with either of the nonprofits and the City continued to be responsible for all expenses associated with the Morse building.

Seven months after the ROEs expired, the City contacted the two nonprofits in order to negotiate lease terms. At that time, the nonprofits were requested to provide various documents to DGS to show proof of financial and program sustainability. NP1 provided the requested information. However, NP2 supplied only partial information and several of its documents were deemed not sufficient by DGS and/or CORE. At the time the OIG investigation concluded, NP2 had yet to provide all the requested information to DGS and/or CORE.

Issues under the ROEs

The ROEs mandate that the two nonprofits inform the City of any partnerships or programs that will be allowed to use or operate out of space within Morse that is delegated to the entity. Moreover, neither entity is permitted to give keys or provide access to the premises to anyone other than the staff and directors identified as being part of NP1 or NP2. However, the OIG investigation determined that NP2 has provided access and use of a portion of its designated second floor space to another entity (E1), without the knowledge and approval of the City (Figure 3). According to DGS and CORE, NP2 did not inform the City that it would allow E1, who was not named in NP2's ROE, to operate in the Morse building. By allowing E1 to use and occupy space in the Morse building, NP2 violated the terms of the ROE with the City.

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Figure 3: E1 Area (not approved by City)



Missed opportunity for revenue

Communications between DGS and the nonprofits indicate that the proposed lease agreements called for the entities to pay \$1.85 per square foot for their respective spaces within the Morse building. Had the City executed those lease agreements with NP1 and NP2 by the time the ROEs expired on June 30, 2019, the City could have received a combined \$85,260 in annual revenue from NP1 and NP2. Instead, with no legally binding agreements between the City and NP1 or NP2, the City has not received any rental payments from the nonprofits and is incurring all of the operational and maintenance costs for the Morse building. In the 18 months between July 1, 2019 and December 31, 2020, the City lost the opportunity for \$127,890 in revenue and incurred operational expenses of approximately \$745,979.

The OIG learned that DGS and CORE raised concerns about the lack of valid ROEs or leases between the City and the nonprofits, but the former mayoral administration nonetheless allowed the entities to use the Morse building free of charge and without paying for any building expenses. The prior administration did issue an eviction notice to only NP1, which has been rescinded by the new administration. Both administrations appear to have been within their rights to take those actions.

The OIG understands that information can be changed or updated during the course of an investigation or after an investigation has concluded. However, the mission of the OIG is to provide transparency and accountability. The OIG appreciates the cooperation of all City agencies in this investigation and especially DGS Director Chichi Nyagah-Nash.

Sincerely,

Isabel Mercedes Cumming, Inspector General
Office of the Inspector General

Cc: Hon. Brandon Scott, Mayor of Baltimore City
Hon. Nick Mosby, President, City Council
Hon. Bill Henry, Baltimore City Comptroller
Honorable Members of the Baltimore City Council
Hon. Jim Shea, City Solicitor

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