



## FISCAL IMPACT NOTE

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**Ordinance:** O-33-25

**Title:** Market House Lease

**Date:** July 24, 2025

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The purpose of this legislation is to authorize a brand new lease with New Market House, LLC for exclusive use and operation of the “Market House” building located at 25 Market Space, Annapolis MD for fiscal years July 1, 2033 through June 30, 2038, with a tenant option to renew for up to three (3) successive renewal terms of five (5) years each - total possible term length of twenty (20) years.

The Tenant is required to pay a security deposit of \$10,000 to the City. Commencing on July 1, 2033 and continuing through June 30, 2038, Tenant shall pay to the City “Basic Rent” in equal monthly installments of Ten Thousand Dollars and No Cents (\$10,000.00). At the beginning of any Renewal Term, the next Renewal Term’s monthly Basic Rent shall be calculated at an amount equal to the previous term’s monthly Basic Rent multiplied by 1.05, so that each subsequent Renewal Term’s Basic Rent increases by five percent (5%).

In addition to Basic Rent, Tenant shall pay to the City annually “Performance Rent” based upon a percentage of Tenant’s annual gross revenues during the Lease year. “Performance Rent” shall mean one percent (1%) of cumulative annual gross revenues (exclusive of sales taxes) over One Million Five Hundred Thousand Dollars and No Cents (\$1,500,000.00) received during each Lease year by Tenant and all approved subtenants. The parties may mutually agree through a written amendment to this Lease to allow the Tenant to use some or all of any year’s Performance Rent to make specifically agreed upon improvements to the Premises, in accordance with Sections 10 and 11 of the agreement, instead of paying such monies to the City as Performance Rent. This will decrease the performance rent portion that the City receives however the amount is unknown at this time.

As used in this Lease, “Additional Rent” shall mean all amounts, costs and expenses other than Basic Rent and any Performance Rent which Tenant assumes or agrees to pay to the City as provided by this Lease. In the event of nonpayment of any amount of Additional Rent, the City shall have all of the rights and remedies provided for in the case of nonpayment of Basic Rent. Additional Rent shall include, but not be limited to, bills or invoices resulting from the following: taxes owed by Tenant but billed to the City as discussed in Section 7(a); any jointly metered utilities as discussed in Section 9(a); Tenant’s failure to make capital repairs as

discussed in Section 10(d); Tenant's failure to make repairs as discussed in Section 15(a); Tenant's failure to perform as discussed in Section 16; damages from Tenant's default as discussed in Section 17(e); Tenant's abandoned personal property as discussed in Section 22(b); repairs needed at expiration of this Lease as discussed in Section 22(c); and damage to the Premises or City property as discussed in Section 25(d). Tenant shall pay Additional Rent in the same manner as Basic Rent, and Tenant's obligation to pay Additional Rent shall survive the expiration or termination of this Lease. Basic Rent, Performance Rent and Additional Rent are referred to collectively in this Lease as "Rent."

The City shall (i) maintain, repair, replace and renew the roof, foundation, exterior walls, and sprinkler, fire suppression and fire alarm systems (including any approved or required fire systems installed pursuant to Section 11) of the Building, as and when reasonably required; (ii) shall be responsible for the maintenance, repair and replacement of pipes and equipment located below the concrete floor of the Premises, except for grease traps, and unless necessitated by the negligence or willful wrongful act or omission of Tenant, its agents, contractors, invitees or employees; and (iii) shall make all other capital improvements to the Property for which Tenant is not responsible to make pursuant to Section 10(a) and (b) above (the "Capital Repairs"), provided that Tenant promptly shall give the City Notice of the necessity for such repairs, and further provided that the damage thereto shall not have been caused by Tenant, its agents, contractors, invitees or employees, in which event Tenant shall be responsible therefore and shall promptly repair such damage at its sole cost and expense pursuant to Section 25. The City needs to make sure these expenses are budgeted to the best of their ability.

<b>Year</b>	<b>2033</b>	<b>2034</b>	<b>2035</b>	<b>2036</b>	<b>2037</b>	<b>2038</b>	<b>2039</b>
<b>Security Deposit</b>	\$10,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Basic Rent</b>	120,000	120,000	120,000	120,000	120,000	120,000	126,000
<b>Performance Rent (est.)</b>	15,000	15,000	15,000	15,000	15,000	15,000	15,000
<b>Additional Rent</b>	unknown	unknown	unknown	unknown	unknown	unknown	unknown
<b>Total estimated known Revenue</b>	\$ 135,000	\$ 135,000	\$ 135,000	\$135,000	\$ 135,000	\$ 135,000	\$141,000
<b>City Maintenance Expenses</b>	unknown	unknown	unknown	unknown	unknown	unknown	unknown

The projected revenue impact for performance rent is unknown due to the uncertainty of the tenant's business performance in the out years of this agreement. For purposes of the visual above, we assumed 1% of annual gross revenues of \$1,500,000.

Based on preliminary research commercial rent varies from \$25 - \$50 a square foot. Based on 2025 dollar values and not considering inflation in industry standards for rental averages, \$25 sq/ft would equate to approximately \$11,000 a month or \$133,150 annually.

Also to note, the performance rent rate has decreased from 1.5% to 1% and would in turn reduce the revenue the City receives.

*Prepared by Jake Trudeau, Budget Manager*