



CITY OF ATLANTA
City Auditor's Office
Amanda Noble, City Auditor
404.330.6750

February 2023

Performance Audit:

Municipal Market

What We Found

The lease agreement between the Municipal Market Company and the City of Atlanta includes four main responsibilities for the market; however, we could only confirm that the company complies with one of these four responsibilities. We found no evidence that the company ever made a payment nor that the city received one for the \$4,980,000 federal loan used for improvements to the market, or any lease payments.

The city has inconsistent records of the market submitting audited financial statements, unaudited quarterly reports, and the market's budget for each fiscal year. Our review found no evidence of the city receiving audited financial statements from the market for 10 out of the 29 years, that for the first 18 years under the current lease agreement, there was no evidence of the city receiving unaudited quarterly reports, and there is no documented evidence that the market provided copies of its annual budgets prior to 2011. The market has been paying to maintain the facility, as required by the lease, and we found no evidence of disrepair to the building.

The Municipal Market lacks a comprehensive strategic approach for managing the market's mission and goals and it is unclear whether the public is receiving a benefit equal to the value of the public subsidy. The company charged base rents to its tenants that were, on average, 36% lower than other retail and restaurant spaces within a two-mile radius of the market, as of early 2023. The board has yet to establish direction for the Municipal Market, and thus, cannot properly assess its performance.

The market has not enforced the terms of its tenant lease agreements, including annual rent increases, month-to-month tenant rent increases, and shared utility costs. Although board members and market staff told us they believed the market's mission is to operate as a small business incubator, some tenants have operated at the market for over 20 years. The market has not established selection criteria or a standard application for potential tenants.

Why We Did This Audit

We undertook this audit because the Department of Enterprise Asset Management expressed concerns about not receiving rental payments or loan repayments from the Municipal Market Company per the current lease agreement with the city.

What We Recommended

To improve compliance, the Department of Enterprise Asset Management Commissioner should:

- work with Law to terminate the current lease with the Municipal Market Company and renegotiate terms and provisions of the lease
- conduct annual inspections of the market facility to ensure it is adequately maintained
- enforce the submission of audited financial statements, unaudited quarterly reports, and budgets for each fiscal year from the Municipal Market

To strengthen oversight, the Mayor's Office, or its designee, should:

- work with the Department of Enterprise Asset Management to include a statement of purpose in a renegotiated lease with the Municipal Market Company
- request a strategic plan from the Municipal Market Company that details how it will fulfill its lease obligations to ensure the public subsidy benefits the community
- make appointments to fill board vacancies and ensure members are serving on current terms

For more information regarding this report, please use the "contact" link on our website at www.atlaudit.org

Management Responses to Audit Recommendations

Summary of Management Responses		
<p>Recommendation #1: We recommend that the Department of Enterprise Asset Management work with the Law Department to terminate the current lease agreement with the Municipal Market and renegotiate the terms and provisions of the lease agreement.</p>		
<p>Response: Agree</p>	<p>Status: Not Started</p>	<p>Estimated Completion Date (M/Y): February 2023</p>
<p>Recommendation #2: We recommend that the Department of Enterprise Asset Management enforce the submission of accurate and timely audited financial statements, unaudited quarterly reports, and budgets for each fiscal year from the Municipal Market.</p>		
<p>Response: Agree</p>	<p>Status: Implemented</p>	<p>Estimated Completion Date (M/Y): January 2023</p>
<p>Recommendation #3: We recommend that the Department of Enterprise Asset Management conduct annual inspections of the market facility to ensure it is adequately maintained.</p>		
<p>Response: Agree</p>	<p>Status: Implemented</p>	<p>Estimated Completion Date (M/Y): January 2023</p>
<p>Recommendation #4: We recommend that the Mayor's Office work with the Department of Enterprise Asset Management to include an updated and clear statement of purpose in a renegotiated lease with the Municipal Market Company.</p>		
<p>Response: Agree</p>	<p>Status: Not Started</p>	<p>Estimated Completion Date (M/Y): February 2023</p>
<p>Recommendation #5: We recommend that the Mayor's Office request a strategic plan from the Municipal Market Board of Directors that details how it will fulfill its lease obligations to the city and that includes performance measures to ensure the public subsidy benefits the community.</p>		
<p>Response: Agree</p>	<p>Status: Not Started</p>	<p>Estimated Completion Date (M/Y): April 2023</p>
<p>Recommendation #6: We recommend that the Mayor's Office make appointments to fill vacancies and ensure that all board members are serving on current terms.</p>		
<p>Response: Agree</p>	<p>Status: Started</p>	<p>Estimated Completion Date (M/Y): March 2023</p>