[Appraisal of SAGE Complex at Truax Air Park (feasibility and strategy study for HBU)].

Landmark Research, Inc.
[s.l.]: [s.n.], [s.d.]

APPRAISAL OF SAGE COMPLEX

Landmark Research Inc.

202 A Breese Terrace, Madison, Wisconsin 53705

June 5, 1970

Mr. Robert Skuldt, Airport Superintendant
Madison Airport Commission
Terminal Building
International Lane
Mr. Warren Kenney, Director of Real Estate
City of Madison City-County Building
210 Monona Avenue
Madison, Wisconsin 53702

Gentlemen:

The attached report is in response to your request for an appraisal of the SAGE Complex at the Truax Air Park and for a feasibility and strategy study providing guidelines to the Airport Commission for best use of the SAGE Building assets, relative to needs and objectives of the City of Madison and the Airport Commission.

The SAGE Complex represents both an engineering and real estate problem for feasibility study and thus this study was undertaken jointly with Carl C. Crane, Inc., 2702 Monroe Street, Madison, Wisconsin 53711, (608) 238-4671, Gordon E. Moore, P.E. Associate Engineer in charge of the project. The procedures and engineering studies in which our conclusions are based are detailed in the attached report and outlined in the Table of Contents which follows. In addition much technical data and background correspondence as well as engineering drawings are contained in the Appendices.

We have concluded that the fair market appraisal value of the SAGE Complex as it is if it were placed on the market and sold in 1970 subject to the seller providing $125,000 land contract at 6% basic interest and 6% of gross rent as a bonus interest is $195,000 of which $44,500 can be allocated to land defined as a 7.75 acre site.

The rental value of the SAGE Complex if rented "as is" in 1970 was determined to be $19,500 per year minimum rent plus a bonus rent participation computed as 16% of gross rent collected. The tenant would thus avoid a downpayment and have a rent outlay similar to that of semi-annual payments on the land contract plus the real estate taxes that would be paid if the property were sold to a private as opposed to public agency.

Landmark Research, Inc.

As to the best use of the building and the best interests of the City of Madison, our feasibility analysis recommends that the City postpone premature sale within the restricted market opportunities of 1970 as it can be shown from both a qualitative standpoint and a cash standpoint that the following alternatives are preferable:

1. Sale of the SAGE Complex for use as a private office-laboratory sometime between 1971-1974 for a price ranging between $4.00 and $5.00/sq.ft. of useable space, that is $732,000 to $915,000 plus $45,000 for the land.

2. Sale of the SAGE Complex to the State or University at $5.00 to $6.00/sq.ft. by 1974-1975.

3. Conversion to City administrative uses by 1973-1974.

We have provided 12 copies of this report at your request and upon your review we look forward to discussing these conclusions with the Airport Commission and City of Madison officials as you may direct.

Thank you for the opportunity to be of service.

James A. Graaskamp, C.R.E.
Urban Land Economist

Gordon E. Moore, P.E.
Consulting Engineer

I. BASIC DEFINITIONS AND ASSUMPTIONS

A. Appraisal Instructions and Authorization.

Unlike other traditional appraisals for which the appraiser is given a detailed legal description of the property to be appraised and a property in which fixtures and equipment can be specified as belonging to the building or to others, the asignment to sppraise the SAGE Building left much to the discretion of the appraiser.

The original letter of inquiry from Warren J. Kenney, Real Estate Officer for the City of Madison, stated "The City Council authorized our department to have the SAGE Building at Truax Field investigated. They would like to know what a fair economic rent for the building would be." A purchase order received from the City of Madison Purchasing Division dated 12-29-69 requested an "Economic Appraisal of the SAGE Building as directed by the City Council" but no directions were forthcoming. At a preliminary report to the Madison Airport Commission in late January it was discovered that Professor James A. Graaskamp was being employed, in fact, by the Madison Airport Commission.

In a letter of February 4, 1970 from Robert Skuldt the Instructions of the Airport Commission to Prof. James A. Graaskamp were to provide:

1. A Feasibility Study to find the highest and best use of the property and the cost necessary to achieve such use.

2. A study and investigation to find the market value of the property which would reflect its utilization for its highest and best use.

3. A study and investigation to find the fair market rental of the property consistent with the highest and best use.

4. A final determination as to building value in "as is" condition; in a sum not to exceed $4,500 to be completed as soon as possible, but not to exceed sixty (60) days after contract execution."

At this point the City Property Manager who had dealt extensively with the SAGE property was relieved of his duties by the City. With the permission of Mr. Skuldt the City correspondence files for the SAGE property were reviewed at 2011 International Lane to gain some history of considerations affecting the SAGE Building up to February 15, 1970.

B. Assumed Definition of Parcel to be Appraised.

The SAGE Building area is defined by the appraiser to be the rectangular block of land located on the former Truax Air Base in Madison, Dane County, Wisconsin, which is bounded by Hoffman Street on the east, Bjerk to the south, Johnson Street to the west, and Berg Street to the north. With approximately 450 feet of frontage on Hoffman Street and 750 feet of depth to Johnson Street on the west, the subject parcel

"1. The switchgear cubicles and closely associated electrical equipment are to be removed by January 1970.
2. Seven diesel engine generators and all ancillary equipment, such as heat exchangers, filters, pulps, exhaust silencers, air compressors, air receivers, engine guage panels, fuel oil day tanks, jacket water surge tanks, generator neutral resistors, etc. are to be removed by July 1, 1970."

Some correspondence was found on the cost of providing for public power to the SAGE complex from Mechanical-Systems, Inc., a few bids were found relative to temporary initiation of minimum heat and power to prevent building and equipment from deteriorating, and Carl Crane engineers were left to pick and choose operating manuals and other building information from an abandoned pile of debris in an office of the generator building. Thus, precise definition of all building components is impossible at this time and it is assumed that certain basic hardware and equipment items are available in operating order except where specifically noted and itemized in engineering estimates.

3. Alternative use plans and cost estimates are reasonable and prudent but can only be in the nature of what engineers call "order of magnitude numbers" due to the lack of any specific equipment and machinery data for the existing building and due to the unknown degree to which such existing equipment would need to be replaced for any sophisticated reuse of the building.

4. Since a physical identification or inventory of machinery and equipment is in a somewhat undefined state, in the estimates which follow it is possible only to provide an allowance for converting the building circuits to public power, for adjusting more limited air conditioning capacity than intended by original distribution network and controls, and for estimating costs of start-up incurred by developers.

E. Assumptions Relative to Marketable Title.

Review of the basic conditions, special amendments, and release of title which document the transfer of Truax Field property from the federal government back to the City of Madison (See Appendix B) suggests to the amateur that the City has something less than a warrenty deed. In fact, the reversion clause in the event of national emergency, the requirement for approval of leases and sales by the FAA, together with the absence of any dded transfer more valid than a quit claim deed requires a legal opinion as to the warrenty deed or the marketable title which could be given with outright sale of the SAGE complex.

A special title insurance policy rather than an abstract of title would require a custom contract and premium as a cost to the seller.

For purposes of this appraisal it is assumed in all cases that title is marketable and no allowance has been made for the cost of providing title insurance if required.

F. Organization of this Report.

While the first part of this report is designed to supply the explicit facts necessary to begin analysis of a real estate property interest, the variety of requests from the Commission lead to the following organizational outline for the report:

1. Section II provides an appraisal of the SAGE parcel of land as defined above and as though vacant in terms of fair market value on May 1, 1970 and in terms of fair rental value if leased for a term of more than one year.

2. Section III provides an appraisal of the fair market value of land and improvements if sold "as is" as of May 1, 1970 and fair rental value is leased "as is" on a year-to-year rental basis or participation lease.

3. Section IV represents a more detailed exploration of highest and best use or "feasibility analysis" and includes a list of alternative users who were contacted as likely candidates for efficient use of the SAGE structure. Basic strategic objectives of the Airport Commission and their alternative courses of action are reviewed and weighted.

4. Section I includes a statement of limiting conditions and assumptions which must apply to the conclusions of any appraisal or feasibility study of this nature.

5. Appendices include reproductions of letters, engineering reports, selected drawings, and other documents relevant to the conclusions drawn in this report.

6. The Letter of Transmittal contains a summary of conclusions and recommendations and serves as a Preface to this report.

II. APPRAISAL OF SAGE LAND SALE AND RENTAL VALUES

A. Site Areas and Topography.

As defined in I (B), the SAGE Building site is defined to be approximately 450 feet on its Hoffman Street frontage and Johnson Street frontage, and 750 feet in depth on both its Bjerk and Berg Street borders. So defined it contains 337,500 sq.ft. of land area or approximately 7.75 acres. The site is level, partially improved with paved parking areas, and developed on its eastern half by the SAGE Building. The surface drains toward a drainage ditch system to the west which eventually enters Starkweather Creek. Soils appear to have been marshy and some extra foundations or footage work may be required of low-rise structures. The SAGE Building itself makes extensive use of pilings because of its excessive weight.

B. Site Related to Airport Environs.

The site of the SAGE Building Complex is the rectangular block indicated by shading on Map 1, a layout of present and proposed street patterns for the Truax Air Park Master Plan.

The site is fronting on Hoffman Street and centered at the foot of a proposed boulevard entry which would be extended to Highway 51. Thus, the SAGE Building would dominate the streetscape of the major industrial park entryway and would be tied directly to the major north-south air park streets, Hoffman Street, and Wright Street.

At the north end of these two north-south streets, which are paved by courtesy of the Air Force, lies the site for a proposed airport terminal building, which would be situated at the critical interchange of existing and proposed runway systems and major existing aprons and hanger installations which currently house National Guard units and private aviation schools. The construction of such a new terminal and the shift of passenger operations from facilities at the west edge of the airport are contingent on a sufficient number of variables to be considered speculative at best in estimating the value of the site under currect conditions.

C. Available Utilities.

Utilities available to the subject site include:

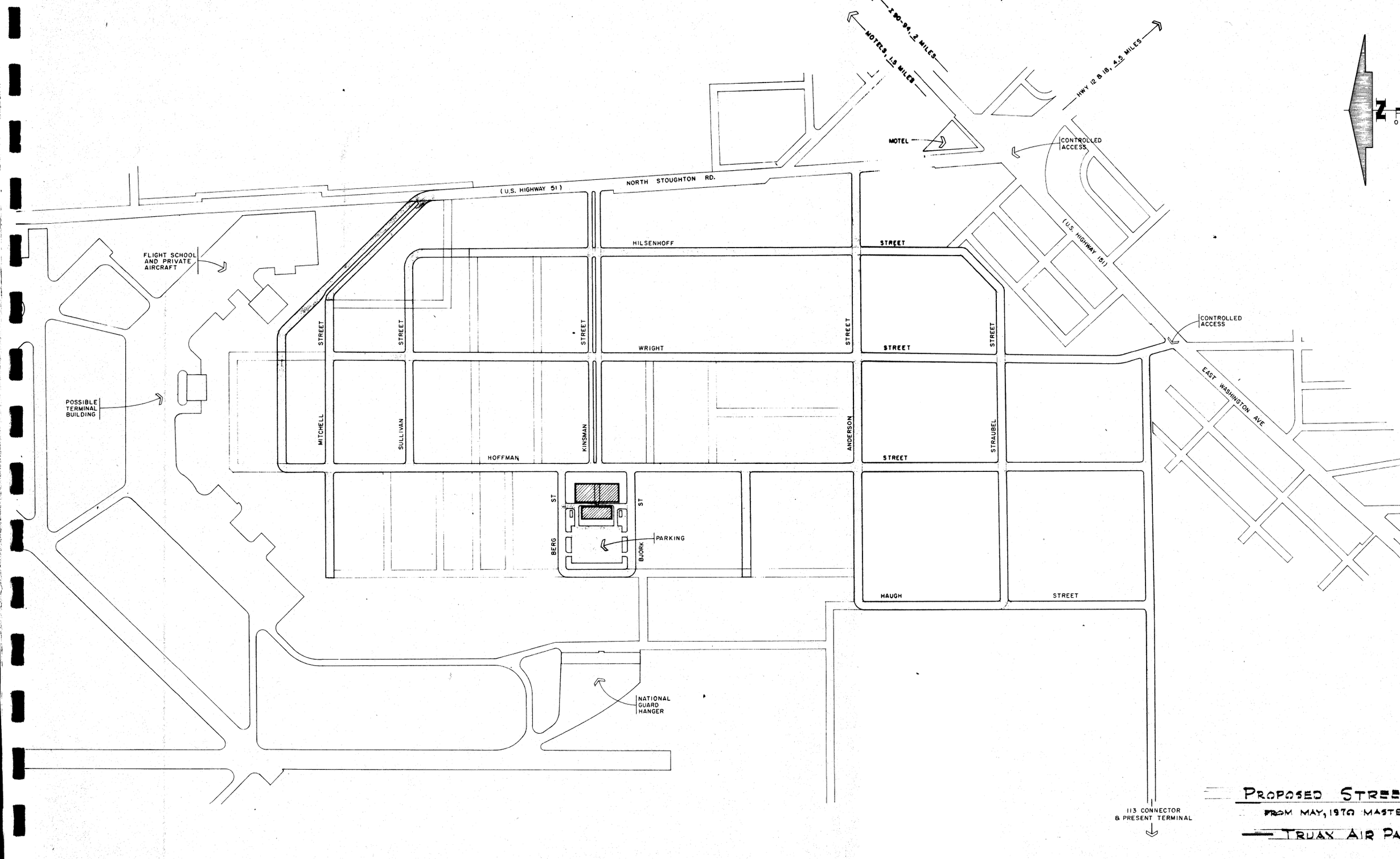
1. 8-inch city water main in center of Hoffman Street
   6-inch water main for fire hydrant loop in SAGE Complex buildings
   4-inch water main to power Building B parallel to Berg Street
   2-inch water main to twin multi-story buildings C and D

2. Cast iron sanitary sewer lines to 3-story portion include three 4-inch lines and one 6-inch line.
   Cast iron sanitary sewer lines to 4-story portion include one 4-inch plus one 6-inch line.
   Cast iron sanitary sewer lines to 1-story boiler-house include one 4-inch line looping complex from the north.

3. Storm water run-off lines loop buildings and lie between multi-story towers and 1-story boilerhouse draining to ditch to the west of Johnson Street and the south.

4. Gas distribution main is available one block east of subject site in Wright Street.

5. Electricity is presently available only on a temporary line. Adequate service would require underground installation by Madison Gas and Electric to replace diesel powered generators which served the Air Forch installation on this site. The local utility in the past has provided distribution networks to industrial parks at only a nominal charge to the developer.


I-90-94, 2 MILES
MOTELS, 1.5 MILES
HWY 12 & 18, 4.5 MILES
MOTEL
CONTROLLED ACCESS
(U.S. HIGHWAY 51)
NORTH STOUGHTON RD.
FLIGHT SCHOOL AND PRIVATE AIRCRAFT
HILSENHOFF
STREET
(U.S. HIGHWAY 151)
CONTROLLED ACCESS
WRIGHT
POSSIBLE TERMINAL BUILDING
MITCHELL
SULLIVAN
HOFFMAN
KINSMAN
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NATIONAL GUARD HANGER
113 CONNECTOR & PRESENT TERMINAL
PROPOSED STREE
FROM MAY, 1970 MASTE
TRUAX AIR PA

MAPS I AND II

(combined)

SAGE AREA AND SITE PLAN

6. Rail sidetrack is available at the west edge of the present airport, perhaps 4,500 feet from the existing complex should the air park offer railtrack frontage. Sidetrack next to Chicago-Milwaukee-St. Paul and Pacific Railroad. No extension of sidetrack is planned at this time.

D. Highway Linkages.

Of great significance to marketability as industrial-commercial and value are major road and highway linkages to the subject site:

1. Proposed boulevard on master plan a la Map 1 would lead 3 blocks to Highway 51 and thence to a controlled intersection with 151. 151 gives access to Interstate 90-94 two miles from the intersection.

2. Highway 51 continues south to link with the Madison Beltline system, but 51 north might possibly cut by porposed airport development and relocated. Its roadbed to 151 would become a major entry point to a new terminal building as well as the industrial air park. Current access to 51 is circuitous.

3. Highway 151, an excellent four-lane highway leading to North Central Wisconsin and the Fox River Valley in the north or directly to the Madison downtown area to the south. Eventually 151 will become a major linkage to Southwestern Wisconsin and the Dubuque area of Iowa.

4. Wright Street provides a second light controlled accress to 151, particularly for those wishing to move toward Madison. Unfortunately, 151 does not have access for southbound traffic to the interstate connector going east to Milwaukee.

5. Wright and Hoffman Streets intersect with Pearson Street which moves west through the airport grounds to connect with International land leading to the existing mode in terminal building and with Highway 113, a four-lane connector with good access to the University of Wisconsin campus area six miles to the southwest. Highway 113 northwest leads to Highway 14 and the northwest quadrant of Dane County. This route also leads to the higher quality residential areas and neighborhood shopping centers which lie west of Sherman Avenue and west of the air port.

6. Interstate 90-94 trucks can reach the subject site via 151 with the benefit of cloverleaf and right-hand turns at controlled intersections at Wright Street. Truck egress from the subject site will require at least one left turn on a major street at a controlled light intersection in any direction other than directly to the square via East Washington Avenue.

E. Near-By Ancillary Services for Industry.

Amenities supporting commercial-industrial development in the Air Park in which the subject property was located would include:

1. Fixed-base operators:
   Four lakes Aviation Corporation
   Landbert Aviation Incorporated
   Madison Air Service
   Midwest Air Service

2. Airlines providing regular service:
   Midstate Air Commuter
   North Central Airlines
   Northwest Orient Airlines
   Ozark Airlines

3. Major motel installations:
   Aloha Inn Motel, 3177 E. Washington Avenue
   Holiday Inn of America, 4402 E. Washington Avenue
   Howard Johnson's Motor Lodge, 4822 E. Washington Avenue
   Midway Motor Lodge, 3710 E. Washington Avenue
   Ramada Inn Motel, 3841 E. Washington Avenue

4. Major restaurants with nearby luncheons exist in abundance along E. Washington Avenue or to the west on Sherman Avenue.

5. Truck freight forwarding:
   Interstate Motor Freight System
   Liberty Trucking Company
   REA Express

6. Community characteristics of Madison are summarized on Page 6 of the Marketability Study done for the Truax Industrial Air Park; an interim report filed in February 1970 by the Engineering planning firm of Holward, Needles, Hammen, Bergendorf. "... As a large government and university center, Madison's population on the average enjoys a good family income because of the professional status of many of its people. Because of the University, a predominant characteristic of the City is the proportionally large number of young people that make up the population. The City has a large number of insurance companies and medical facilities, as is often true of cities with large state universities and state offices." The conclusions of this study were considered in determining the highest and best use of the SAGE Complex.

F. Highest and Best Use.

By convention and logic, a site is valued as though vacant and available to be put to its Highest and Best Use. This is true whether the site is actually vacant or is improved with buildings.

1. For Highest and Best Use the site is valued in terms of the use pattern to which it is suited and adaptable, which is legal (in terms of zoning and deed restrictions), which is feasible (in terms of market reactions), and which represents the highest present worth of the

benefits to be derived from the ownership and/or use of the site for a specific period of time.

2. The highest and best use of a site is subject to change over time. It must be ascertained by the appraiser in terms of current market conditions as of the date of the appraisal. That is a far more narrow judgment than is required of a feasibility study.

3. The compatability of existing improvements with the best use of the site if it were vacant is further considered in Section III-B.

Therefore, for purposes of appraisal for sale "as is" on May 1, 1970, the best use of the subject site is for industrial-commercial uses as contemplated by the City of Madison zoning classification M-1:

M1 Limited Manufacturing District

(a) Statement of Purpose

The M1 Limited Manufacturing District is established to accommodate existing non-nuisance type industrial uses presently located in relative proximity to residential areas, and to preserve and protect lands, designated on the comprehensive plan for industrial development and use, from the intrusion of certain incompatible uses which might impede the development and use of lands for industrial purpose. Development in the M1 Limited Manufacturing District is limited primarily to certain commercial uses and certain industrial uses, such as the fabrication of materials, and specialized manufacturing and research institutions, all of a non-nuisance type.

(b) General Regulations

Uses permitted in the M1 District are subject to the following conditions:

1. All business, servicing, or processing, except for off-street parking, off-street loading, display of merchandise for sale to the public, and establishments of the "drive-in" type, shall be conducted within completely enclosed buildings unless otherwise indicated hereinafter.

2. The floor area ratio in the M1 District shall not exceed 2.0.

3. For specific uses and conditional uses see Section 28.10 of the 1966 Madison zoning ordinance.

G. Market Sales of Comparable Properties.

The subject site is more favorably located to air and highway linkages than most other industrial-commercial land which has been on the Madison

market over the past three years. However, the character of title and the speed with which the land could be acquired and improved is somewhat in doubt due to the need to achieve FAA approval of the transaction, the pending action on acceptance of the master plan and redevelopment of the Truax space into an industrial Air Park, and the lack of adequate electric service immediately availabel on the site.

The only appropriate appraisal approach is comparison of the subject site to current comparable sales of industrial-commercial land. Land sales of this type in Madison occur with somewhat more infrequency than is true in cities of more industrial activity but can be classified as acreage sales for major industrial plan developments (not appropriate to this case), 5 to 10 acre plant sites partially improved (which may be appropriate to the site), and lot sales in fully improved industrial park developments (which are relevant but less appropriate in this case involving a 7 1/2 acre parcel.)

1. Acreage sales for major industrial plant installations range from an average of $1,800 per acre for land north of the 151-I-90-94 Interchange purchased by Giddings and Lewis prior to any extension of city services to $2,500 per acre for the Ohio Chemical site near the Intersection I-90 and Highways 12 and 18. However, such acreage sales in wholesale amounts for a long term development are not appropriate to smaller acreages with city services already available and represent the bottom of the range of values for the subject property.

2. At the upper extreme are sales of 1-acre parcels, more or less, in platted industrial park developments with city water, sewer, and fully improved streets already installed in a planned M-1 zone area. A study of all industrial parks on the city's east side indicated an absorption rate of 8-10 industrial lot sales per year. Current prices are in a range of 40-45¢ per sq. ft. or approaximately 40¢ per sq. ft. which is translated to $17,000 an acre. A sale of this size of parcel is not comparable to the subject site either as it represents retailing to a broad market of small users. When the seller has a small supply of units to sell, the seller can merchandise for top dollar. Trade talk of such sales should not be confused with the market for Air Park property which may typically involve 5-10 acre parcels when the seller has an overhanging inventory of over 200 acres.

3. The appropriate comparable sales for the subject site are sales of 5-10 acre plant sites with immediate access to city services at the perimeter of the site. As Real Estate Research Corporation noted in its Industrial Land Book proposal there is a relatively low turnover of such sites in Madison. The appraiser must find an arms length transaction between knowledgeable buyer and a knowledgeable seller, both with alternative courses of action and preferably a sale for cash.

   a. One recent sale meets these requirements almost perfectly, a sale by the officers of Aring Equipment Company to Robert Keller,

a local specialist in industrial-commercial property for $50,000 cash as of December 31, 1968. The sale involved 9 acres on Femrite Drive continguous to the east and south sides of the Tofte Marine site and indicated a market value of $5,500 per acre for CBL-3 zoned land (Tofte Marine and Canteen Service each paid $17,000 for 3-acre tracts two years earlier.) Details of the transaction were confirmed by grantee, Robert Keller.

b. The Madison Development Corporation which was organized to stimulate the location of new industrial employment in Madison by means of attractive ready-to-use industrial sites at competitive prices sold 50 acres fronting 5000 E. Broadway frontage road in two transactions to Miles Laboratories for $5,000 per acre in late 1968. An adjoining piece of 3 1/2 acres had been sold to the Quality Courts Motel in 1966 at $6,500 per acre. The $5,000 price reflects a seller with a desire to sell low to achieve certain community-wide objectives.

H. Fair Market Value Conclusion For SAGE Site.

The purchases by Miles Laboratories and by Robert Keller represent comparable sales with about the same circuity of travel to interstate highways of Highway 51 as would be tru of the SAGE Air Park site. The Miles Laboratory site has highway visibility for advertising value but such visibility is a moot point relative to the present and potential advantages of association with the airport image. Both comparable sales are in areas or about properties which establish a quality image level for new construction while the air park and the character of this development remain undefined and uncertain within the commissions of city government. Mild industrial recession has lead many corporate users of real estate to sell surplus facilities rather than acquire new so that the always slow Madison industrial property market is virtually stalled. Thus, no adjustment has been made to sales now 18 months old as market prices at best are level.

Therefore, as of May 1, 1970, it is the best opinion of this appraiser that the fair market value of land forming the SAGE Complex site is $5,750 an acre, which when multiplied by 7.75 acres indicates a total market value of FORTY-FOUR THOUSAND FIVE HUNDRED DOLLARS ($44,500).

I. Rental Value of Land for Lease.

Traditionally land has been leased on a long-term basis for 5 to 50 years on what is termed a triple net basis, that is the landlord agrees to the loan of the land asset for a financial charge reflecting a small premium above current long-term interest rates while the tenant of the leasehold who will improve it with his own facilities agrees to pay all taxes and other carrying charges and maintenance costs.

For the SAGE Complex site it was indicated above that it has a capital value in the current market of $44,500. Current interest rates for

industrial property loans are in the neighborhood of 9 1/2% where there is no bonus interest from participation in gross receipts. Adding a 1% differential for return on a land lease would suggest a net lease of 10 1/2% annually of current market value of the capital land asset. However, with title of the site remaining with the city, the nature of the real estate tax obligation falling on the tenant is undefined. Assuming an effective tax rate of 52 mills and assessed value at 65% of market value, it can be said that real estate taxes represent a charge of about 3.5% per year on fair market value.

In lieu of taxes a city owned Air Park might lease acreage for 3.5% plus 10.5% or 14% of fair market value for the lands leased. In this case 14% of $5,750 would suggest a land rental of $805 per acre or rounded to $800.00 per acre. Rental value for vacant SAGE site of 7.75 acres would therefore be $6,200.00 per annum for a fifteen-year term. Real Estate taxes would still be levied on the improvements constructed by the tenant.

In exchange for a fixed rent for 15 years on the land the tenant could be required to complete a certain amount of improvement within 3 years of his acquisition of the site. A fixed rent at this level for 15 years would provide increasing incentive for early development and would mitigate to a mild degree the fear of many out-of-state employers of heavy Wisconsin real estate taxes on industrial facilities. At the end of 15 years rents could be renegotiated as option dates on the lease matured. There is additional discussion of leasing strategies in Section IV.

III. APPRAISAL OF SALE LAND AND STRUCTURES AND FAIR MARKET RENTAL VALUES

A. Description of Buildings and Improvements to be Appraised.

The SAGE facility structures at Truax Air Park were originally designed to the specifications of the Air Force as a command-computer center for a ground-to-air defense system and was built in 1955 at a reported structural cost of $9 million. The ways of the military are mysterious as its first thoughts were to locate separate twin buildings (in case one was incapacitated for any reason) in the Baraboo Bluffs, but later plans placed the two buildings (with duplicate facilities) side by side, above ground at the Truax Air Base. (See Site Map I .) Its original purposes presumably account for its unusual specifications and attributes:

1. Once described by a City brochure as "a concrete iceberg whose greatness lies beneath the surface," the walls of the complex are of poured concrete, apparently 1 to 2 feet thick although concrete block appears to provide some of the bulk at various points, to porduce a structure that was light-proof, sound-proof, and presumably attack-resistant.

2. The bomb shelter image is marred by the fact that the top ceiling or roof is only 9 inches of poured concrete and the attack-proof generator

building has knockout walls to permit servicing and removal of the seven diesel generators which once provided electrical supply independent of vulnerable Madison public utility sources. Upon removal of the diesel generators by July 1, 1970, the generator building will feature gaping openings on its west wall and huge concrete pits where the diesel motors were once mounted.

3. The major structure consists of one four-story wing, approximately 152 feet square and 75 feet in overall height and one three-story wing of the same dimension but only 50 feet in overall height. These two wings are joined at the base by a one-story concrete connector 30 feet wide and 112 feet deep running east to west.

4. Within each wing ceiling heights vary from 1 to 22 feet by floor as indicated in Table I and on attached engineering cross-section in Appendix D.

5. Floor loadings are approximately 300#/sq. ft. on the first floor levels (B, C-1, and D-1) and 100#/sq. ft. on above grade levels.

6. Useable floor areas vary for each floor as a variety of stairways, washrooms, air conditioning, heating, and electrical equipment rooms are located along the interior of the exterior walls (See Table I) but the center areas of each floor are relatively open subject to the 30 by 30 bay dimension formed by supporting columns of poured concrete.

7. In buildings C and D floors 2 and 3 for the most part and floor 4 with some minor venting are marred by large floor openings for two-story "war rooms" or auditorium-like spaces and air conditioning ducts with concrete curbs which once fed into the base of computer installations. To be reuseable floor curbs would have to be hammered away and floor openings spanned with heavy steel plates or filled with concrete flooring.

8. Remaining floors are surfaced with vinyl asbestos tiles suitable as for use in warehousing but otherwise requiring extensive replacement or new surfacing such as carpeting in offices, etc.

9. Ceilings in some areas are suspended metal acoustical pan but in most areas ceilings are exposed to extensive piping, air ducts, and conduit suspended from concrete waffle ceiling-floor decks.

10. Interior partitioning is concrete block and tile for permanent equipment rooms and a removable panel steel type of wall unit favored by the Air Force with limited utility value in any remodeling or conversion to warehouse space.

11. Each of the multi-story wings (C and D) has one 10 x 14 foot, 8 ton capacity elevator opening directly to outside loading docks and to inside floor levels.

Table #1

Gross Area and Cubage Estimates
For SAGE Complex
Based On
Air Force Operations Manuals

Blg. Unit	Floor	Ceiling Ht. in Ft.	Gross Sq. Footage	Gross Cubage	Net Useable Area Sq. Ft.
B	1	25 & 14	22,000	440,000	14,500
C	1	14	23,000	332,000	18,400
C	2	19	23,000	437,000	17,000
C	3	14	23,000	332,000	21,600
D	1	19	23,000	437,000	18,300
D	2	14	23,000	332,000	21,000
D	3	21.5	23,000	494,000	18,550
D	4	18	23,000	414,000	21,000
		Totals	183,000 sq.ft.	3,218,000 cu.ft.	150,350 sq.ft.

12. A major feature of the building is an overly sophisticated environmental control system originally used to anticipate heat gains from elaborate vacuum tube electronic and computer equipment. The Air Force has removed some of the original air conditioning capacity but presently about 400 tons capacity remains with control equipment designed to regulate temperature throughout the buildings within ± 1°C and humidity within a percentage point. Presumably such close tolerances could be maintained on at least several floors of the building presently. 400 tons would be more than sufficient to convert the entire structure to commercial office uses were that a desirable use or to cool limited areas for food storage.

13. Entrances to the buildings are at ground level on three sides of each of the structures and with an insignificant architectural scale. All are offset on the interior by masonry baffle walls for defensive purposes.

14. A specific inventory of machinery and equipment is not available as the Air Force is stripping those items related to the electrical generators and switch gear. Only temporary power is available to light hallways and serve minimum equipment needs so it is not possible to define specifically the type and quantity of operating circuits, operational air conditioning distribution duct lines, or usable electrical circuits for conversion of the subject property to some commercial-industrial use. These uncertainties would be a major risk of development and imply a high degree of variance in preliminary cost estimates for conversion.

15. Industrial fencing, the gate house, and damaged aluminum awning type covers at entrances would be removed for any conversion and therefore were not given specific weight in the appraisal. Condenser tanks flank in the generator building are an integral part of the air conditioning system and considered within total complex valuation. There are nine underground fuel oil storage tanks of 30,000 gallons capacity each with no immediate commercial value.

16. The building enjoys a site which can provide up to 4 acres of parking for employees and tenant rolling stock - a unique feature for heavy duty structures of this type in Madison.

B. <u>The Search for Highest and Best Use of Site With Improvements.</u>

For highest and best use for sale of the SAGE structure "as is," the rule of internal consistency requires that the use of the SAGE structure be permissible and feasible within the zoning and physical attributes of the site on which it is located. Consistent with M-1 zoning, the airport location, and the economic-industrial base of Madison, the most probable immediate use for the site would be as warehouse or light industrial space. The site does not presently have the linkage attributes to commercial areas and traffic patterns that would make tributes to commercial areas and traffic patterns that would make it suitable for

speculative development as commercial office space although in Section II of this paper it will be shown that the complex has good potential as a shell for extensive remodeling into quality office and laboratory space by an institutional user for whom advertising values, customer identification and convenience, or downtown linkages are not required. In that light the structure has current value simply for the economy of remodeling an existing solid structural frame rather than initiating construction from scratch.

In modern appraisal theory one cannot make a substantive statement about most probable use without implying knowledge of the most probable user or buyer. Assuming one can say something about the probable buyer or tenant, it is then possible to identify his alternatives and therefore the market in which he will make his choice as to real estate facilities as well as the process with which the decisions will be made. With this logic the following potential users were contacted:

1. The State of Wisconsin
2. University of Wisconsin
3. City of Madison Board of Education
4. Dane County Food Processers
5. Madison Area Industrial Realtors

The State of Wisconsin had reviewed the SAGE Building at one time or another as a potential site for a State Police Academy, a State Computer Center, or as a general administrative building. However, any decision by the State was greatly influenced by the internal politics of convincing legislators of the desirability of proceeding with the low-rise downtown consolidation of state office buildings east of the Square and Webster Street. It was felt another peripheral site on East Side when there was already a State nucleus on the West side of town would undercut the arguement that great efficiencies in productive labor time could be achieved by locating most state offices within walking distance of the Capitol and the legislative offices. Senator Risser and others in the state organization further feared that where it could be shown that a state function to be housed had no day-to-day linkage with the Square, that these agencies might be spirited from Madison altogether and dispersed to other state localities desiring the employment and economic as which such an agency office would represent. Therefore the economy and logic of its use for various state purposes was obscured by the political thrust to secure legislative approval of the grand plan for the Square area. Rejection of the Air Park site was not on its real estate merits or economies of conversion.

University of Wisconsin Space Allocation Committee considered the SAGE Complex two years ago as an animal care laboratory, according to Forest Todd, but at that time the air conditioning facilities and operating costs were undefined and personnel were unwilling to be that far from campus. However, the Regents closed the issue by forbidding any further leasing of space for the University in order to check a precipitous rise

in the University rent expenditure. As will be shown in Part IV the structure still has excellent potential for conversion to office or laboratory space for a University or a related project but at the time of this appraisal the University must be considered out of the market.

City of Madison Board of Education has already indicated a preference for an Air Park site to consolidate their various services, shops, and similar functions. The Board requires parking and garage shop facilities for school board vehicles and the one-story boilerhouse Building B would serve both as a garage and its short span concrete rooms could serve admirably for the School Board pain fhop, carpentry shop and machine shop facilities. In addition the School Board requires approximately 20,000 square feet of air conditioned, humidity controlled space for a book repressing division plus a minimum of 20,000 square feet of dry heated and unheated storage space for surplus desks, equipment and other miscellaneous furnishings. In short, the School Board could use all of the 3-story Building C either immediately or expand into the third floor with time. Engineer Gordon Moore visited the SAGE Complex with Wilbur McDaniel of the School Board staff but the School Board staff did not pursue the opportunity further. They did not wish their warehousing to be at a second-floor level requiring anelevator lift not did they wish to pay rent to the City of Madison, which ultimately would cost an equivalent more than the cost of constructing their own building.

Buildings B and C could provide the School Board with 71,500 square feet of space, of which 14,500 sq. ft. would be in Building B, 18,400 on the first floor of Building C, and the balance of 38,660 sq. ft. of low-quality space for storage would be in Floors 2 and 3 serviced by the large freight elevator. A comparable amount of space built new on land purchased from the airport would cost a minimum of $12 per sq. ft. or something in excess of $840,000.00. The remodeling of the SAGE facilities on the other hand, as will be shown, could be accomplished for less than $3.00 a foot. Assuming operating costs to be the same, an 8% constant on School Board debt of 630,000 dollars capital saving would represent an annual saving of $50,000. Sales value of the structural opportunity of the rental value as is will be discussed below.

Dane County Food Processors were suggested by the fact that the servicemen sometimes called the building the "mushroom factory." Given its potential for temperature and humidity control and the resistance of its concrete structure to excessive humidity, there is some portencial of the building for either hydroponic farming or as a cold storage warehouse for air freight distribution of provisions to military bases and construction operations in the Arctic area.

1. Given the available canning plant facilities just north of Madison which receive only seasonal use, it was thought that mushrooms, tomatoes or similar crop might be particularly useful for off-season canning operations. Discussion with the canning companies, Professor Fail Beck of Horticulture at the University of Wisconsin and Professor Harold Senn, Director of University Biotron indicated that:

a. The production of vegetables would require more electric kilowatts for energy inputs via light bulbs than justified by the crop price of the vegetables payable by the canery. Since 95% of the energy input from light would be dissipated as heat, the heat load would far exceed the menaining air conditioning capacity of the SAGE Complex even if the value of the product justified the electricity cost.

b. The cost of raising flowers again became prohibitive since flowering plants required such high energy inputs. The market value of flowering plants was much higher than the market value of vegetable output but costs were less using local hothouses and flying more exotic flowers from tropic growing areas.

c. The market value of green decorative plants sold through supermarkets was high but operations through hydroponics could still not compete with local growers using sunlight through greenhouses and plastic covered hotbeds.

d. One idea did germinate in that conversations with Mr. Gus Springer of the Netherland Bulb Institute of New York City indicated he would consider leasing 20,000 sq. ft. of space to produce hyacinth bulbs which require only modest infusions of energy (and therefore reasonable heat loads on the air conditioning) but do require an artificial winter period of 40 degrees Fahrenheit and low humidity for 2 months span, well within existing capacities of the SAGE Building mechanical system. The product is distributed by air and the building could be used virtually as is, assuming the mechanical system were operational. Unfortunately 20,000 sq. ft. is not a significant proportion of the approximate 150,000 sq. ft. available.

e. The SAGE Complex in Sioux Iowa has been temporarily converted to a grain elevator but that use was not considered appropriate to Dane County farming.

2. The potential of the SAGE Complex as a warehouse terminal for air freighting meat, potatoes, and Wisconsin food products to points in the Northland is marred for lack of the existence of such an operator presently who might serve as a tenant, the vertical material handing problems presented by the three and four-story components of the building, and the question of providing a taxi ramp from an area near the present National Guard hangers to the western edge of Building B which ould serve as a load assembly and dispatch depot.

Madison Area Industrial Real Estate Market offers a variety of alternatives for light industrial and warehousing space and a number of current offerings are provided in Appendix C. The rentals company provides a variety of first and second floor storage space in older buildings around Madison at 75¢ to 90¢ a sq. ft. with heating and personnel services available at extra cost. Hansen Storage Company of Madison provides similar services. Most warehousing operations rent space and charge an additional fee for public warehousing services and materials handling. [redacted] construct light steel industrial buildings with the minimum required lighting and plumbing facilities and including adequate land for as low

$5/sq. ft. of gross building area although further improvements for lighting, better insulation, more finished office space, and more exterior parking, etc. may increase costs to $12/sq. ft. There is a reasonably steady demand for first floor space and Building B, and C-1 and D-1 with sprinklers added and partitions removed would represent high quality space of this type.

After consultation and review with these alternative potential uses, it was concluded that immediate sale or rent of the SAGE Complex would most likely be to a private user of investor-speculator for warehousing purposes. The term "highest and best use" is misleading to the layman because it requires a choice which is both politically and economically feasible as of the date of the appraisal. As will be shown in Section IV, in the long-run the most attractive and most economic use of the space (and therefore "best" in the layman's sense of the word) would be by the State, the University, or the City but these potential users are presently hamstrung by extraneous political and prestige issues which have priority over logic and economics.

C. Sales Comparison Appraisal of SAGE Building as an Industrial Warehouse.

The fair market value of the present structures "as is" is suggested by actual market sales of properties of similar characteristics and potential use and would be refined by calculating the investment value of the complex used for warehousing purposes less all the capital expenditures necessary to convert the buildings to reasonable efficiency and access. Since sales of old buildings suitable to warehouses involve a variety of considerations such as location, amount and condition of interior office space, finishes, ceiling heights, loading docks, floor loading, and so on it is impossible to make precise comparisons. Therefore, adjusted sales prices allocated to structures must be tested for their investment logic by simulating the investment position of the would-be buyer expecting to use the SAGE Building for warehousing purposes.

Selected sales below have been analyzed and the result summarized in Table II:

1. Rennebohm Stores, Inc. sold their downtown warehouse building at the northwest corner of W. Washington Avenue and Bedford Streets to the City of Madison Board of Education as of June 30, 1965 and registered in Vol. 802, p. 103 Dane County Register of Deeds Office. The site contained 58 feet of frontage on W. Washington, 165 feet on Bedford, and was L shaped around a 33 x 100 foot section on the Washington Avenue frontage. Zoned C-2 the site contained 11,715 sq. ft. plus a 3-story warehouse with some finished office space and with 29,793 sq. ft. of gross floor area. Assuming land with obsolete improvements in that area is worth $4.00 a sq. ft. for redevelopment purposes, it is then possible to infer that $4.30 of sales price was allocated per gross foot of building area. Con-

sidering that construction costs and prices have risen since 1965, sales price was adjusted upwards for 10%. However, the Rennebohm building was ready for immediate occupancy and use as warehouse and service space and contained some finished office space. An adjustment for immediate availability of 10% was made. It will be shown that conversion of the SAGE Building to warehouse use including provision for loading docks would require $2.20/ sq. ft. and office space and other amentities of the Rennebohm Building could represent another 10¢ a sq. ft. so there is an adjustment of $2.30 for expenditures necessary to make the SAGE Building comparable in functional utility. With a net adjustment of $2.30/sq. ft. sale price assignable to building area would be $2.00/sq. ft. after adjustments for comparability. It should be noted that the buyer was a nonprofit organization which would be buying utility rather than measuring efficiency in terms of return on investment capital.

2. More recently the Wisconsin Supply Company sold its building and an additional parcel of land at the northeast corner of Main and Blair Streets to Madison Opportunities, Inc. for $240,000, on a land contract recorded April 23, 1969 in Vol. 101, p. 203 of the Dane County Register of Deeds Office. The principal parcel was 132 foot square or 17,424 sq. ft. on which is located a 2-story building. The smaller 65 ft. sq. parcel used for parking across the street was included in land area. Assuming $4.00/sq. ft. for land, then $4.80/sq. ft. of the sales price could be allocated to the building structure. At best prices have been stable since 1969 so no time adjustment was made. The structure was well-maintained and immediately available for use and so an adjustment of 10% was made due to the delays inherent in qcquiring the SAGE Building. Again, an adjustment of $2.20 was made to represent the minimum conversion cost necessary to make the SAGE Building roughly comparable to the Wisconsin Supply Company. The adequate windows and interior finishing of the Supply Company Building were considered to counterbalance the somewhat higher price that might be presumed for a land contract sale so the net adjustment was $2.70/ sq. ft. of building area, suggesting an adjusted sales price per sq. ft. of building structure of $2.15. Again, it should be noted that the purchase was by an organization for utility purposes rather than investment return suggesting the price might be high even after the adjustments above.

Madison does not have many loft buildings of heavy duty construction appropriate to an earlier era of manufacturing. There are several investor groups which will build heated, clear span one-story steel buildings with land for slightly more than $5.00/sq. ft. and since the newer building in a suburban industrial area will depreciate little or less in the next 10 years than an obsolete core building, $5.00 in acquisition cost for structure including land is a definite ceiling on the high side of warehouse investment market prices. In Milwaukee and Chicago areas dozens of major obsolete industrial buildings, multi-story, of heavy concrete construction and even well

maintained have been sold. Comparable #3 represents simply an example of the prices with which investors are familiar at this time:

3. The Badger Paint Co. sold its manufacturing facility at 5005 W. State Street in Milwaukee, Wisconsin for $325,000 in June of 1969 according to David C. Boerke, the largest industrial realtor in Milwaukee. A three acre site of 132,000 sq. ft. zoned M-1 was excellently located in an industrial area one block from expressway exit and two minutes from the key Stadium Interchange. The building was of reinforced concrete construction with high floor load capacity and of a 145,00 sq. ft. of floor area, 60,000 sq. ft. was on the first floor with another 6,000 sq. ft. of high quality office space. The building was three stories high, with partial basement, and extensive truck loading facilities. The unadjusted sales price per sq. ft. of floor space was $197 but manufacturing facilities were so cut up and tainted with the aroma of paint and oil that an adjustment of only 20 was made for its condition relative to the SAGE Complex. The adjusted sales price properly allocated to structure was therefore in the neighborhood of $1.77.

Given the availability of new 1-story space for a minimum of $5.00/sq. ft. including land, perhaps $4.60/ sq. ft. represents the maximum total investment cost an investor in warehouse space could make in the SAGE Buidling. Since complete renovation and conversion of the SAGE Building could require $2.60/sq. ft. of gross area, the upper range before allowance for remodeling risks and the lower rent generating ability of a multi-story building is in the neighborhood of $1.75 per gross foot of structure.

D. Investment Income Approach to Value.

To test the reasonableness of possible alternative sales prices it is useful to simulate the cash outlays and receipts which would characterize investment operations of a buyer of the SAGE Complex, who intended to use the building for the rental of warehouse space. The market will provide various parameters necessary to simulate such an investment in terms of rents and expenses. Carl Crane Engineering has provided the cost estimates for the remodeling expenditures that would be required. (See letters in Appendix D.)

1. Rentable areas and rental rates were established by checking the Madison market. The Reynolds Company provides rough warehousing space for 75¢ to 96¢/sq. ft. including real estate taxes but unheated, with the rate reflecting accessibility for public inspection of goods for sale, frequency of in and out moves, etc. The rate is also sensitive to ceiling heights, as higher ceilings with good floor loading capacity commanding a premium rent. Thus, the useable areas in B-1 and D-1 are assigned warehouse rents of a $1.35 and $1.25 respectively. C-1 is penalized for its 14 ft. heights and the upper floors decline in value as the elevator distance increases.

Table # 11

SALES COMPARISON CHART SUMMARY

Multi-Story Industrial Warehouses as of May, 1970

Tab	SAGE	#1 Rennebohm Bldg.	#2 Wisc. Supply Co.	#3 Badger Paint Co.
Sales Price	?	$175,000	$240,000	$325,000
Date	1-5-70	6-30-65	4-23-69	6-1-69
Area of building	150,350	29,793 sq. ft. (3 stories)	31,680 sq. ft. (2 stories)	145,000 sq. ft.
Land area	337,500 ft.	11,715 sq. ft.	21,649	132,000 sq. ft.
Zoning	M-1	C-2	M-1	M- 1
Est. 1970 Land Value per sq.ft.	$.13/sq. ft.	$4.00/sq. ft.	$4.00/sq. ft.	$.30/sq. ft.
Sales Price allocated to building/sq. ft.		$4.30/sq. ft.	$4.85/sq. ft.	$1.97/sq. ft.
% Time adjustment		+ 10%		
% Availability & remodeling risks		- 10%	- 10% or 50¢	
Condition & utility adjustment		$2.30	-$2.20	- 10% or $.20
Net adjust/sq. ft.		- $2.30	-$2.70	- $.20
Adjust. mkt. value of bldg./sq. ft.		$2.00	$2.15	$1.77

Table III-A

WAREHOUSE EXTERIOR CONVERSION COST BUDGET ESTIMATE

Start-Up Expenses	$10,000.00
Removal of fencing and repair of paved aprons	6,000.00
Sprinklers	15,000.00
Painting Buildings B, C, and D	13,300.00
Painting Power Building	2,300.00
Build ramp, loading dock, drainage, etc.	26,500.00
To close in sides of dock	6,500.00
Prepare office space in Buildings C and D	4,000.00
Provision for filling Building B engine pits with sandeand covering with 4-inch concrete floor	8,000.00
Contingencies	6,000.00
	$97,600.00

INTERIOR REMODELING COST BUDGET ESTIMATE

Bldg.	Floor	Net area sq. ft.	Low Range Storage Estimate
C	1	18,400	41,520
C	2	17,000	41,600
C	3	21,600	70,980
D	1	18,300	41,500
D	2	21,000	69,550
D	3	18,550	42,570
D	4	21,000	44,980
		135,850	$ 352,700

Gross rent is staged so that three floors are made operational in the first year and five floors are made available by the beginning of the third year.

2. Expenses for heating and maintenance have been estimated at 20¢/useable sq. ft. plus real estate taxes have ben estimated at 22% of gross rent which is the current test of adequacy used unofficially by the City of Madison Tax Assessment Division. It should be noted that development of the SAGE complex as a warehouse would develop approximately $27,000 of annual tax revenue at current levels by the end of the 3rd year. No use is made of air conditioning potentials and heating of warehouse areas would use Modine space heater-type units. Simulation will provide for a 10% vacancy and collection loss.

3. Capital expenditures for remodeling involve some major exterior improvements including additional loading docks and interior cleanup including removal of partitions in the first year for the entire first floor level. Expenditures for the 3rd year are considerably higher due to the necessity of filling the floor openings, removing concrete curbs and otherwise eliminating the structure of the war rooms in C-3, D-2, and D-3. The allowances for these spaces also include redoing of the lighting and provision of Modine space heating units to eliminate the need for renovation of existing duct work or reliance on the existing boiler system. Renovations in the year 3 would also provide for fire sprinklers throughout in order to give owners of merchandise a reasonable personal property insurance rate for goods in storage. It is conceivable that some floor areas could be easily adapted to some manufacturing processes or insulated to serve as cool rooms for the storage of certain food products not requiring freezer storage. These possibilities make the rental estimates minimal and conservative so that the imbalance between remodeling expenditures per floor and the rent collected for that floor could be corrected as tenants with special needs were found. Remodeling costs over the 3 year span are estimated to approach $330,000 or $2.50/sq. ft. of useable area.

4. Since the appraised value of the land approaches 30¢/sq. ft. of useable building area, $2.50/sq. ft. of investment value is already accounted for. Values for the raw SAGE structure per sq. ft. of useable area were then tested in the University of Wisconsin after-tax cash-flor computer model at values of $2.00/sq. ft., $1.50/sq. ft., and $1.00/sq. ft. useable area.

5. Operating revenues and expenses were simulated with all calculations summarized in Tables III and IV, and are based on the Cash Receipts and Outlays Budget and remodeling indicated in Table II. Additional significant assumptions include:

   a. Rents will inflate at a rate of 2% a year as will basic expenses

Table III

CASH RECEIPTS AND OUTLAYS BUDGET

Proposed Rough Warehouse Conversions of SAGE Buildings

3-Year Development & Rent-Up Period

Bldg Unit	Floor	Ceiling Ht in ft	Gross Sq. Footage	Gross Cubage	Net Useable Area Sq Ft	Rent per Sq Ft Incl. Taxes & Heat	Gross Rent		Expense Allowance		Real Estate Tax at 22% Gross Rent		Capital Expenditure	
							Year 1	Year 3	Year 1	Year 3	Year 1	Year 3	Year 1	Year 3
B	1	25&14	22,000	440,000	14,500	$1.35	$19,575		$2,900		$4,306		$11,000	
C	1	14	23,000	332,000	18,400	1.00	18,400		3,680		4,048		11,500	
C	2	19	23,000	437,000	17,000	.75		12,750		3,400		2,805		31,600
C	3	14	23,000	332,000	21,600	.50		10,800		4,320		2,376		50,980
D	1	19	23,000	437,000	18,300	1.25	22,875		3,660		5,032		11,500	
D	2	14	23,000	332,000	21,000	.75		15,750		4,200		3,465		49,550
D	3	21.5	23,000	494,000	18,550	.60		11,130		3,710		2,448		32,570
D	4	18	23,000	414,000	21,000	.50		10,500		4,200		2,310		34,980
		Totals	183,000	3,218,000	150,350		60,850	60,930	10,240	19,830	13,386	13,404		
						Totals 3rd yr.		121,780		30,070		26,790		
													97,600*	
													131,600	199,680

Total remodeling improvements at $2.20/sq.ft. useable = $331,280
Land .29/sq.ft. " = 44,500
Rough SAGE Structure "as is" 1.00/sq.ft. " = 150,000
Highest Cost Range from Carl Crane Engineering 3.50/sq.ft. useable = 525,780

* See Table II-A

Landmark Research, Inc.

TABLE IV

LANDMARK RESEARCH
14

ANALYSIS OF
SAGE ROUGH WAREHOUSE

COMPONENTS	PCT. DEPR	BEGIN USE	USEFUL LIFE	DEPR METHOD	COST
LAND	.00	1	-.	0	$ 44500.
SAGE ROUGH WAREH	1.00	1	25.	2	$ 150000.
REMODELING STAGE	1.00	1	20.	3	$ 131600.
REMODELING STAGE	1.00	3	20.	3	$ 199680.
TOTAL INITIAL INVESTMENT					$ 326100.
CASH EQUITY REQUIRED					$ 101100.

GROSS RENT	$ 60850.	RATE OF GROWTH OF GROSS RENT	.0200
EXPENSES	$ 10240.	RATE OF GROWTH OF EXPENSES	.0200
R E TAXES	$ 13400.	RATE OF GROWTH OF R E TAXES	.0300
INCOME TAX RATE	.2200	RATE OF GROWTH OF PROJECT VALUE	-.0200
VACANCY RATE	.1000	WORKING CAPITAL LOAN RATE	.1000
EQUITY DISCOUNT RATE	.1500	EXTRAORDINARY EXPENSES	$.

Landmark Research, Inc.

FINANCING PLAN

LAND CONTRACT-CITY $ 125000.
MONTHLY PAYMENT $ 1054. INTEREST RATE .0600 STARTS 1 ENDS 10 BONUS INTEREST .0600 OF GROSS RENT

	1	2	3	4	5	6	7	8	9	10
PRINCIPAL	5302.	5629.	5976.	6344.	6736.	7151.	7592.	8061.	8558.	9086.
INTEREST	7355.	7028.	6681.	6312.	5921.	5506.	5065.	4596.	4099.	3571.
BALANCE	119697.	114068.	108092.	101747.	95011.	87859.	80266.	72205.	63647.	54561.

IMPROVEMENT LOAN NO1 $ 100000.
MONTHLY PAYMENT $ 1321. INTEREST RATE .1000 STARTS 1 ENDS 5 BONUS INTEREST .0000 OF GROSS RENT

	1	2	3	4	5	6	7	8	9	10
PRINCIPAL	6134.	6776.	7486.	8270.	9136.	.	.	.	.	.
INTEREST	9723.	9081.	8371.	7588.	6722.	.	.	.	.	.
BALANCE	93865.	87089.	79602.	71332.	62196.	.	.	.	.	.

IMPROVEMENT LOAN NO2 $ 180000.
MONTHLY PAYMENT $ 1500. INTEREST RATE .1000 STARTS 3 ENDS 5 BONUS INTEREST .0000 OF GROSS RENT

	1	2	3	4	5	6	7	8	9	10
PRINCIPAL	.	.	.	.	.	.	.	.	.	.
INTEREST	.	.	17999.	17999.	17999.	.	.	.	.	.
BALANCE	.	.	180000.	180000.	180000.	.	.	.	.	.

REFINANCE $ 250000.
MONTHLY PAYMENT $ 2686. INTEREST RATE .1000 STARTS 6 ENDS 10 BONUS INTEREST .0000 OF GROSS RENT

	1	2	3	4	5	6	7	8	9	10
PRINCIPAL	.	.	.	.	.	7579.	8373.	9249.	10218.	11288.
INTEREST	.	.	.	.	.	24658.	23865.	22988.	22019.	20949.
BALANCE	.	.	.	.	.	242420.	234047.	224797.	214579.	203290.

TABLE V

LANDMARK RESEARCH
14

ANALYSIS OF
SAGE ROUGH WAREHOUSE

	1	2	3	4	5	6	7	8	9	10
GROSS RENT	60850.	62067.	126568.	129099.	131630.	134162.	136693.	139224.	141756.	144287.
LESS VACANCY ALLOWANCE	6085.	6206.	12656.	12909.	13163.	13416.	13669.	13922.	14175.	14428.
EFFECTIVE GROSS INCOME	54765.	55860.	113911.	116189.	118467.	120745.	123024.	125302.	127580.	129858.
LESS REAL ESTATE TAXES	13400.	13802.	28408.	28810.	29662.	30064.	30466.	30868.	31270.	31672.
LESS EXPENSES	10240.	10444.	21299.	21504.	21929.	22134.	22339.	22544.	22749.	22953.
NET INCOME	31125.	31613.	64204.	65875.	66875.	68546.	70218.	71889.	73561.	75232.
LESS DEPRECIATION	14225.	13710.	25709.	24477.	23322.	22239.	21224.	20273.	19381.	18544.
LESS INTEREST	20730.	19834.	40647.	39646.	38541.	38214.	37131.	35938.	34624.	33178.
TAXABLE INCOME	-3830.	-1931.	-2152.	1751.	5011.	8092.	11861.	15677.	19555.	23508.
PLUS DEPRECIATION	14225.	13710.	25709.	24477.	23322.	22239.	21224.	20273.	19381.	18544.
LESS PRINCIPAL PAYMENTS	11436.	12405.	13462.	14615.	15872.	14731.	15965.	17311.	18776.	20374.
CASH THROW-OFF	-1042.	-626.	10093.	11613.	12461.	15600.	17120.	18640.	20159.	21679.
LESS TAXES	.	.	.	385.	1102.	1780.	2609.	3449.	4302.	5171.
CASH FROM OPERATIONS	-1042.	-626.	10093.	11228.	11358.	13820.	14510.	15190.	15857.	16507.
WORKING CAPITAL LOAN(CUM BALANCE)	1042.	1772.	11536.	1461.	.	.	.	.	.	.
SPENDABLE CASH AFTER TAXES	.	.	.	.	9751.	21624.	14510.	15190.	15857.	16507.
TAX SAVINGS ON OTHER INCOME	842.	424.	473.	.	.	.	.	.	.	.
* *										
MARKET VALUE	326100.	319578.	512736.	502481.	492226.	481971.	471717.	461462.	451207.	440952.
BALANCE OF LOANS	214605.	202930.	379231.	354542.	337207.	330280.	314314.	297003.	278226.	257851.
NET WORTH OF PROPERTY	111494.	116647.	133504.	147939.	155018.	151691.	157402.	164459.	172981.	183101.
CAPITAL GAIN	12580.	18638.	34680.	46989.	59298.	71607.	83917.	96226.	108281.	120108.
TAXES ON SALE	1745.	2660.	5117.	6892.	8413.	9695.	10755.	11605.	12287.	13211.
* *										
PERCENT INITIAL EQUITY PAYBACK AFTER TAX	.0083	.0125	.0172	.0172	.1136	.3275	.4710	.6213	.7781	.9414
NET INCOME-MARKET VALUE RATIO	.0954	.0989	.1252	.1311	.1358	.1422	.1488	.1557	.1630	.1706
RETURN ON NET WORTH BEFORE TAXES	.0925	.0405	.2310	.1951	.1320	.0791	.1505	.1632	.1743	.1838
RETURN ON NET WORTH AFTER TAXES	.0938	.0424	.1304	.0986	.1085	.1160	.1349	.1459	.1550	.1599
CASH RETURN ON ORIG CASH EQUITY BEF TAX	-.0103	-.0061	.0835	.0961	.1031	.1034	.1135	.1236	.1337	.1437
CASH RETURN ON ORIG CASH EQUITY AFT TAX	.0083	.0042	.0039	.0000	.0807	.1434	.0962	.1007	.1051	.1094
DEFAULT RATIO	.9171	.9268	.8342	.8994	.8164	.7837	.7747	.7661	.7577	.7497
LENDER BONUS INTEREST RATE	.0162	.0173	.0374	.0204	.0222	.0238	.0248	.0265	.0286	.0311
* *										
PRESENT VALUE OF PROJECT BEFORE TAXES	321951.	313202.	319418.	322861.	321544.	316797.	316826.	317508.	318649.	320096.
PRESENT VALUE OF PROJECT AFTER TAXES	321156.	312244.	310782.	307009.	304102.	301950.	301147.	300951.	301170.	301565.

Landmark Research, Inc.

while real estate taxes are forecasted as increasing at a rate of 3% per year to increase above a base of about 22% of gross rent, the current unofficial standard of the City Assessment Office.

b. The marginal income tax rate of the investor is presumed to be 22%. An investor in a higher tax bracket would enjoy a higher rate of return as he would find the tax losses in the early years of greater value to his situation.

c. It was assumed that the investor would seek a modest 15% rate of return after-taxes on his equity desptie a decline in resale value of the project of 2% per annum. It is quite possible that the value of the completed project would rise rather than fall over a period of 10 years as the Air Park became a more desirable location, and the owner upgraded use of the SAGE Buildings from rough storage to light manufacturing-types of tenancy. Nevertheless some of the remodeling of the building would have a relatively short useful life and this actual physical depreciation should be recognized by a writedown of physical assets.

d. A major factor in expiditing sale of the building would be the need for the City to encourage a developer-investor by providing some financing in the form of a land contract subordinate to a mortgage loan for improvements actually installed on the premises. The maximum loan the City should provide within project ability to repay was determined to be $125,000 at 6% interest for a 15 year term. Recognizing that this credit represents a development risk for the city a further provision was assumed that the city would receive "bonus interest" or profit participation of 6% of gross rent so long as the payment did not exceed cash generated from the project available for interest. This additional feature would earn the city under these assumptions an average additional interest of about 2 1/2% so that its effective rate on the land contract would vary between 6.6 and 8.8%.

e. Additional financing for the developer was assumed in three stages: a $100,000 15-year loan at 10% interest in the first year and an additional $180,000 loan for interest only with both loans refinanced by the beginning of the 6th year. The refinancing might actually occur at an earlier date when space was completed and rented but the reader should note how the current interest rates of 10% minimum eliminate the profitability of real estate and reduce sales values at this time.

5. Under these assumptions the Airport Commission as a seller of the building would receive an initial downpayment at $44,500 for the land plus $25,000 on the building. Under the terms of the land contract it would continue to receive a monthly payment of $1,054 for 180 months plus bonus interest payments which might reach $200 a month.

In addition the City of Madison would receive real estate taxes of approximately $13,000 a year for the first two or three years and then taxes approximateing $28,000 a year if development follows schedules assumed above. Economic conditions in 1970-71 may make the reasonable forecast appear to be optimistic but nevertheless the forecast does provide a set of hard numbers from which to negotiate. (For further comments see Section IV of this report.)

6. After multiple runs on the computer it was determined that the income power of the SAGE Building used as an industrial warehouse would not justify payment of more than $1.00/sq. ft. of useable area or $150,000 plus $44,500 for the land, with the developer paying a downpayment of $69,500 for the bare structure. The developer would need to invest approximately $100,000 the first year to complete the first stage of remodeling.

E. Appraised Value of SAGE Building Sold "As Is"

Having reviewed warehouse investment alternatives in the marketplace and the current rental rates for rough warehouse space one must conclude that an investor in the SAGE Building purchasing with intent to remodel and then to use or to rent the space would not in all likelihood pay more than $150,000 for the structure as is. Presumably the sale would be conditioned by the City to require certain exterior improvements by a given date to improve the marketability and attractiveness of Air Park lands within sight of the SAGE Complex. Sale would presume a land contract by the seller not to exceed $125,000 for 15 years term of emortization at 6% interest plus 6% of gross rent as a participation bonus interest per year. The land has been previously appraised at $44,500. Therefore, fai- market value of the SAGE structure priced for sale as of May 1, 1970 in its present condition is ONE HUNDRED NINTY-FIVE THOUSAND DOLLARS ($195,000) for land and buildings as previously defined herin and subject to the limiting conditions contained elsewhere in the analysis.

F. Rental Value of SAGE Building "As is."

To rent the SAGE structure and 7.75 acres of land for an extended term of five to ten years of time is similar to making a loan of an asset worth $195,000. A long-term lease of an industrial structure is generally made on a triple-net basis, that is, the tenant must pay the real estate taxes, all interior maintenance costs, and exterior maintenance costs. Generally the facility leased, however, is specifically designed for the tenant or in reasonable useable condition, requiring lease-hold improvements by the tenant which could be recovered before the end of the lease term. That situation is not tru in the case of the SAGE Buildings which will require extensive renovation and remodeling over a period of three years and which will begin to enjoy some speculative advantage only five years or more in the future. A tenant would be reluctant to make the same equity commitment to improve the SAGE Building that would be required to purchase it "as is" if he were uncertain as to ownership 10 years in the future.

Further it is not clear that the City could assess real estate taxes on any permanent improvements when title to the real estate is still in the City as the landlord. Recent court decisions in Wisconsin have undermined the legality of a contract payment in liew of taxes.

Therefore rental value in the conventional sense might be stated as 10% per year on the asset value of $195,000, assuming that real estate taxes would be paid in addition. But as an alternative the basic lease could provide for a minimum rent of $19,500 plus a bonus rent computed as 16% of gross rent collected to provide a cash outlay to the investor similar to that in event of purchase with payments on the land contract plus real estate taxes to be paid. The advantage to the developer of leasing would be to avoid the initial $69,500 downpayment of purchase under the above purchase plan. A 15 year lease under these terms would give the developer a faster write-off on his remodeling expenses and a lower downpayment while the City would receive a minimum of $19,500 per year from the tenant-developer regardless of whether the developer has found a use for the building or not plus bonus rent approaching 20,000 a year after the third or fourth year. (See Section V for additional discussion of leasing strategy.)

G. Assumptions and Limiting Conditions.

1. The plot plan (Map II) in this report is included to help the reader to visualize the property. No survey of this land has been furnished the appraiser, and no responsibility is assumed in connection therewith.

2. To the best of the appraiser's knowledge and belief, the statements and opinions contained in this report are supportable. The factual data has been compiled by the appraiser from sources deemed reliable but no responsibility is assumed for its accuracy.

3. All engineering estimates have been based on drawings furnished with this report and have been realistically and conservatively estimated by Carl C. Crane, Inc., Consulting Engineers, Gordon E. Moore, P.E., Associate on this project. However, as noted previously in the report the result of Air Force removals cannot be precisely determined until removals are completed and technical problems of remodeling are ofter obscure until actual work is performed. Thus, all engineering estimates must be considered as reliable and responsible "order of magnitude estimates" but no responsibility is assumed for this accuracy.

4. Neither all or any part of the contents of this report shall be conveyed to the public through advertising, public relations, news, sales, or other media without the written consent and approval of the author. This applies particularly to value conclusions, to the identity of the appraiser or firm with which he is connected, to any reference to the American Society of Real Estate Counselors, and to the CRE designation.

5. The appraiser may not be required to give testimony or to appear in court by reason of this appraisal, with reference to the property in question, unless prior arrangements have been made therefore.

6. The description of the total valuation of this report between land and improvements applies only under the proposed program of utilization. The separate valuations for land and improvements must not be used in conjunction with any other appraisal and are invalid if so used out of context or separately.

7. The fee received for this assignment is in no manner contingent upon the estimate of value reported.

H. Certificate of Appraisal.

I hereby certify that I have no interest, present or contemplated, in the property and that neither the employment to make the appraisal nor the compensation is contingent on the value of the property. I certify that I have personally inspected the property and that according to my knowledge and belief, all statements and information in this report are true and correct, subject to the underlying assumptions and contingent conditions.

Based upon the information contained in this report and upon my general experience as an appraiser, it is my opinion that the Market Value, as defined herein, of this property as of May 1, 1970, is

ONE HUNDRED NINETY-FIVE THOUSARD DOLLARS

($195,000)

James A. Graaskamp

Signature

6-5-70

Date

IV. STRATEGY AND FEASIBILITY STUDY FOR THE SAGE COMPLEX

A. Distinction Between Feasibility Analysis and Fair-Market Appraisal.

A fair-market appraisal of the SAGE Complex must assume a date of sale and reasonable exposure of the building on the market. The appraisal definition of value makes some idealistic assumptions as part of the standard appraisal process. The appraiser must assume that the building will sell after a reasonable selling effort has been made for six months to a year in the case of multi-story obsolete industrial structures. The appraiser assumes that buyer and sellers have equally attractive alternatives to consumating a sale and that both buyer and seller know exactly what they are doing with a reasonable degree of certainty and can make decisions rationally and expeditiously. These assumptions are critical fixed points necessary to give the appraiser some degree of confidence in his estimate of a price at which the property might sell. Nevertheless in the cold light of day perhaps none of these essential assumptions can be applied realistically to the situation of the Airport Commission relative to the SAGE Building reuse problem.

Strategy and feasibility analysis does not presume the simple financial logic and fiction of two knowledgeable, economically rational parties in the classic tradition but rather feasibility analysis is concerned with the unique and subjective factors of a client from whose unique viewpoint a real estate decision must be judged fitting (feasible) or unfitting (not feasible).

Therefore the analyst has attempted to state the strategic objectives, the practical choices and the resource limitations and context within which the Airport Commission must make decisions relative to the SAGE Building.

There are so many variables and trade-offs which can be made, it is useful to discuss briefly the various considerations and then at risk of oversimplification, place these factors in a single chart for purposes of comparison using an outline of the factors discussed below (see Table XI for summary chart).

B. Strategic Objectives.

1. To generate cash with which to support general airport improvement and thereby reduce deficits funded by the City. Sources of cash might include combinations of:

   a. Downpayments from sale contracts
   b. Periodic installments on sale contracts
   c. Short or long-term lease payments
   d. Revenue participation interest or rent formulas
   e. Real estate taxes
   f. Reduction of City budget outlays

2. To enhance the marketability of Truax Air Park land surrounding the SAGE Complex.
3. To enlist assistance of private, aggressive developers to sell Madison opportunities to outside businesses which might locate new employment opportunities at the Truax Air Park.
4. To retain interest in future appreciation of property values generated by public investment in Truax Air Park when pursuing short-term goals.

C. Alternative Practical Courses of Action.

1. To sell outright for cash and land contract balance for development as warehouse and light industrial space and conditional on specified improvement schedule.
2. To lease for an intermediate term for warehouse and light industrial development conditional on specified improvements by lessor.
3. To sell outright for cash for development as rental office and laboratory space.
4. Long-term lease of structure to a state, University, or research agency.
5. Operation by City of warehouse industrial space for rent primarily to cover cash drain of ownership and await Air Park and airport development plans to become more specific.
6. To use facilities for a City agency such as the Board of Education, maintenance shops, or county jail facilities in order to minimize capital costs of acquisition of construction and therefore City budgets.
7. To do nothing at this time, minimizing maintenance charges while awaiting future actions of the City relative to Air Park development plans and a change economic and political conditions.

D. Significant Constraints on Alternatives.

Any decision not only must choose an alternative which advances the objectives of the Commission but also must respect or avoid certain limitations or constraints which are unique in each real estate situation. These include limitations imposed by the market or space, the staff and funding limitations of a political entity such as the City, legal constraints imposed by title, mortgage, and zoning law, the physical-technical efficiency of solutions for using the structures, and the financial limitations of either public or private capital. Many of these questions are qualitative rather than quantitative and will be reviewed first before treating the basic question of cash return to the Airport Commission and the City.

E. Economic and Marketing Constraints.

The need for private industrial warehouse space will be affected but to an unknown degree by the present economic recession which can be expected, in our opinion, to stretch well into 1971. Therefore, timing for the real estate developer, which is a critical judgment

factor, may require postponement of new space merchandising until the market is cleared of a variety of larger buildings on the Madison scene such as the International Harvester and Allis Chalmers Buildings near Highway 51.

Interest rates represent a more long term problem to the productivity of real estate. For many years industrial real estate would rent at financial constants approximating 9% which were adequate to cover interest and principal payments and provide slim cash returns for the investor as well. Today interest rates alone range from 9% to 11% plus principal payments on permanent financing and interim financing for construction will have an effective cost of 15%. When interest rates are combined with higher mortgage amounts to cover increasing costs, rents must rise on new projects to meet cash solvency needs. For example, a private developer who would wish to build a high rise office building in downtown Madison would need to charge $7.50/sq. ft. of rental space in 1971. A financial institution can charge something less for space in its own office building because its accountants amortize their investment over 40 years or more while the private borrower must repay his loan in 25 to 27 years. Further the financial institution may expect its office building to produce a rate of return equal to its average rate on all investments, a rate well below its yield on mortgages. As a result most major office buildings built for rental are being built for financial institutions except in major office centers where rents today exceed $10/sq. ft.

Quality office space in Madison will soon be at a premium for private and government agencies alike. Findorff Construction Company reports that the WARF office building rising at the west edge of campus will cost about $31/gross ft. under present contracts but that a building of similar quality would cost at least $35/sq. ft. if begun in 1970 for occupancy in early 1971-72. We know of at least three groups who decided it was not presently feasible to build modern rental space at current costs in downtown Madison because it is not clear how many tenants would remain on the Square if they had to choose between $7.50 space downtown or $6.00 space in the suburbs. The economic reality of $35/sq.ft. construction costs can be the dominant economic merit for conversion of the SAGE complex to modern space for premium office space could be created at a cost approximating $22/sq. ft.

While conversion of the SAGE complex to office-laboratory use can be shown to be physically possible and highly attractive, there is good reason to believe that a supply of space at a reasonable price may not overcome a lack of demand for such space at an airport location at this time.

The absorption of prime office space during the period of 1964-68 can be divided between various firms and medical clinics which built and have operated their own facilities and space which has been built for competitive rental. During the period 1964-68 the absorption of competitive rental office space is indicated by the construction and rental of 154,000 sq. ft. of space, excluding owner operator space, in the National Guardian Life Building, the Anchor Building, 30 on the Square, the I.B.M. Building, and the A.A.A. Building. Over a period of 5 years better than 30,000 sq. ft. per year was absorbed into the market and since 1968

new office space has taken the form of building conversions and remodeling such as the Marshall Building, the Cantwell Building, and 315 W. Gorham. Currently tenants in various bank buildings, utility company buildings, and the A.A.A. Building have been given notice to move over the next 2 years by landlords who need the space for their own operation and this real demand from displaced tenants approximates 50,000 sq. ft. of space. By 1971-73 there will be a need for at least 75,000 sq. ft. and perhaps as much as 125,000 sq. ft. of premium space in the Square area.

Consistent with the economic logic of office buildings in high interest periods, the financial insitutions are actively making plans to construct space both in the general area of the Square and in the more recent commercial nucleus centered on Hilldale Shopping Center. An additional nucleus of commercial construction can be expected with the extension of Odana Road to Gammon and Westowne Shopping Center. Financial institutions which have specific plans underway include:

First National Bank - 200,000 sq. ft. of which 60,000 may be rentable;
National Guardian Life Insurance Company - 100,000 sq. ft. duplicate of their present office building, mostly for rental;
Wisconsin Life Insurance Company (at Hilldale) - 120,000 sq. ft. under construction;
Madison Bank and Trust, a proposal for perhaps 100,000 sq. ft. of rentable space;
Public Facilities Associates, a proposal for 100,000 sq. ft. of rentable space on W. Washington Avenue;
A bank in the Savings and Loan Building at Westowne and at Eastowne which may or may mot have office space for rent.

In addition the first sections of the State Office Building complex at Butler and Main will be justified by relocating some agencies from leased office space in the Square area creating a temporary supply of B class space.

The airport location does not have the supporting ancillary linkages to the court house, state office, major retailing outlets, or random social interaction valuable to general business operations that characterize the three commercial nuclei above. It seems clear that private development as competitive as office space would not be justified for the SAGE Building at this time since the SAGE Building alone could produce 120,000 sq. ft. of office space area, the equivalent of 2 or 3 years demand for new office space it the entire Madison area at a time when other commercial areas have more diversified amenities than simply convenience to the airport.

Therefore, one must look toward conversion of the SAGE Building as an office-laboratory to the user-owner and there are few such potential owners in Madison who could efficiently utilize 120,000 sq. ft. of space. In the long-run such a use would be more beneficial to the Air Park and the City of Madison than conversion to a warehouse as discussed in Section III but certain misconseptions and physical limitations of the building must be resolved before the office-lab concept could be effectively merchandised. Suggestions to these points follow.

F. Concepts for Conversion of SAGE to an Office-Lab Complex.

Some of the basic structural problems that need to be solved in conversion to an office building relate to needs generated by the much heavier personnel density for such use than density characteristics of a warehouse. These problems include the following for the SAGE Complex:

1. Architectural style and appearance for prestige and moral (as well as enhancing the image of the Air Park)
2. Adequate and convenient free parking
3. Additional attractive rest rooms on each floor
4. Attractive convenient passenger elevators
5. Opportunity to relate to the outside via windows, skylights, etc.
6. Restaurant and lounge facilities for lunch hours and coffee break.
7. All new lighting, utilities, and air distribution systems appropriate to office and laboratory requirements.
8. Correction of multi-floor levels, ceiling heights, and interior floor gaps.

The concepts that meet all of these specifications are presented in drawings in Appendix D, the specifications below, the cash receipts and outlays budgets in Table VI and the financial profiles provided by computer for Tables IX and X. These demonstrate the following solutions to the problems proposed above, solutions which can be described briefly as follows:

1. The exterior concrete shell can be made highly attractive after removal of fencing, etc. with a white toned cement paint or epoxy finish as a background for anodized expanded metal architectural screen as indicated on the drawings with further accents with night lighting.

2. The towers C and D would be joined by a new free-standing glass service tower to provide for new personnel elevators, stacked rest rooms, a new stairway and glass-walled elevator lobbies serving each floor. The tower would appear to make the two buildings C and D to be a single structure and would be the focal point of the new boulevard entrance from Highway 51 and the proposed master plan for the Air Park.

3. To meet the need for glass area for the employees as well as a lounge and restaurant area, a glass-lined lounge and roof terrace has been proposed as a fourth floor for Building C, served by the same elevator lobby as would be required for D-4 in any event.

4. D-4 could become an executive office area with windowed access to an atrium created by removal of a roof section from two 30 x 30 bays on that floor.

5. The high ceiling in the building relative to the 10-11 foot acceptable for office building provides adequate structure height to introduce both new suspended ceilings to contain both all new

Table VI

CASH RECEIPTS AND OUTLAYS BUDGET

PROPOSED AGENCY OFFICE BUILDING CONVERSION OF SAGE BUILDING

3-Year Development & Occupancy Period

Bldg	Floor	Gross Sq. Footage	Net Useable area Sq.Ft.	% Rentable	Area Rentable	Economic Rent Sq.Ft.	Gross Rent		Real Estate Taxes		Operating Expenses		Capital and Expenditures	
							Year 1	Year 3	Year 1	Year 3	Year 1	Year 3	Year 1	Year 3
B	1	22,000	14,500	90%	13,050	1.35	17,610		3,874		5,283		10,000	
C	1	23,000	18,400	85%	15,640	4.50	70,380		15,483		21,110		165,200	
C	2	23,000	17,000	80%	13,600	4.50		61,200		13,464		18,360		156,250
C	3	23,000	21,600	80%	17,280	4.50		77,760		17,107		23,320		277,780
D	1	23,000	18,300	85%	15,555	4.50	69,997		15,397		20,990		163,150	
D	2	23,000	21,000	80%	16,800	4.50		75,600		16,632		22,680		269,700
D	3	23,000	18,550	80%	14,840	4.50		66,780		14,691		20,030		163,450
D	4	23,000	18,000	80%	14,400	5.50	79,200		17,424		23,760		181,950	
		183,000	147,350		121,165		237,187	281,340	52,178	61,894	71,100	84,390	520,300	867,180
							518,527		114,072					

Exterior Improvements		
Atrium	100,000	
C-4 Lounge		111,000
Exterior Improve.	695,000	
Parking (1,000 cars)	75,000	
	1,390,300	978,180
Total remodeling cost (High range)		2,368,480
Land		44,500
SAGE Rough Structure at useable area	$5.00/sq.ft.	915,000
	$22.58/sq.ft.	3,327,980

Table VIII

ALTERNATIVE OFFICE CONVERSION COST ESTIMATES

FOR INTERIOR REMODELING OF SAGE BUILDING

Bldg.	Floor	Net Area Sq.Ft.	Office Cost		Office Cost with Partitions	
			Low	High	Low	High
C	1	18,400	$94,260.00	138,200.00	107,760.00	165,200.00
C	2	17,000	89,700.00	129,250.00	103,200.00	156,250.00
C	3	21,600	127,120.00	250,780.00	140,620.00	277,780.00
D	1	18,300	92,870.00	136,150.00	106,370.00	163,150.00
D	2	21,000	122,450.00	242,700.00	135,950.00	269,700.00
D	3	18,550	93,820.00	136,950.00	107,320.00	163,450.00
D	4	21,000	106,100.00	154,950.00	119,600.00	181,950.00
Totals		135,850	726,320.00	1,188,980.00	820,820.00	1,377,980.00
Total cost per sq. ft.			$5.35	$8.75	$6.10	$10.05

TABLE IX

LANDMARK RESEARCH 14 — ANALYSIS OF SAGE-OFFICE CONVERT. — PAGE 1 — 70149

COMPONENTS	PCT. DEPR	BEGIN USE	USEFUL LIFE	DEPR METHOD	COST
LAND	.00	1	-.	0	$ 44500.
BASIC STRUCTURE	1.00	1	25.	2	$ 915000.
REMODELING STAGE	1.00	1	25.	3	$ 1390300.
REMODELING STAGE	1.00	3	25.	3	$ 978180.
TOTAL INITIAL INVESTMENT					$ 2349800.
CASH EQUITY REQUIRED					$ 749800.

GROSS RENT	$ 296271.	RATE OF GROWTH OF GROSS RENT	-.0000
EXPENSES	$ 71100.	RATE OF GROWTH OF EXPENSES	.0200
R E TAXES	$ 65179.	RATE OF GROWTH OF R E TAXES	.0400
INCOME TAX RATE	.4600	RATE OF GROWTH OF PROJECT VALUE	-.0100
VACANCY RATE	.0000	WORKING CAPITAL LOAN RATE	.1500
EQUITY DISCOUNT RATE	.1500	EXTRAORDINARY EXPENSES	$.

FINANCING PLAN

FIRST MORTGAGE $ 1600000. MONTHLY PAYMENT $ 15440. INTEREST RATE .1000 STARTS 1 ENDS 10 BONUS INTEREST .0000 OF GROSS RENT

	1	2	3	4	5	6	7	8	9	10
PRINCIPAL	26476.	29248.	32311.	35694.	39432.	43561.	48122.	53161.	58728.	64878.
INTEREST	158808.	156035.	152973.	149589.	145852.	141723.	137161.	132122.	126556.	120406.
BALANCE	1573523.	1544274.	1511963.	1476268.	1436836.	1393274.	1345151.	1291989.	1233261.	1168383.

2ND MORTGAGE DRAW $ 975000. MONTHLY PAYMENT $ 9408. INTEREST RATE .1000 STARTS 3 ENDS 10 BONUS INTEREST .0000 OF GROSS RENT

	1	2	3	4	5	6	7	8	9	10
PRINCIPAL	.	.	16134.	17823.	19689.	21751.	24029.	26545.	29325.	32395.
INTEREST	.	.	96773.	95084.	93218.	91156.	88878.	86362.	83582.	80511.
BALANCE	.	.	958865.	941042.	921352.	899600.	875571.	849025.	819700.	787304.

TABLE X

LANDMARK RESEARCH 14

ANALYSIS OF SAGE-OFFICE CONVERT.

Landmark Research, Inc.

	1	2	3	4	5	6	7	8	9	10
GROSS RENT	296271.	296271.	648833.	648833.	648833.	648833.	648833.	648833.	648833.	648833.
LESS VACANCY ALLOWANCE	.	.	.	.	.	.	.	.	.	.
EFFECTIVE GROSS INCOME	296271.	296271.	648833.	648833.	648833.	648833.	648833.	648833.	648833.	648833.
LESS REAL ESTATE TAXES	65179.	67786.	154161.	156768.	162934.	165542.	168149.	170756.	173363.	175970.
LESS EXPENSES	71100.	72522.	161937.	163359.	166598.	168020.	169442.	170864.	172286.	173708.
NET INCOME	159992.	155962.	332734.	328705.	319300.	315271.	311242.	307212.	303183.	299154.
LESS DEPRECIATION	106115.	102639.	148246.	142663.	137360.	132322.	127536.	122989.	118670.	114566.
LESS INTEREST	158808.	156035.	249747.	244674.	239070.	232879.	226040.	218485.	210138.	200918.
TAXABLE INCOME	-104931.	-102712.	-65258.	-58632.	-57130.	-49930.	-42334.	-34261.	-25625.	-16330.
PLUS DEPRECIATION	106115.	102639.	148246.	142663.	137360.	132322.	127536.	122989.	118670.	114566.
LESS PRINCIPAL PAYMENTS	26476.	29248.	48445.	53518.	59122.	65313.	72152.	79707.	88053.	97274.
CASH THROW-OFF	-25292.	-29321.	34542.	30512.	21107.	17078.	13049.	9020.	4991.	961.
LESS TAXES	.	.	.	.	.	.	.	.	.	.
CASH FROM OPERATIONS	-25292.	-29321.	34542.	30512.	21107.	17078.	13049.	9020.	4991.	961.
WORKING CAPITAL LOAN(CUM BALANCE)	25292.	58408.	35807.	10666.	.	.	.	.	.	.
SPENDABLE CASH AFTER TAXES	.	.	.	.	8841.	17078.	13049.	9020.	4991.	961.
TAX SAVINGS ON OTHER INCOME	48268.	47247.	30018.	26971.	26280.	22968.	19474.	15760.	11787.	7512.
* *										
MARKET VALUE	2349800.	2326302.	3280984.	3248174.	3215364.	3182554.	3149744.	3116935.	3084125.	3051315.
BALANCE OF LOANS	1598816.	1602683.	2506637.	2427976.	2358188.	2292875.	2220723.	2141015.	2052961.	1955687.
NET WORTH OF PROPERTY	750983.	723618.	774347.	820197.	857175.	889679.	929021.	975919.	1031163.	1095627.
CAPITAL GAIN	92212.	160926.	268767.	367296.	465826.	564355.	662884.	761414.	858930.	955446.
TAXES ON SALE	27604.	48204.	80785.	108656.	134088.	157202.	178115.	196936.	214003.	229412.
* *										
PERCENT INITIAL EQUITY PAYBACK AFTER TAX	.0643	.1273	.1674	.2033	.2502	.3036	.3470	.3800	.4024	.4137
NET INCOME-MARKET VALUE RATIO	.0680	.0670	.1014	.1011	.0993	.0990	.0988	.0985	.0983	.0980
RETURN ON NET WORTH BEFORE TAXES	-.0321	-.0754	.1178	.0986	.0708	.0578	.0588	.0601	.0617	.0634
RETURN ON NET WORTH AFTER TAXES	.0291	-.0009	.0713	.0648	.0655	.0683	.0695	.0703	.0705	.0704
CASH RETURN ON ORIG CASH EQUITY BEF TAX	-.0337	-.0391	.0458	.0405	.0280	.0226	.0173	.0119	.0066	.0012
CASH RETURN ON ORIG CASH EQUITY AFT TAX	.0643	.0630	.0398	.0358	.0466	.0531	.0431	.0329	.0222	.0112
DEFAULT RATIO	1.0853	1.1843	1.0367	1.0081	.9839	.9736	.9798	.9860	.9923	.9985
LENDER BONUS INTEREST RATE	.0000	.0000	.0000	.0000	.0000	.0000	.0000	.0000	.0000	.0000
* *										
PRESENT VALUE OF PROJECT BEFORE TAXES	2253029.	2147159.	2131857.	2109108.	2076819.	2042668.	2012195.	1984919.	1960429.	1938368.
PRESENT VALUE OF PROJECT AFTER TAXES	2270998.	2188408.	2153464.	2119682.	2089821.	2064302.	2042152.	2022610.	2005017.	1988939.

light and air distributions systems and raised steel panel floor systems such as the Tate infinite access floor described in Appendix D (and currently used in several areas of the State Office Building). This floor system can use either carpeting or tile finishes as built in leveling devices, and provides methods of leveling floors in Buildings C and D and bridging steel plates and beams which would close floor openings from war rooms in D-2 and C-2. The space beneath the floor panels gives total flexibility for utilities necessary to service office machines, computers, or full laboratory installations.

6. Cost estimates included provision for parking more than 1,000 cars on the vacant western portion of the SAGE site and landscaping including the placement of trees to soften the scale and bulk of the present SAGE Structure in a vacant landscape.

Costs were estimated at various levels of luxury or intensity of use relative to interior remodeling. Exterior requirements in Table VII would be basically characteristic of any office-lab development with the exception of the atrium. These alternative estimates are provided in Table VIII. Engineering notes are available in Appendix D with additional information available from Carl C. Crane, Inc.

A general office-lab complex would provide the necessary momentum as well as the architectural key to the Truax Air Park proposal. Obviously a research consulting firm which could serve to exemplify the research resources of Madison would be ideal but any state or university related agency would at least provide a sense of place, a feeling of action and development progress, and a spectacular architectural centerpiece for the development.

G. Economic Value to the City and the User of the SAGE Building.

While the economic benefits of a viable industrial air park are significant, the timing and the dollar value of these benefits is probably inestimable at this time. Nevertheless, there are some real and measurable dollar benefits to be had for both the city and the buyer of the SAGE complex.

State agencies must currently pay at least $4.50/sq. ft. of useable area for first class office space generally comparable to the PY-R Square Building on University Avenue or the recently leased Rural Mutual Building on South Park and the Beltline. Therefore, the economic value of the SAGE complex was measured in terms of a rental equivalent of $4.50/sq. ft. on office floors except D-4 which with an atrium might justify $5.50/sq. ft. Building D was presumed most useful for machine shop or heavy duty laboratory space and given a rental equivalent of $1.35/sq. ft., the same as in its appraisal for warehouse purposes. No vacancy rate was assumed.

Relative to the financing of the development, it was assumed that the developer would pay cash for land and the basic structure and then acquire mortgage financing in two stages as he redeveloped the building over a

period of 3 years. Assuming the full luxury treatment, the agency would have a total investment of its own cash of about $75,000, a total investment of additional mortgage monies of $1,600,000 by the end of the second year, and total debt at the end of the third year of $2,460,000.

The computer program suggests that such an agency could afford to pay $44,500 for the land and $915,000 for the raw structure as is or approximately $960,000 and still produce completely modern high style office space at a rent level equivalent to $4.50 a foot, a price that will never be seen again in Madison for new construction due to interest costs and construction costs! Indeed the total cost of the complex to the agency-owner would be only $22.50/sq. ft., something less than the cost of producing low-rise light office buildings in Madison suburbs!

These assumptions are true despite provision for interest payments on loans at 10% per annum, annual payments of real estate taxes to the city in excess of $150,000 a year, and provision for operating expenses at 30% of the rental equivalent income. In many cases the rents paid by the state and university agencies do not presently include janitorial services, utility costs, and air conditioning maintenance which would be contemplated by the 30% expense allowance.

The economic logic is clear when it is compared to the $45/sq. ft. of useable area costs or higher which would characterize construction by the state of new office space on the Square or by the University on the campus. Unfortunately neither the state, the university, or the city have ever analyzed their various administrative functions as a private corporation might in order to determine which function need be directly on the Square, on campus or at City Hall and matters of prestige in politics make governmental use of the SAGE Building opportunity speculative for 1970-71.

However, economic factors are not the only arguments for the use of the SAGE Building as an office-lab or industrial-warehouse facilities. Feasibility requires consideration of legal and public policy issues as well.

H. Legal Constraints and Public Policy.

One problem involved in sale is the need to clear title to the SAGE parcel as explained in Section I-E. Various regulations affecting surplus property are contained in Appendix II. Some brief discussion with a title insurance company indicated their attorneys would review the transaction upon request and determine the conditions under which they would author a title policy and the premium to be charged. There would be no charge for the review proposal.

The need in any event to review a proposed use, sale, or lease of surplus property at the airport with the FAA would certainly prolong normal negotiations or sale closing procedures and makes doubtful any quick conversion of the property in 1970. Piecemeal leasing by the city would multiply the lease approval and preparation problems. There may be some difficulty in drafting payments in lieu of taxes under an arrangement by which the city leased the SAGE Building to a private developer. Formulas would need to be devised for defining gross rent payments in lieu of taxes, and rent participation or escalation source of irritation to the developer

Table XI

SUMMARY WEIGHTING OF SAGE COMPLEX FEASIBILITY CONSTRAINTS AND OBJECTIVES SATISFIED BY ALTERNATIVE COURSES OF ACTION

0 = not satisfied or not applicable
1 = possibly satisfied or marginal
2 = constraint satisfied or objective met

		CASH SALE FOR WAREHOUSE	LEASE FOR WAREHOUSE	CASH SALE FOR OFFICE-LAB	LONG TERM LEASE FOR GOVERNMENT AGENCY	OPERATION OF WARE-HOUSE BY CITY	USE FOR CITY AGENCY	DO NOTHING
STRATEGIC OBJECTIVES								
A. To Generate Cash								
1. Downpayments		2	0	2	0	0	0	0
2. Purchase Contracts		2	0	1	0	0	0	0
3. Lease		0	2	0	2	2	2	0
4. Revenue Participation		2	2	1	0	0	0	0
5. Real Estate Taxes		2	1	2	0	0	0	0
6. Reduction of City Outlays		0	0	0	0	0	2	0
B. To Enhance Truax Air Park Image								
1. Physical Appearance		2	2	2	2	1	1	0
2. Status Value		0	0	2	1	0	0	0
3. Quality of Employment		0	0	2	1	0	1	0
C. To Enlist Innovative Development Capital and Technique		2	2	2	0	0	0	0
D. To Retain Interest in Future Appreciation		0	2	0	1	2	2	2
MARKETING CONSTRAINTS	Totals	12	11	14	7	5	8	2
A. Unaffected By Economic Recession		0	1	0	2	2	2	0
B. Cost of Mortgage Money		1	1	0	2	2	2	0
C. Fits Demand-supply for Quality Office Space		0	0	1	1	0	2	0
D. Fits Demand-supply for Industrial and Warehouse Space		2	2	0	0	1	1	0
POLITICAL CONSTRAINTS	Totals	3	4	1	5	5	7	0
A. Avoid Public Capital for Development and Management		2	2	2	0	0	0	2
B. Avoid Public Staff Required for Development		2	2	2	0	0	0	2
C. Serves Public Need for Expanded Industrial Tax Base		2	2	2	0	0	0	0
D. Serves Public Need for Immediate Cash Subsides for Truax Field Operations:		2	1	2	1	0	0	0
	Totals	8	7	8	1	0	0	4
LEGAL CONSTRAINTS								
A. Avoids Need to Clear Marketable Title or Provide Title Insurance		0	2	0	2	2	2	2
B. Avoids Need to Negotiate Leases in City Attorney's Office and City Council Floor		2	0	2	0	2	2	2
C. Avoids Issue of Payments in Lieu of Taxes		2	0	2	2	2	2	2
D. Compatible With Surplus Property Restrictions		2	2	2	2	1	1	0
	Totals	6	4	6	6	7	7	6
PHYSICAL-TECHNICAL EFFICIENCY								
A. Attractive Physical Exterior		2	2	2	2	0	1	0
B. High Rent Use of Structure		0	0	2	2	0	1	0
C. Low Rent Use of Structure		2	2	0	0	2	0	0
D. Use of Air Conditioning Asset		0	0	2	2	0	1	0
E. Full Use of Site Area		0	0	2	2	0	1	0
F. Logical Tie to Airport Facilities		2	2	1	1	0	1	0
G. Logical Tie to Highway Network		2	2	1	1	0	1	0
H. Logical Use of Windowless Concrete C and D Structures		2	2	1	1	1	1	0
I. Logical Use of Building B as Garage-Machine Shop		0	0	1	1	2	1	0
J. Use of Auditorium Areas		0	0	1	1	0	1	0
	Totals	10	10	13	13	5	9	0
FINANCIAL CONSTRAINTS								
A. Reduces Capital Cost Compared to Build or Buy Alternatives		2	2	2	2	2	2	0
B. Reduces Cash Cost of Occupancy for Non-Profit Agency		0	2	2	2	1	1	0
C. Provides Cheaper Rents than Tenants Could Obtain in 1971-1973 Markets		0	0	2	0	0	0	0
D. Provides Reasonable Return on Capital Employed		1	1	2	0	0	0	0
	Totals	3	5	8	4	3	3	0
Grand Total		42	41	51	36	25	34	12

and of confusion to staff attorneys.

Sale to a tax paying entity on a land contract or a deed will produce a tax parcel which could produce more revenue for the city in the long run that short-term leasing or negotiation for the top dollar of resale sometime in the future. SAle on a land contract accomplishes a favorable leverage position for the developer while at the same time creating a tax parcel which will have a positive bearing on tax base totals and city tax revenue relative to bonding and various state income tax rebate and subsidy programs. Since the buyer under a land contract would require assurance that the city could deliver title at a future date, title insurance and FAA approval would still be required at the outset.

A land contract sale has the added advantage of providing much tighter legal controls to enforce conditions under which the buyer proposes to invest certain sums in remodeling according to some time schedule and then to use the building for specific purposes. Whether selling or leasing the city should take care that it not only provide very generously for profit of the enterprising developer but that it provide some measure of paying for failure to perform according to its promises. An option to buy or lease with little or no cost at the outset to secure an opportunity to search out or await the accidental tenant prospect allows the developer to divert his promotional ability to other projects which seem to offer more rapid profit returns. Since real estate developers and promoters tend to blow hot and cold on projects in which they have little at risk, the City should insist on provisions for downpayment or minimum rents which create a vested long-term self interest for the developer in advancing his original plan.

Public funds and administrative staff are clearly not suited to finance real estate developments or to staff real estate promotion operations. However, the Airport Commission faces a hard decision between its need for immediate cash subsidies for Truax Field operations or more cash later plus longer term expansion of the industrial tax base of Madison and tax revenues therefrom.

Policy decisions require some summary analysis and comparison of alternative courses of action from both a qualitative and profit viewpoint of the City.

I. Summary of Feasibility and Policy Choices for the City.

A sample ourline of strategic objectives and constraints on the satisfaction level of alternatives is presented in Table I. The reader can review this table and add or subtract factors which he thought might have been included but nevertheless alternative courses of action can be ranked for qualitative attributes by the points scored in total at the bottom of each column. The preferable solutions based on this chart would be ranked as follows:

	points scored
1. Sale for development as an office-lab by a taxable entity.	51
2. Sale of warehouse for cash or land contract.	42

TABLE XII

Comparative Present Values of Alternative Sale, Lease, or Use Decisions in Terms of $ Benefit to City/sq. ft. of Useable SAGE Space*

	Sales Price/sq. ft. Useable Area	Average Real Estate Tax Income or Carrying Charge Per Year/sq. ft. Useable Area	Rental Receipts or Cost Savings/yr./sq. ft. of Useable Area	Present Value of a Sale $ Discounted from Yr. of Sale @ 8% of Municipal Interest	Present Value of a Benefit Stream for 10 yrs. at 8% Municipal Interest	Present Value in 1970 of Cash Return to City Under Alternative Strategies
Sale for Warehouse in 1970 @	1.00	.10	—	1.00	6.710	1.67
Rental for Warehouse in 1970 @			.18	—	6.710	1.21
Use by City for a Warehouse, etc	0	0	.40	—	6.710	2.68
Sale to Office-Lab Developer in 1971	5.00	.80 (1973-79)	—	.9259	3.679	7.57
Sale to State-University in 1974	6.00	-.6	—	.7350		4.26

* Assuming no change in effective land price after adjustment for compound interest.

3.	Lease to a private operator for development as a warehouse.	41
4.	Long-term lease to a government agency.	36
5.	Administrative use by a City agency.	34
6.	Operation by a warehouse for City storage.	25
7.	Do nothing	12

While sale for office-lab development would be most desirable it was shown that the rental market would not justify development of space for competitive office rental. Warehouse use is more likely but is a questionable accomplishment prior to 1971 given the economic recession and a variety of sound 1-story structures now for sale on the Madison market. Leasing for warehouse development is basically a device for lowering the downpayment. It has been shown that use by a government agency would make good economic sense in terms of cost to acquire for the State or University but falters when providing additional cash revenue in taxes for the City. On the other hand to do nothing would appear to be a highly unsatisfactory alternative.

However, now consider Table XII which attempts to display the present value of possible alternative cash benefits to the airport and the City of sale, lease, or City use over the next four years, assuming only a 10 year forecast of benefits in the form of rents, real estate taxes, or interest savings to the City.

1. The worst alternative action is rental as a warehouse for 10 years at an average rent of 15¢/sq.ft. since there is little immediate cash benefit and real estate taxes included in the rent are on a low value improvement.

2. Sale of the warehouse for cash in 1970 produces somewhat better results but these would be reduced somewhat by land contract sale.

3. The third best use for the structure would be by the City as a warehouse or for some other purpose for it would save a minimum of $5.00/sq.ft. as to new construction, an interest saving on borrowed funds of 40¢/year.

4. The second best solution would be to wait until 1974 to sell the structure as it is now to the State or University which by that time would presumably be politically able to recognize the clear economic advantages of beginning an office or laboratory project with the SAGE structure, which would be worth at least $6.00/sq. ft. while providing a clear construction economy of $10/sq.ft. relative to building new. Unfortunately it would cost the City perhaps 10¢/sq. ft. to maintain the SAGE Building until 1974. It is clear however that it would pay the City to wait for several years as an alternative to conversion to a private warehouse or a City administration building.

5. The best of all possible worlds would be to sell to a private owner for development as an office-lab, assuming payment of $5.00/sq.ft. for the structure as illustrated in Section IV-E and F. as late as the end of 1971 and assuming no taxes until 1973 at 80¢/ft. of useable space there is a clearcut cash benefit to the City in waiting for that opportunity sale could be at a price closer to $4.00/sq. ft. and the present values of the benefit would still exceed any other alternative.

With this preliminary analysis it seems clear that the City should forego immediate sale or conversion to City uses. There is then a tradeoff between a sale to a private office-lab developer at $4-5/ft in 1971 and sale to the State or University by the end of 1974 at $6.00/ft. The choice to be made by the Airport Commission will be to weigh the relative advantages of private versus public ownership over the years to accelerated development of the Truax Air Park and the Madison Industrial tax base.

APPENDIX A

MISCELLANEOUS CORRESPONDENCE

DEPARTMENT OF THE AIR FORCE
HEADQUARTERS SACRAMENTO AIR MATERIEL AREA (AFLC)
McCLELLAN AIR FORCE BASE, CALIFORNIA 95652

26 SEP 1969

REPLY TO ATTN OF: SMMRO

SUBJECT: Sage Building Diesel Generator Removal Schedule

TO: Mr. Wayne Owens
Truax Air Park Manager
2201 International Lane
Madison WI 53704

Dear Mr. Owens,

1. This letter confirms our part of a telephone understanding between you and Mr. Frank Wortell on 24 September 1969, relative to acceptable changes in the Sage Building diesel generator removal schedule.

2. The revised Air Force removal schedule, established for mutual convenience to permit certain important operations be accomplished during specific time periods, is as indicated in the following paragraphs:

a. The switchgear cubicles and closely associated electrical equipment are to be removed by January 1970.

b. Seven diesel engine generators and all ancillary equipment, such as heat exchangers, filters, pumps, exhaust silencers, air compressors, air receivers, engine gage panels, fuel oil day tanks, jacket water surge tanks, generator neutral resistors, etc. are to be removed by 1 July 1970.

3. Please advise us of your concurrence on the foregoing schedule as a matter of record for our files. We are very appreciative of your cooperation with us in the accomplishment of this project. If you should find it necessary to discuss the matter any further, feel free to contact our project officer, Mr. Wortell, telephone 916-643-4400, at anytime.

FOR THE COMMANDER

WILLIS CHINN
Operations Branch
Generator/FSG 5900 Item Mgt Office D/MM

Cy to: AFLC (MCMP)(MCTES)
Civil Engr Cen (AFOCE-CM)
Wright-Patterson AFB Ohio
ADC (ADEEM-UPP)
Det 1, Cmbt Spt Gp
(Maj McClaron)
Truax Fld Wis

CITY OF MADISON
Wisconsin
OFFICE of the MAYOR

OTTO FESTGE
MAYOR

TELEPHONE
266-4611

January 27, 1969

Donald F. Bradford, Director
Economic Adjustment
Office of Assistant Secretary of Defense
Washington, D. C. 20301

Dear Mr. Bradford:

On January 16, 1969, a meeting was held at Truax regarding a request from the Mayor's office to the Department of Defense for aid in getting the environmental systems in the SAGE facility operating. Those in attendance were as follows:

Mr. Rex Lake, Div Engineer, Chicago, Ill.
Mr. J. Louis Standlee, Civ, Hq ADC (ADEEP-E/S), Ent AFB, CO
Maj M. H. McClarnon, Det. 1, 1 CS Gp. Truax Fld, WI
Mr. Wayne L. Owen, Asst. Prop. Mgr., Truax Air Park
Mr. Robert J. Corcoran, City Administrator, Madison
Mr. John D. Montzingo, Prop. Mgr., Truax Air Park
Lt. Col. Walton C. Nichols, Wis ANG - BCE
Mr. Richard E. Weaver, Hq First Air Force, Stewart AFB, N.Y.

Past correspondence on the disposition of equipment in the SAGE powerhouse was reviewed as well as the document which turned the facility over to the City. It was determined that though the United States Government has no legal responsibility to aid the City, the best interests of all concerned would be served from the goodwill created if a team of technicians were to aid the City in putting the facility into marketable condition. Subsequently, a memo of understanding was drawn up. (See attachment)

On January 17, 1969, engineers reviewed the electrical schematics relating to the SAGE facility with representatives of Madison Gas and

Electric. After the review, it was determined that if the electrical switchgear were to be removed by the Department of Defense as planned, new switchgear would need to be purchased. The cost of a re-designed electrical system and its installation could exceed $50,000.

Further study pointed up the fact that certain cubicles in the switchgear system relate only to the environmental systems in the building itself and not to the equipment to be removed by the Department of Defense.

In addition, it was determined that the refrigeration units scheduled for removal might make the marketing problem more difficult. There has been interest by a firm on making this facility a cold storage plant. If this were done, a minimum of 1200 tons of air-conditioning capacity would be needed. There are only two refrigeration units remaining and their capacity totals 800 tons.

As a result of the meeting, all concerned felt that additional information would be required. Consequently, a contract has been entered into with Mechanical Design, Inc. to provide the following information:

I. To evaluate the present switchgear in order to determine exactly which cubicles tie into the environmental systems.

II. To provide cost estimates on re-designing the electrical system to provide commercial power to SAGE.

   A. In the event the present switchgear could be obtained.

   B. In the event new switchgear had to be purchased.

III. To evaluate the remaining equipment in SAGE so a determination can be made as to whether a request for additional equipment can be justified.

The above study should be complete by February 10, 1969, After receiving the report, a copy will be furnished to you along with a request

for equipment needed to minimize the cost to the City for converting the building to commercial power.

Your cooperation in setting up the above mentioned meeting is most appreciated. The gentlemen representing the United States Government were most helpful. As a result, we feel the City is in a better position to determine what will be needed to convert the building to commercial power and to then market it.

You may expect to hear from me again as soon as Mechanical Design, Inc. completes their study and provides recommendations on equipment retention.

Very truly yours,

Robert J. Corcoran
City Administrator

RJC/bfb

Attachment

Letter dictated by
Mr. Montezingo for
Mr. Corcoran's
signature.

Madison Office
January 30, 1969

E69-10

Mr. Corcoran
Office of City Clerk
210 Monona Ave.
Madison, Wis. 53709

Re: Truax Air Park - SAGE

Gentlemen:

In response to your request, we have completed a study of the SAGE installation with particular respect to the questions of Utility electrical service and power house equipment, and make the following specific recommendations:

1. Request that D.O.D. leave in place the entire heating plant including all auxilliaries.

2. Request that D.O.D. leave in place at least one of the water chilling units and associated auxilliary equipment.

3. Request that D.O.D. leave in place both cooling towers and at least two circulating water pumps with all auxilliary equipment.

4. Request that D.O.D. leave in place the water softening system.

5. Request that D.O.D. leave in place the following electrical equipment:

   a. All normal lighting and power distribution and branch panels, transformers, etc. in the power house and throughout the operations buildings.

   b. At least one 480 volt unit substation with both associated motor control centers within the power house.

   c. Four normal lighting and power unit substations within the operations buildings.

d. All lighting feeder transfer switches within the operations buildings.

e. The individual 4160 volt cubicles supplying the equipment noted in items #2, 3, 5b and 5c above and the utility tie (cubicles #A-1, A-11, B-10, B-12, B-21, B-22 and B-24.)

f. Should the D.O.D. agree to leave certain equipment not specifically required (as listed above) additional 4160 volt cubicles to serve that equipment should also be requested.

- The second unit substation in the power house requires cubicle #B-23.
- The third circulating water pump in the power house requires cubicle #A-13.
- The second water chiller requires cubicle #B-9.
- The fifth unit substation in the operations building requires cubicle #B-11.

6. Request that D.O.D. remove - or else plan to dispose of separately - the following equipment:

a. Seven engine generators with all auxilliary equipment.

b. Ten motor generator sets and auxilliary equipment.

c. Brine chilling equipment.

d. All regulated 208 volt and D.C. switchgear throughout power house and operations buildings, including batteries and charging equipment.

7. Energize and restart certain portions of the heating and ventilating system to maintain above freezing temperatures within all areas, in order to prevent frost and/or condensation damage to mechanical and electrical equipment.

8. Rework the 4160 volt utility service in order to permit removal of generators, controls and bus ties by D.O.D. without interruption of the lighting and power loads required for recommendation #7 above. This proposal may be most economically accomplished by employing the Madison Gas & Electric Co. to rework their present temporary

January 30, 1969
Mr. Corcoran
Office of City Cl

service to the building as follows (see attached sketch):

a. Disconnect the line side of the circuit breakers in cubicles #B-23 and B-12 from the switchboard bus (leave both breakers open).

b. Disconnect present 4160 volt service cable at cubicle #B-24 and reconnect to line side of breakers noted in "a" above.

All essential lighting and equipment may be energized from the two 4160 volt circuits noted above as follows:

c. Open secondary main breaker in power house 480 volt unit substation A-1. Close tie breakers in unit substations B-1 and A-1 (transferring A-1 load to substation B-1).

d. Close 4160 volt breaker in cubicle #B-23, energizing substation B-1 and the loads on A-1 via the tie. All essential equipment to operate the boiler plant and the power house lighting is served from the motor control centers which are part of unit substations A-1 and B-1.

e. Open the secondary main breaker in operations building 480 volt substation A-2. Close tie breakers in substations B-2 and A-2 - transferring A-2 load to substation B-2.

f. Open the secondary main breaker in operations building 120/208 volt substations A-3 and AB-3. Close tie breakers in substations A-3, AB-3 and B-3 - transferring A-3 load to substation B-3. (There is no permanent load on AB-3 as it serves only as an alternate source for certain lighting loads.)

g. Close 4160 volt breaker in cubicle #B-12 - energizing substations B-2 and B-3, and the loads on A-2 and A-3 via the ties. All essential lighting and equipment to operate the heating and ventilating system is served from distribution panels which are part of substations A-2, B-2, A-3 and B-3.

As the only expense involved in energizing the essential lighting and heating equipment is that noted in items 8a and 8b above we are, by copy of this letter, requesting Madison

Gas & Electric Co. to estimate the cost of this work including any interest and removal charges.

This office will, if requested, provide supervision of any part or all of the work proposed here. Please advise.

Yours very truly,

MECHANICAL DESIGN, INC.

Charles H. Hopwood

CHH/rl

CC: John Montzingo, Truax Air Park
Earl Antoine, Madison Gas & Electric

Madison Office
February 5, 1969

E69-10

Mr. Robert Corcoran
Office of the Mayor
210 Monona Ave.
Madison, Wis. 53709

Re: Truax Air Park - SAGE

Dear Sir,

As requested, we have further reviewed certain questions concerning the building mechanical/electrical plant and offer the following:

1. The request for equipment made to D.O.D. should include the second water chiller, as the addition of this unit to the air conditioning system would greatly increase the number of possible options available in adapting the buildings to other uses.

2. If D.O.D. elects to remove all of the cubicles in the 4160 volt switchboard, it will be necessary to purchase a minimum of two 5 KV switches in order to energize the essential equipment and lighting. The cost of these units installed will range from $3,000 to $6,000, depending on the type of switch selected.

   If the switches are installed, Madison Gas & Electric will be unwilling to reconnect their present temporary service cable as suggested in our letter of 1-30-69. This cable is normally installed by the customer and the Utility runs a risk of conflict with the electrical contractor installing the switches, if they accept this work. (They are willing to make reconnections to the existing cubicles because no contractor is involved.)

   The cost of a new temporary service cable, installed by a contractor, will approximate $750.

3. If D.O.D. elects to remove the unit substations supplying the 480 volt motor control centers in the power house, a

new transformer will be required. The cost of this unit, including reconnection of the primary feeder and the motor control center buses, will approximate $3,000.

Note that this cost assumes that the motor control centers themselves are left in place.

If it becomes necessary to replace the control centers also, an additional $7,500 must be allotted for their replacement.

4. If D.O.D. elects to remove the four essential unit substations and their associated distribution boards from the operations building, additional replacement costs of $7,400 and $3,800 respectively, will be incurred.

5. It is the opinion of this office that the generating plant adds little to the sale value of the property as few potential purchasers or tenants will be willing to accept the maintenance of such an installation. Further, we do not recognize any significant performance or operating advantages that such a plant might offer its owner in this case. We recommend that if D.O.D. is requested to leave any or all of the generating equipment that the City of Madison do so on the assumption that the equipment will be sold or reused separately and not as a part of this property.

   One possible reuse of these units would be the construction of a 100% emergency standby system for the municipal airport facilities, including field lighting, navigation aids, etc. For this purpose the generating plant might be better relocated to a new building closer to the present terminal and control buildings.

Please advise if this office can further assist in the disposition of this property.

Yours very truly,

$ 28,450

MECHANICAL DESIGN, INC.

Charles H. Hopwood

CHH/rl
CC: John Montzingo, Truax Air Park

CITY OF MADISON

INTER-DEPARTMENTAL

CORRESPONDENCE

Date: June 20, 1969

To: Mayor William D. Dyke

From: Wayne L. Owen, Property Manager, Truax Air Park

Subject: SAGE Building

The problem of an appraisal of a building like our SAGE complex is a difficult one. The structure is large and extremely permanent. As background, this building consists of a four-story main part with a connected three-story annex. It is constructed of poured reinforced concrete walls and floors. The outer wall is thick concrete with the next sixteen (16) feet being air handling equipment with another wall, leaving the center area of the building clear with the exception of support posts. The building was designed for maximum security; not only from the outside, but also between floors. There is no commercial electrical power to the building except through a temporary hook up (this building was self-sustaining). The reuse of the building by anyone but the Federal Government, would be a gamble of considerable proportion. Some of the difficulties to overcome before reuse would be:

(1) Commercial power to the building costs a minimum of $50,000 and more, if their electrical requirement is for more than office space.

(2) Lack of outside entrances and exits.

(3) Lack of fire escapes.

(4) Cost and labor of starting up heat and air handling systems estimated at $5,000 plus.

(5) Extensive exterior changes to make the building attractive.

(6) Any other requirements that the Industrial Commission may want depending on its reuse.

To establish a rental value based on replacement of the building would be unrealistic as the original cost ten years ago was $9 million. To remove the building is not feasible because of the excessive cost that would be involved. The value of the land under the building would not justify the cost. To say that office buildings rent in Madison for "x" number of dollars in this case is

CITY OF MADISON
INTER-DEPARTMENTAL
CORRESPONDENCE

Date: June 20, 1969

To:

From:

Subject: Page 2 - SAGE Building

inappropriate because we have a building with 131,000 s.f. with a net of approximately 105,000 s.f. of assignable space, very little of which is set up at present for office use. As of my last information, there has been no successful reuse of a SAGE facility by a non-government unit. I cannot give accurate operating costs because when the Air Force used it, they generated all of their own electrical power and the tube-type computers used furnished a great percentage of the heat needed in the main buildings. Air conditioning and fresh air handling was their major problem. I am not saying that this building has no value but, what I am saying, is that the potential users for it are extremely limited at this point.

My recommendation at this point in time is to accept the pending offer of $25,000 per year if the details can be worked out but, writing into the lease the provision that in five years the terms of the lease be renegotiated if they have been successful at reuse. The basis of such renegotiations can and should be spelled out in the original lease. If this firm will take the building in an "as is" condition with the City providing only the promised assistance of the Air Force team, I am convinced to the best of my knowledge it would be advantageous for the City to accept the offer.

If they wish to reserve extra land for development, I feel we should lease it to them at 9% to 10% of assessed value per year. This I base on an 8% rate to land because a 1% to 2% built-in payment for in lieu of tax on real estate. I have a tentative appointment with Attorney Norman Herro to discuss the lease terms but, be informed that they have already had an engineering firm here to check the building and I am sure they are serious about the lease. It is a gamble on their part but I think it is of considerable benefit to us to lease the building to get activity at Truax Air Park which we sorely need. This is a building that the planners for Truax Air Park will have to plan around because of its very nature.

Sincerely

Wayne L. Owen
Property Manager

WLO:bfb

cc - Robert B. Skuldt, Airport Superintendent

CITY OF MADISON

INTER-DEPARTMENTAL

CORRESPONDENCE

Date: January 16, 1970

To: Mayor Wm. Dyke

From: Wayne L. Owen, Acting Property Manager, Truax Air Park

Subject: TOUR OF SAGE FACILITY - JANUARY 14, 1970

On Wednesday, January 14, Mr. Bob McDermott and the Jail Study Committee of the Dane County Board toured the SAGE Facility and the permanent barracks in the 2400 block. The group included, in addition to the Jail Study Committee, Mr. A. C. Woerpel, the County Purchasing Agent, and members of the County Police Forces. The tour included both parts of the SAGE building and the powerhouse.

They have indicated considerable interest in two of the permanent barracks along Highway 51 for lease and/or purchase for housing Huber Law people.

On January 15, I delivered to Mr. Woerpel's office copies of the sketches done by Mr. Reilly on the exterior modification of the SAGE building. He will distribute these to the Committee that toured the building. They have indicated a very real interest in all of the structures that they were shown.

Sincerely,

Wayne L. Owen
Acting Property Manager

WLO:da

cc: R. B. Skuldt
Edwin Duszynski

MADISON GAS AND ELECTRIC COMPANY
100 NORTH FAIRCHILD STREET
POST OFFICE BOX 1231
MADISON, WISCONSIN 53701

May 28, 1969

A

Mr. Robert Corcoran
Office of the Mayor
City of Madison
City County Building
210 Monona Avenue
Madison, Wisconsin 53709

Dear Sir:

Subject: Truax Air Park - SAGE Power House Electric Service

In accordance with Mr. Charles H. Hopwood's letter of February 13, 1969 and his verbal request of May 13, 1969 we are submitting the cost of our investment in the 4,160 volt electric service supply cable to the Power House for the SAGE installation.

The subject cable was installed in November 1967 by request of the United States Air Force. This equipment is presently in service and our calculated investment in this cable is $301.20.

In order to permit the necessary reconnection of the 4,160 volt switch gear, it is necessary that title to this equipment be transferred to the City of Madison since it is located on the customer's side of the electric meter.

Title to the subject equipment can be transferred to the City of Madison by issuance of your purchase order to the Madison Gas and Electric Company for the above amount.

Should you have any questions or desire further information concerning these negotiations, please contact the writer.

Very truly yours,

Donald J. Helfrecht

D. J. Helfrecht,
Manager - Electric Systems Operation
and Assistant Vice President

DJH/nj
cc: Mr. Charles H. Hopwood
Mechanical Design Inc.
P. O. Box 5069
Madison, Wisconsin 53705

APPENDIX B

RELEASE OF AIRPORT PROPERTY FROM SURPLUS PROPERTY DISPOSAL RESTRICTIONS

Part 155—Release of Airport Property From Surplus Property Disposal Restrictions [New]

Adopted: December 7, 1962 **Effective: February 11, 1963**

(Published in 27 F.R. 12361, December 13, 1962.)

This amendment adds Parts 151 "Federal Aid to Airports" [New]; 153 "Acquisition of U.S. Land for Public Airports" [New]; 155 "Release of Airport Property From Surplus Property Disposal Restrictions" [New]; 157 "Notice of Construction, Alteration, or Deactivation of Airports" [New]; 161 "Cold Bay, Alaska, Airport" [New]; and 163 "Canton Island Airport" [New] to Subchapter I "Airports" [New] of Chapter I of Title 14 of the Code of Federal Regulations. The Parts contained in this amendment were published as a notice of proposed rule making in the Federal Register on August 9, 1962 (27 F.R. 7908), and as Draft Release 62-36.

The amendment is a part of the program of the Federal Aviation Agency to recodify its regulatory material into a new series of regulations called the "Federal Aviation Regulations" to replace the present "Civil Air Regulations" and "Regulations of the Administrator". Subchapter I "Airports" was added to Chapter I of Title 14 by an amendment adopted on September 4, 1962, prescribing Part 165 "Wake Island Code" [New] (27 F.R. 8855). Part 159 "National Capital Airports" [New] of Subchapter I was adopted on September 19, 1962 (27 F.R. 9443). In other respects, this amendment conforms to the "Outline and Analysis" of the proposed recodification published in the Federal Register on November 15, 1961 (26 F.R. 10698) and as Draft Release 61-25.

This amendment includes Part 161 as originally proposed in Draft Release 62-36. While Draft Release 62-41, published in the Federal Register on September 13, 1962 (27 F.R. 9107) indicated that it would replace the original Part 161, comments received are still in the process of evaluation and the Agency has decided to promulgate Part 161 as originally proposed. The new Part will, of course, be subject to such amendments as the Agency considers necessary and appropriate after the evaluation of comments received on Draft Release 62-41 has been completed.

During the life of the recodification project, Chapter I of Title 14 may contain more than one Part bearing the same number. To differentiate between the two, the recodified Parts, such as these, will be labeled "[New]". The label will of course be dropped at the completion of the project as all of the regulations will be new.

The definitions, abbreviations, and rules of construction contained in Part 1 [New] of the Federal Aviation Regulations apply to the new Parts.

Of the comments received on the proposal, several suggested changes in style, format, or technical wording. These comments have been carefully considered and, where consistent with the style, format, and terminology of the recodification project, were adopted.

In general, most of the comments received on the notice relating to this amendment, expressed approval with the recodification and restatement of existing regulations. The Airport Operators Council expressed general concern with the revision of the language involved and requested the issue of a further notice of proposed rule making specifying the exact changes in language made in it. Due to the presumption of no

change intended in such a recodification program and to the general satisfaction expressed by other commentators, this request has not been complied with. However, as a result of the Council's comments, the language revisions made to the proposed subchapter have been carefully reviewed a second time to assure that none of them have resulted in a change in substance. As was stated in the draft release announcing the recodification project (Draft Release 61-25) and published in the Federal Register on November 15, 1961 (26 F.R. 10698), "The object [of the recodification] is to restate existing regulations, not to make new ones. The purpose . . . is simply to combine and streamline the present Civil Air Regulations and related regulatory material and arrange them in simplified accessible form. The program will not result in any new regulatory requirements. Nor will it change any of the regulatory requirements in the present system with the exception that some obviously obsolete rules possibly may be eliminated."

The specific comments of the Airport Operators Council have been carefully considered, and where pertinent have been adopted. As a result, the distribution table for Part 151 [New] has been revised to eliminate two erroneous references therein, and to clarify three other references. In addition, § 151.9(e), relating to the property interests that an airport operator or owner should have for the purposes of a runway clear zone, has been revised to adhere closely to the language of the section upon which it was based (§ 550.38(a)(4)). Section 151.35 has been amended to include within it the definition of the term "public airport", formerly contained in § 550.1(r). Other technical corrections have been made in the subchapter, none of which involved more than technical changes in wording to clarify the intended purposes.

Interested persons have been afforded an opportunity to participate in the making of this regulation, and due consideration has been given to all relevant matters presented. The Agency appreciates the cooperative spirit in which the public's comments were submitted.

In consideration of the foregoing, effective February 11, 1963, Chapter III of Title 14 of the Code of Federal Regulations is amended by deleting Parts 550, 555, 565, 574, 575, 576, 577, and 625, and Chapter I of Title 14 is amended by adding Parts 151 [New], 153 [New], 155 [New], 157 [New], 161 [New], and 163 [New] reading as hereinafter set forth.*

This amendment is made under the authority of the Federal Airport Act (49 U.S.C. 1101 through 1119); sections 3 and 4 of the Act of October 1, 1949, as amended (50 U.S.C. App. 1622b and 1622c); section 10 of the International Aviation Facilities Act (49 U.S.C. 1159); and sections 313(a), 314, 601, and 607 of the Federal Aviation Act of 1958 (49 U.S.C. 1354(a), 1355, 1421, and 1427).

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*Each Part is printed separately and is available from the Superintendent of Documents, U.S. Government Printing Office, Washington 25, D.C.

Part 155—Release of Airport Property From Surplus Property Disposal Restrictions [New]

§ 155.1 Applicability.

This Part applies to releases from terms, conditions, reservations, or restrictions in any deed, surrender of leasehold, or other instrument of transfer or conveyance (in this Part called "instrument of disposal") by which some right, title, or interest of the United States in real or personal property was conveyed to a non-Federal public agency under section 13 of the Surplus Property Act of 1944 (58 Stat. 765; 61 Stat. 678) to be used by that agency in developing, improving, operating, or maintaining a public airport or to provide a source of revenue from nonaviation business at a public airport.

§ 155.3 Applicable law.

(a) Section 4 of the Act of October 1, 1949 (63 Stat. 700) authorizes the Administrator to grant the releases described in § 155.1, if he determines that—

(1) The property to which the release relates no longer serves the purpose for which it was made subject to the terms, conditions, reservations, or restrictions concerned; or

(2) The release will not prevent accomplishing the purpose for which the property was made subject to the terms, conditions, reservations, or restrictions, and is necessary to protect or advance the interests of the United States in civil aviation.

In addition, section 4 of that Act authorizes the Administrator to grant the releases subject to terms and conditions that he considers necessary to protect or advance the interests of the United States in civil aviation.

(b) Section 2 of the Act of October 1, 1949 (63 Stat. 700) provides that the restrictions against using structures for industrial purposes in any instrument of disposal issued under section 13(g)(2)(A) of the Surplus Property Act of 1944, as amended (61 Stat. 678) are considered to be extinguished. In addition, section 2 authorizes the Administrator to issue any instruments of release or conveyance necessary to remove, or record, such a restriction, without monetary consideration to the United States.

(c) Section 68 of the Atomic Energy Act of 1954, as amended (42 U.S.C. 2098) releases, remises, and quitclaims, to persons entitled thereto, all reserved rights of the United States in radioactive minerals in instruments of disposal of public or acquired lands. In addition, section 3 of the Act of October 1, 1949 (50 U.S.C. App. 1622b) authorizes the Administrator to issue instruments that he considers necessary to correct any instrument of disposal by which surplus property was transferred to a non-Federal public agency for airport purposes or to conform the transfer to the requirements of applicable law. Based on the laws cited in this subparagraph, the Administrator issues appropriate instruments of correction upon the written request of persons entitled to ownership, occupancy, or use of the lands concerned.

§ 155.5 Property and releases covered by this Part.

This Part applies to—

(a) Any real or personal property that is subject to the terms, conditions, reservations, or restrictions in an instrument of disposal described in § 155.1; and

(b) Any release from a term, condition, reservation, or restriction in such an instrument, including a release of—

(1) Personal property, equipment, or structures from any term, condition, reservation, or restriction so far as necessary to allow it to be disposed of for salvage purposes;

(2) Land, personal property, equipment

or structures from any term, condition, reservation, or restriction requiring that it be used for airport purposes, to allow its use, lease, or sale for nonairport use in place;

(3) Land, personal property, equipment, or structures from any term, condition, reservation, or restriction requiring its maintenance for airport use;

(4) Land, personal property, equipment, or structures from all terms, conditions, restrictions, or reservations to allow its use, lease, sale, or other disposal for nonairport purposes; and

(5) Land, personal property, equipment, or structures from the reservation of right of use by the United States in time of war or national emergency, to facilitate financing the operation and maintenance or further development of a public airport.

§ 155.7 General policies.

(a) Upon a request under § 155.11, the Administrator issues any instrument that is necessary to remove, of record, any restriction against the use of property for industrial purposes that is in an instrument of disposal covered by this Part.

(b) The Administrator does not issue a release under this Part if it would allow the sale of the property concerned to a third party, unless the public agency concerned has obligated itself to use the proceeds from the sale exclusively for developing, improving, operating, or maintaining a public airport.

(c) Except for a release from a restriction against using property for industrial purposes, the Administrator does not issue a release under this Part unless it is justified under § 155.3(a)(1) or (2).

(d) The Administrator may issue a release from the terms, conditions, reservations, or restrictions of an instrument of disposal subject to any other terms or conditions that he considers necessary to protect or advance the interests of the United States in civil aviation. Such a term or condition, including one regarding the use of proceeds from the sale of property, is imposed as a personal covenant or obligation of the public agency concerned rather than as a term or condition to the release or as a covenant running with the land, unless the Administrator determines that the purpose of the term or condition would be better achieved as a condition or covenant running with the land.

(e) A letter or other document issued by the Administrator that merely grants consent to or approval of a lease, or to the use of the property for other than the airport use contemplated by the instrument of disposal, does not otherwise release the property from the terms, conditions, reservations, or restrictions of the instrument of disposal.

§ 155.9 Release from war or national emergency restrictions.

(a) The primary purpose of each transfer of surplus airport property under section 13 of the Surplus Property Act of 1944 was to make the property available for public or civil airport needs. However, it was also intended to ensure the availability of the property transferred, and of the entire airport, for use by the United States during a war or national emergency, if needed. As evidence of this purpose, most instruments of disposal of surplus airport property reserved or granted to the United States a right of exclusive possession and control of the airport during a war or emergency, substantially the same as one of the following:

(1) That during the existence of any emergency declared by the President or the Congress, the Government shall have the right without charge except as indicated below to the full, unrestricted possession, control, and use of the landing area, building areas, and airport facilities or any part thereof, including any additions or improvements thereto made subsequent to the declaration of the airport property as surplus: *Provided, however*, That the Government shall be responsible during the period of such use for the entire cost of maintaining all such areas, facilities, and improvements, or the portions used, and shall pay a fair rental for the use of any installations or structures which have been added thereto without Federal aid.

(2) During any national emergency declared by the President or by Congress, the United States shall have the right to make exclusive or nonexclusive use and have

exclusive or nonexclusive control and possession, without charge, of the airport at which the surplus property is located or used or of such portion thereof as it may desire: *Provided, however*, That the United States shall be responsible for the entire cost of maintaining such part of the airport as it may use exclusively, or over which it may have exclusive possession and control, during the period of such use, possession, or control, and shall be obligated to contribute a reasonable share, commensurate with the use made by it, of the cost of maintenance of such property as it may use nonexclusively or over which it may have nonexclusive control and possession: *Provided further*, That the United States shall pay a fair rental for its use, control, or possession, exclusively or nonexclusively, of any improvements to the airport made without United States aid.

(b) A release from the terms, conditions, reservations, or restrictions of an instrument of disposal that might prejudice the needs or interests of the Armed Forces, is granted only after consultation with the Department of Defense.

§ 155.11 Form and content of requests for release.

(a) A request for the release of surplus airport property from a term, condition, reservation, or restriction in an instrument of disposal need not be in any special form, but must be in writing and signed by an authorized official of the public agency that owns the airport.

(b) A request for a release under this Part must be submitted in triplicate to the District Airport Engineer in whose district the airport is located.

(c) Each request for a release must include the following information, if applicable and available:

(1) Identification of the instruments of disposal to which the property concerned is subject.

(2) A description of the property concerned.

(3) The condition of the property concerned.

(4) The purpose for which the property was transferred, such as for use as a part of, or in connection with, operating the airport or for producing revenues from nonaviation business.

(5) The kind of release requested.

(6) The purpose of the release.

(7) A statement of the circumstances justifying the release on the basis set forth in § 155.3(a)(1) or (2) with supporting documents.

(8) Maps, photographs, plans, or similar material of the airport and the property concerned that are appropriate to determining whether the release is justified under § 155.9.

(9) The proposed use or disposition of the property, including the terms and conditions of any proposed sale or lease and the status of negotiations therefor.

(10) If the release would allow sale of any part of the property, a certified copy of a resolution or ordinance of the governing body of the public agency that owns the airport obligating itself to use the proceeds of the sale exclusively for developing, improving, operating, or maintaining a public airport.

(11) A suggested letter or other instrument of release that would meet the requirements of State and local law for the release requested.

§ 155.13 Determinations by FAA.

(a) An FAA office that receives a request for a release under this Part, and supporting documents therefore, examines it to determine whether the request meets the requirements of the Act of October 1, 1949 (63 Stat. 700) so far as it concerns the interests of the United States in civil aviation and whether it might prejudice the needs and interests of the Armed Forces. Upon a determination that the release might prejudice those needs and interests, the Department of Defense is consulted as provided in § 155.9(b).

(b) Upon completing the review, and receiving the advice of the Department of Defense if the case was referred to it, the FAA

advises the airport owner as to whether the release or a modification of it, may be granted. If the release, or a modification of it acceptable to the owner, is granted, the FAA prepares the necessary instruments and delivers them to the airport owner.

Part 155—Distribution Table

Former Section	*Revised Section*
565.1	155.1
565.2	155.3
565.3	155.5
565.4 (less (d))	155.7
565.4(d)	155.9
565.5(a)	155.11
565.5 (less (a))	155.13

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SECTION 3. SURPLUS PROPERTY AGREEMENTS

121. GENERAL.

a. Basic and General Policies and Procedures. Federal Aviation Regulations, Part 155, "Release of Airport Property from Surplus Property Disposal Restrictions," sets forth the basic and general policies and procedures applicable to all such agreements. A copy of Part 155 should be made available to all owners of surplus airport property, particularly upon a change in local administration or political office which could affect the airport and its place in the community. Changes in surplus property agreements consistent with the purpose of the FAA to foster the development, improvement, operation or maintenance of a system of public airports or to foster a source of revenue for such purposes from nonaviation business at public airports, should be encouraged when it is in the public interest.

b. Property Identification. Surplus airport property agreements obligate a grantee owner to obtain the written consent of the Administrator, FAA, to use, lease, sell, salvage or dispose of transferred airport property for other than airport purposes. To obtain Federal surplus property, a grantee applied for it by a written request stating the purpose for which it was requested. The FAA (formerly CAA) then filed a surplus property disposal report indicating recommendations about the applicant's request. The applicant's request and the disposal report initially established which areas of the airport were being recommended for transfer as revenue producing property and which for airport use. The current scaled drawing referred to in paragraph 115 reflects subsequent FAA actions, pursuant to the authority of P. L. 311. Such actions (such as approving an airport land use plan for compliance purposes) modify the usage previously authorized by * disposal recommendations for specific areas of a surplus airport.

122. RELEASE FROM SPECIFIC CONDITIONS.

a. Industrial Use Restrictions. Certain surplus property conveyances prohibit the use of the property as an industrial plant, factory or similar facility. P. L. 81-311 repeals this prohibition. The FAA will issue needed releases or corrections to effect the elimination of such restrictions for record. This does not authorize industrial use of land otherwise obligated and needed for airport aeronautical use purposes.

b. Reservation of Fissionable Material. Many surplus property agreements reserve to the U. S. the right to explore for, mine, and extract fissionable material. Section 68 of the Atomic Energy Act of 1954, as amended, released and quitclaimed to the grantees under such agreements all such rights. The FAA will issue needed releases or corrections to effect the elimination of such reservations for record.

* c. Other Reserved Subsurface Interests.

(1) Minerals and Petroleum. Some surplus property agreements reserve to the U. S. all subsurface minerals and petroleum other than fissionable materials. It has been determined that the reservation of subsurface minerals and petroleum is not a covenant or restriction that may be released, conveyed or quitclaimed by the FAA under P. L. 81-311. Disposition of this reservation is the responsibility of the Federal agency controlling or having jurisdiction over reserved subsurface interests. Requests concerning such interests should be referred to the controlling agency.

(2) Residual Interest. Routinely, the GSA in disposing of these reserved mineral rights to an approved applicant, imposes prohibitions against exploring for or extracting such minerals or petroleum in any way that would interfere with the operation and maintenance of the airport involved. Other Federal agencies normally would do the same. Such an imposed prohibition constitutes a residual interest in the subsurface minerals retained by the Government which theoretically could be conveyed to the airport owner under P. L. 289. As a matter of policy, the FAA will not recommend to GSA or another Federal agency a conveyance to a grantee of the mineral rights reserved to the U. S. (in a surplus airport property deed). In those cases where GSA or another Federal agency has already conveyed to other parties the mineral rights so conditioned, the FAA will not recommend conveyance of the Government's residual interest to the airport owner.

d. National Emergency Use Provision.

(1) The FAA may grant a release of this provision which is often referred to as the "recapture clause." However, concurrence of the Department of Defense (DOD) must be specifically requested and obtained by the FAA when the airport subject to recapture is either listed in the current MRNAP or has a based Federal military aviation activity. At such airports DOD concurrence is required prior to granting any release from the National Emergency Use Provision or where the request is to:

(a) reduce the size of or authorize a change in the use of airport property conveyed for aeronautical purposes. (Release of maintenance obligations is excluded. See Paragraph 113.)

(b) permit a disposal, sale or salvage of a utility system or any part thereof (see Paragraph 123b). *

(2) For a release of the recapture clause, the airport owner must provide one scaled drawing (see Paragraphs 115(b)(3) and (4)) and one copy of other exhibits, as appropriate, for each DOD Federal military activity (USA, USAF, USN (latter includes USMC and USCG)), listed in the currently applicable MRNAP or currently based at the airport. If an activity is both listed in the current MRNAP and based at the airport, only one copy of the drawing or other exhibits is required for submission to the DOD for that activity. Note, the National Guard and the Air Guard are not Federal military activities until mobilized by the United States.

(3) Routinely, the Airports Service will obtain the required concurrence of the DOD upon submission of the summary memorandum (see Paragraph 115a) together with required copies of scaled drawings and other exhibits specified above. Additionally, Airports Service should be provided (AS-1, Attention: AS-600) one complete set of scaled drawings and exhibits for Headquarters internal coordination and record purposes.

e. Reduction or Change in Use of Aeronautical Property. Sometimes, due to economic growth or aviation needs, it may be desirable to reduce the dedicated aeronautical area or facilities and convert the area to airport revenue production. This may be done and FAA approval granted provided the reasonable requirements of civil aviation are met and the public benefit in aviation are enhanced. Such action should be reflected on a land use plan. If no land use plan has been adopted, FAA should require it as a condition for its approval of the change in authorized land use.

f. Lease, Sale or Disposal for Nominal Consideration. Surplus Federal property conveyed to local public agencies under the Surplus Property Act of 1944 must be used for airport purposes. As amended by P.L.289 this statute recognizes that the use of surplus property to generate revenues for the airport from nonaviation business activity at the airport is an authorized airport purpose. (P.L. 311 empowers the FAA to extend this concept to surplus airport property conveyances antedating P.L. 289.) Thus, any surplus Federal property conveyed under this Act for airport purposes, if not actually needed for a direct aeronautical use, must be used or available for use to generate revenues which must in turn be applied to the development, improvement, operation or maintenance of airport facilities. No other use of the property was contemplated by the Law.

A use or lease of such property with less than its fair rental value accruing to the airport (or a sale and disposal of such property for less than its appraised fair market value) is inconsistent with the statute and shall not be authorized. *

* In determining whether fair value is to be received from a proposed nonaviation use of surplus airport property, the consideration need not be monetary. Thus, the nominal conveyance of a property interest in a right of way over surplus airport land to a railroad or highway may be consistent with the intent of the law if the resulting trackage or roadway will directly benefit the airport or enhance its efficiency or utility to a degree commensurate with the value of the property involved.

Also, in the interests of equity, an exemption may be made in the case of property that was originally owned or acquired in fee simple title by the present airport owner then leased to the Government and subsequently reacquired for public airport purposes under the Surplus Property Act. In such instances property not otherwise needed to meet any present or foreseeable airport purpose may be leased or conveyed at less than fair market value or for nominal consideration to a public agency for a public purpose when that use is completely compatible with the operation, maintenance, development and improvement of the airport.

g. Consent to Divert Excess Revenue from Surplus Property. The General Counsel of the FAA has indicated that the requirement to use surplus property assets for airport purposes also applies to the revenues derived therefrom. The approval of a lease for agricultural or other nonaviation purposes does not release the grantee from its obligation to apply the resulting income in its entirety to the maintenance, operation and development of the airport. However, it is further indicated that under P.L. 81-311 the FAA has authority to release a grantee from its obligation to devote such revenues exclusively to airport purposes. Under this authority approval may be given to divert to other public purposes excess revenues derived from surplus airport property conveyed under P.L. 289 when the following conditions have been met:

(1) the level of maintenance and quality of operating supervision provided to the airport is and has consistently been acceptable to the FAA as meeting the obligations of the grantee.

(2) there are no violations or defaults of the transfer deed or of subsequent agreements with the Government applicable to the airport.

(3) the FAA has determined (by appropriate review, especially of the NAP, Airport Layout Plan, Land Use Plan, airport property map) that there are no foreseeable improvements, extensions, rehabilitations or additions to the capital plant that could result in improved aeronautical services to the public. Any release or approval to divert excess revenues under these conditions should be specifically limited to past accumulations of income in excess of operating costs and should not authorize further diversions of revenues subsequently received. *

h. Release of Obligations for Property Not Received. The FAA may release an airport owner of all inventory accountability obligations for specific items of property when it is determined that the items were not, in fact, received by the owner even though specified in the instrument of disposal.

123. TOTAL RELEASES FOR SALE, SALVAGE, RELOCATION, REMOVAL OR OTHER DISPOSAL.

a. Personal Property, Equipment, Structures or Facilities. Surplus airport property in these categories may be released from all inventory accountability required by the instrument of disposal (whether or not the airport at which it is located is included in the MRNAP or has a based Federal military aviation activity) whenever it has been determined that such property:

(1) has outlived its useful life, has deteriorated beyond economical repair or rehabilitation, is no longer needed, has been replaced, is to be traded to obtain similar or other property needed for the airport; or

(2) has been destroyed or lost by fire or other uncontrollable cause and the insured value, if any, has been credited to the airport fund; or

(3) should be removed or relocated to permit the accomplishment of needed airport improvement or expansion with consideration for salvage or other use elsewhere on an airport.

b. Utility Systems (Includes Railroad Utilities). Utility distribution systems may be released to permit demolition or other disposal when they have deteriorated beyond economical repair or when they are no longer needed for use on the airport. Also, where an airport owner is unable to maintain a utility system because of lack of adequately skilled personnel, financial ability, etc., it may be released from the terms, conditions, reservations and restrictions of any applicable surplus property instrument of disposal to permit conveyance of the system to a utility company for continued operation, provided the bill of sale includes the following provisions:

(1) Utility services will be supplied all present and future occupants of the airport; and

(2) The Government shall have the option to lease or purchase, upon mutually acceptable terms, the utility system upon military reactivation of the airport, and shall be granted right of entry and use of such system pending the acquisition by lease or purchase of the system from the utility company. *

* In the event the airport or the utility system is subject to recapture and has not been released from the National Emergency Use Provision and the airport is either listed in the current MRNAP or has a based Federal military aviation activity, no release of a utility system, whether to permit demolition or a sale to a utility company, shall be granted until the DOD has advised FAA in writing that it has no objection to such release. If the airport is not listed in the MRNAP or does not have any based military activity, Paragraph b(2) above need not apply.

c. Land (Including Improvements Thereon) Conveyed for Airport Purposes. Land, comprising part of Federal surplus real property or interests therein conveyed for airport purposes, and structures and improvements thereon, may be released from the terms and conditions of an applicable instrument of disposal to permit its sale or other disposition for other than airport purposes, under the following conditions:

(1) The responsible FAA official certifies in writing that such land and improvements are no longer needed for public airport purposes and that such release will not materially or adversely affect the use, operation or maintenance of the airport. (Any proposal to release or abandon an entire airport should be referred, with appropriate recommendation, to the Airports Service)

(2) A current scaled drawing or airport layout plan, conforming to applicable design and safety criteria but reflecting the deletion of such land and improvements, has been approved.

(3) The concurrence of the DOD has been obtained (through AS) for the release from any National Emergency Use Provision not previously released in those instances where the airport is included in the MRNAP or where a Federal military aviation activity is currently based on the airport.

(4) The release will encumber the property by reserving the rights and restrictions of Paragraph 116c(3)(a) and (b).

(5) The method of disposal or sale will insure the recovery of fair market value for the released property (see Paragraph 123e for procedure and Paragraph 122f for exceptions).

(6) There is a firm agreement binding the owner to expend within five years from the date of the release an amount equal to the net proceeds (see Paragraph 112d) from the sale or disposition of the property for specific items for improvement of the airport, or another specified public airport, or other specified public airports. FAA shall assure that the proposals in the agreement submitted by the owner for FAA acceptance specify items of development within the priority categories listed below. All currently needed development within the highest priority must be accomplished before the next category is acceptable. *

(a) Priority A: Approved items of airport development set forth in FAR Part 151 (and as appropriate, set forth in the NAP by priority of need) to be accomplished in accordance with currently applicable FAA design criteria.

(b) Priority B: Any aeronautical items of airport development ineligible for direct Federal aid under the Federal-aid Airport Program.

(c) Priority C: Deposit to the airport fund for deferred use within a reasonable time for items in Priority A and Priority B above.

(d) Priority D: Retirement of airport bonds which are secured by pledges of airport revenue. Includes repayment of loans from other Federal agencies for such development.

(e) Priority E: Development of common use facilities and utilities of the dedicated revenue production property of the airport now owned or subsequently acquired.

(f) Priority F: Current expenses for repair, maintenance, and operation of airport use properties (see paragraph 112a).

d. Sale of Revenue Producing Property. Property conveyed to an airport owner for revenue production should be used continuously for such purposes, if possible. A release to permit a sale should not be granted unless, in addition to the conditions specified in Paragraph 123c preceding, it has been established by the owner in a request for release, and supported by fiscal records, that:

(1) it has been unable to obtain a reasonable use or revenue by renting or leasing, etc., and

(2) the approximate current market value will be derived from an outright sale and the net proceeds will exceed the net revenue that could be derived from renting or leasing, etc., at fair market value over a 15 to 20-year period, and

(3) such conclusions are supported by at least two appraisal reports independently made by two noninterested appraisers qualified to make appraisals based on experience and who have professional status as appraisers of real property.

e. Requirements for Public Advertisement of Sale or Waiver for Negotiated Sale. A release of airport agreement obligations to sell real or personal surplus property shall require public advertisement and sale to the highest bidder. The FAA regional office may waive this requirement if the owner provides evidence which enables the region to conclusively determine that:

(1) the approximate fair market or salvage value of the property released is less than $1,000, or

(2) the property released is a utility system to be sold to a utility company and will accommodate the continued airport use and operation requirements, or

(3) the negotiated sale price of the property released approximates fair market value based on appraisal report or other appropriate data,

(4) public advertisement of sale would serve no useful purpose.

124.-134. RESERVED.

DEPARTMENT OF TRANSPORTATION
FEDERAL AVIATION ADMINISTRATION

MINNEAPOLIS AREA OFFICE
6301 34TH AVENUE, SOUTH
MINNEAPOLIS, MINNESOTA 55450

4 AUG 1969

Mr. Robert B. Skuldt
Airport Superintendent
Truax Field
4000 International Lane
Madison, Wisconsin 53704

Dear Mr. Skuldt:

The 3.83 acre plot of land which the City of Madison proposes to withdraw from the airport is part of the land which was quitclaimed to the City in August of 1948.

This area comprises roughly the south half of the airport and consisted principally of the cantonment area of the old Air Force Base. Since the larger part of this area, including the plot in question, was not conveyed to the City for aeronautical use, the purpose in such transfer was to provide revenue in support of the operation, maintenance and development of the airport.

The current proposal contemplates a withdrawal (transfer) of a portion of the revenue-producing land for other than airport use and produces no revenue to the airport. We, therefore, cannot approve this proposal unless the appraised value of the land is deposited in, or earmarked for, the airport fund. In the instance where the airport fund is so reimbursed, we will require a firm agreement binding the City to expend within five years an equivalent sum on items of airport development in accordance with a definite priority concurred in by FAA.

An exception to the foregoing rule exists where the land was originally acquired by the City; the United States later leased the airport and subsequently quitclaimed its interest back to the City. In this instance, the City may convey such property to another public agency for less than a fair (nominal) consideration where it has been determined that such property (a) is not needed for any present or foreseeable airport purpose, and (b) the contemplated use of such property is completely compatible with the operation, maintenance, development and improvement of the airport. Under these circumstances, we see no reason why the City could not, subject to said determination, delete the 3.83 acres from the airport without remuneration to the airport fund. The determination of (a) and (b) above is, of course, subject to FAA concurrence.

While our records clearly show that the overall property was quitclaimed to the City in 1948, we are not absolutely certain that all of it was acquired by the United States originally. FAA approval of the proposal will necessarily turn primarily on who was the first owner, as between the City and the United States, if the City intends to delete this parcel from the airport without income to the airport.

As soon as you have determined the ownership of the land in question just prior to the 1948 quitclaim deed, you should submit your formal request for this transfer.

Sincerely,

R. O. Ziegler

R. O. ZIEGLER
Area Manager, MSP-1

cc:
Wisconsin Division of Aeronautics
Mayor William Dyke

APPENDIX C

TYPICAL MADISON LIGHT INDUSTRIAL WAREHOUSE OFFERINGS

AVAILABLE MAY 1, 1970.

COMPARABLE LEASE OFFERING

Address: Bryant

Type of Prop: Warehouse with office

Leased Lot Size: 135 x 138
Area: 18,630/ sq.ft.

Leased Bldg. Size
Area: 11,000 sq.ft. warehouse
1,400 sq.ft. office

Age: Newer

Condition: Condition

Parking: Yes

Utilities: All

Trackage: No Street: Paved

Legal Description:

Date of Lease: Current

Terms of Lease: Warehouse space $1.00/sq.ft.; Office space $2.25/sq.ft.

Lessor Pays: Taxes, exterior maint.

Annual Rent Per Sq. Ft. of Ground Floor Leased Area:

Annual Rent Per Sq. Ft. of Total Leased Area:

Lessor:

Lessee:

Remarks: Offered for sale @ 125,000 listing firm felt lease rates and offering price were on the high side.

COMPARABLE LEASE

Address: 9 North Brooks St.

Type of Prop: Garage or Warehouse

Leased Lot Size: 78 x 132, 41.7 x 78 and 40 x 83

Area: 16,868.6/sq. ft.

Leased Bldg. Size:

Area: 9,000/sq. ft.

Age: Older

Condition: Average to Below

Parking: 2 smaller parcels about 35 cars

Utilities: All

Trackage: No Street: Paved

Legal Description:
Lot 11 Blk 4 $ Lots 7,8,9 & W 41 of Lots 10 & 11 Blk 5 Centered Homes Addition.

Date of Lease: June 1970

Terms of Lease: $1.14/sq.ft. Annually- 3 years

Lessor Pays: Taxes, exterior, maint.

Annual Rent Per Sq. Ft. of Ground Floor Leased Area: $1.14/sq.ft.

Annual Rent Per Sq. Ft. of Total Leased Area:

Lessor: Alfred G. Jacobs

Lessee: Univ. of Wisconsin

Remarks: Old Zimbrick Buick Body Shop. Property purchased 9-16-69 for $62,500 (Book 133 records page 194) Owner now asking $90,000.

COMPARABLE LEASE OFFERING

Address: 317 E. Wilson

Type of Prop: Mult. story warehouse

Leased Lot Size: 66 x 141
Area: 9,306/sq. ft.

Leased Bldg. Size
Area: G.F.S. 8184/sq. ft.
Total 40,920/ sq. ft.

Age: Older

Condition: Fair to below avg.

Parking:

Utilities: All

Trackage: Yes Street: Paved

Legal Description: Lot 3, Blk 270 O.P. of Madison except R.R. Row.

Date of Lease: Current

Terms of Lease: 1st floor office
$1.50 to $2.20/sq. ft.
Warehouse $.40/sq. ft.

Lessor Pays: Tax est. maint.

Annual Rent Per Sq. Ft. of
Ground Floor Leased Area:

Annual Rent Per Sq. Ft.
of Total Leased Area:

Lessor: Executive Investors, Inc.

Lessee:

Remarks: Old W.K.H. Warehouse sold
March 5, 1970 Bk 162 p. 281
Transfer Fee $100

COMPARABLE LEASE OFFERING

Address: 1406 Emil Street

Type of Prop: Warehouse with office

Leased Lot Size: 200 x 326 ft.
Area: 65,200/sq. ft.

Leased Bldg. Size
Area: 13,500/ sq. ft. includ.
2,100/sq. ft. offices

Age: Newer

Condition: Average

Parking: Yes

Utilities: All

Trackage: Street: Paved

Legal Description:
Lots 16 & 17 Madison
Shops plat

Date of Lease: Current

Terms of Lease: $1.20/sq. ft.

Lessor Pays: Taxes ext. maint.

Annual Rent Per Sq. Ft. of
Ground Floor Leased Area: $1.20

Annual Rent Per Sq. Ft.
of Total Leased Area: $1.20

Lessor: Various- an Invent group

Lessee:

Remarks: This is the old Auto Temp.
Building

APPENDIX D

ENGINEERING NOTES AND CROSS-SECTIONS AND RENDERING OF THE SAGE BUILDING CONVERTED TO OFFICE USE.

CARL C. CRANE, INC.

CONSULTING ENGINEERS

2702 MONROE STREET
MADISON, WISCONSIN 53711
PHONE (608)-238-4761

January 22, 1970

Mr. James A. Graaskamp
202 North Breeze Terrace
Madison, Wisconsin 53705

Subject: SAGE Building

Dear Mr. Graaskamp:

Enclosed are prints of the drawings showing elevations and plot plan, and floor plans of the SAGE building. Also enclosed is a chart showing cost per floor for remodeling the interior into office space or storage space.

Please note that costs are quoted as "low" and "high". This will give a range within which certain quality options are available. For example, the low cost would include a good quality fluorescent lighting fixture whereas the high cost would include a good quality recessed troffer.

These remodeling costs include the clearing of existing partitions and equipment, plumbing changes, new suspended ceiling, new floor tile, electrical, and heating, ventilating and air conditioning.

The cost of a 3000 square foot atrium on the fourth floor of the "D" building would run about $100,000 and reduce rentable area by 3000 square feet.

The general work on the exterior of the building, as shown on our elevations and plans, would cost about $880,000. This would be classed as deluxe treatment. It should be stressed that this is one idea. Others could decrease or increase the cost substantially. Included would be the decorative treatment on all four sides of the building, paving, landscaping, required exit stairs, lobby, shop and concession area, elevators, cafeteria, electric service to building and heating and air conditioning equipment renovation.

CARL C. CRANE, INC.
CONSULTING 2702 MONROE STREET MADISON, WISCONSIN 53711 PHONE (608)-238-4761 ENGINEERS

Operating expenses for heating, cooling and lighting would run $100,000 annually. An allowance would have to be made for maintenance and janitorial service, if required.

Rental rates would vary in accordance with what was furnished. Some tenants may wish to provide their own janitorial service. Interior decorating, including lighting and partitions, may be furnished by some tenants.

Enclosed is a catalog describing a very high quality floor treatment which would lend itself especially to the floor treatment on floors C-3 and D-2 where there are a multitude of curbs and openings in the existing floor. This floor is being installed in some areas of the Hill Farms State Office building at the present time.

After digesting these figures and looking at the plans, give me a call so that we can discuss any questions or further developments.

Yours very truly,

CARL C. CRANE, INC.

Gordon E. Moore

Gordon E. Moore, P.E.

Enc.
GEM:lra

CARL C. CRANE, INC. CONSULTING ENGINEERS MADISON, WISCONSIN

By GEM Date 5-26-70 Sheet 1 of

Chkd. by Date Job No. 1875

Subject: SAGE BLDG. - MISC.

1. CEILING HEIGHTS

FLOOR	BLDG. C	BLDG. D
1	14'	19'
2	19'	14'
3	14'	21.5'
4		18'

2. RECREATION AREA

$111,000.00 INCLUDED IN THE $880,000.00

3. POWER HOUSE DIESEL PITS

7 PITS @ $800.00/PIT = $5600.00

4. PARKING FOR 1500 CARS

1500 CARS @ 300 SQ FT/CAR × $0.15/SQ. FT. = $67,500.00

OTHER PAVING & LANDSCAPING 7500.00

INCLUDED IN $880,000.00 ——— 75,000.00

Tate Infinite access floor specification

The following guide specification has been prepared to assist in the writing of specification for TATE Infinite Access Flooring. Section II, describing UNDER STRUCTURE, has been written in three parts — each part containing data fo specifying one of the three optional understructure systems. A complete Infinit Access Flooring specification for bid, proposal, or purchase purposes would contai only the particular specification for the understructure system desired.

I. General Description

1. The removable panel, free access floor shall consist of a portable assembly of steel panels, floor covering, understructure components, ramps, steps, closures, framed cutouts, louvered grilles, cove base, and railing as indicated on the drawings.

The system shall provide an underfloor cavity for the accommodation of conduits, flexible electrical cables, piping, air ducts, and/or be suitable for use as an air distribution plenum. Floor height (from sub-floor surface to access floor surface) shall be 12", unless otherwise specified.

2. *Construction and materials:*

a. Floor panels shall be 24" x 24", die formed after assembly to a squareness of ±.005". They shall be constructed of die formed steel sheets; a bottom section incorporating an intersecting "Z" beam configuration; and a top section that shall be flat to receive the floor covering. The two shall be welded together into an integral unit. The assembly shall be spray cleaned, phosphate dipped, and given a baked enamel finish. The edges shall be finished with an extruded vinyl trim 3/16" wide of the exposed surface. The floor covering shall be (vinyl asbestos tile) (vinyl tile) (high pressure laminate) (carpeting). Each panel corner shall receive a grounding connector of solid copper for positive electrical continuity throughout the system.

b. Pedestal assemblies shall consist of a pedestal cap (described under Section II, UNDERSTRUCTURE); a 1" diameter steel tubular column of length to achieve specified floor height when assembled with pedestal components; a formed steel height locking device which will provide automatic locking against vibration or accidental rotation by tradesmen of the height adjusting nut; a steel height adjusting nut; a 7/8" diameter steel stud on which the height adjusting nut operates to provide a total of 3" height adjustment; a die cast aluminum base plate providing a minimum of 16 square inches in contact with the sub-floor and having serrations cast in on the bottom surface for maximum adhesive bearing.

The pedestal base shall be capable of adjusting up to 4° from the horizontal plane of the access floor surface so as to compensate for sub-floor irregularities. This shall be a positive adjustment during installation, not dependent on large tolerances in manufacturing of components, and shall at all times afford a rigid pedestal assembly.

II. Understructure

Option A
Specific Section for MOD 71,
Snap-On Stringer System

1. The system shall be designed to provide panel containment when adjacent panels are removed. Positive guiding must be provided by the pedestal cap to assure that one panel cannot overlap another when being replaced so as to protect the panel trim edge; and panels shall be easily removed by one person using a suction lifting device (carpet lifting device when carpeting panel covering is specified). Total depth of the installed floor system shall not exceed 1½" for maximum utilization of underfloor space.

2. *Construction and materials:*

a. The pedestal cap shall be die cast aluminum.

b. The stringers shall be welded rectangular steel tubing, galvanized; and removable when only two adjacent panels are lifted. The stringer shall position and retain the pedestal heads on 24" centers within ±.005". The stringer shall be held securely in place by a snap action, shall not rattle or fit loosely, and shall be removable by hand pressure without the use of tools. The pedestals and stringers shall form a rigid understructure independent of the panels. Interface between panels and stringers must provide sound deadening, positive grounding of all metal components, and complete plenum sealing.

Option B
Specific Section for MOD 72,
Stringerless System

1. The system shall be so designed as to provide lateral locking of the panels even though adjacent panels are removed. Positive guiding must be provided by the pedestal cap to assure that one panel cannot overlap another when being replaced so as to protect the panel edge trim; and panels shall be easily removed by one person using a suction lifting device (carpet lifting device when carpeting panel covering is specified). Total depth of the installed floor system shall not exceed 1½" for maximum utilization of underfloor space.

2. *Construction and materials:*

a. The pedestal cap shall be of die cast aluminum and shall provide a double locking of the panel. The panel in place, by means of this double locking, shall be the only required supporting member necessary for a rigid floor system. The cap shall be recessed between the panel edges to prevent any side to side movement of the panel; and locking lugs, which engage the bottom of the installed panels, shall interlock adjacent panels. Interface between the panel and the pedestal cap shall provide resilience for sound deadening and positive electrical grounding of all metal components.

Option C
Specific Section for MOD 73,
Bolted Stringer System

1. The system shall be so designed as to provide lateral locking of the panels even though adjacent panels are removed. Panels shall be easily removed by one person using a suction lifting device (carpet lifting device when carpeting panel covering is specified). Total depth of the installed system shall not exceed 1½" for maximum utilization of underfloor space.

2. *Construction and materials:*

a. The pedestal cap shall be die cas aluminum.

b. The stringers shall be welded rectangular steel tubing, galvanized. The stringers shall position and retain the pedestal heads on 24" centers by means of a hole in the stringer bottom engaging a cast-in stud on the pedestal cap. Stringers shall be identical and interchangeable one with another in any direction; and shall be rigidly held in place by means of a single cast aluminum clamp and a single 5/16" bolt per pedestal cap securing four stringers simultaneously. The pedestals and stringers shall form a rigid understructure independent of the floor panels. Interface between panel and stringer shall provide resilience for sound deadening, positive electrical grounding of all metal components, and plenum sealing. The system shall meet seismic condition requirements for zones one, two, and three.

III. Performance Requirements

1. Each floor panel, excluding the floor covering, shall be capable of supporting a uniform live load of 250 pounds per square foot; or a concentrated load of 1,000 pounds applied through a 3" diameter by 1¾" wide phenolic caster; or a rolling load of 1,000 pounds at any point; with a maximum deflection of .080". The panel shall not show any indentation under these loading conditions. Permanent deflection, or set, shall not exceed .010". The ultimate strength shall provide a 4.0 safety factor.

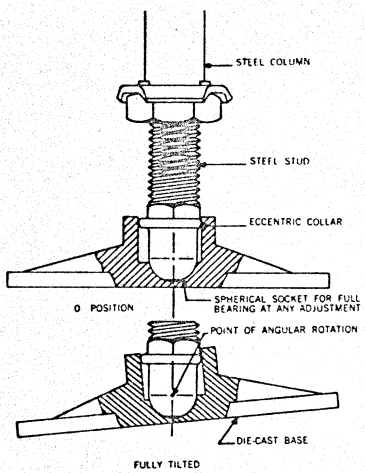
2. Each pedestal shall be capable of carrying a 5,000 pound axial load without deformation of any part.

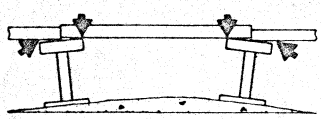
3. Grounding capability shall provide

details - typical of all systems

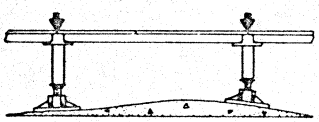
Levelock Pedestal

The Tate "Levelock" pedestal provides for positive vertical column adjustment regardless of sub-floor irregularities. This ensures perfectly level access floor surfaces, and eliminates "rocking" panels and noisy floor surfaces.

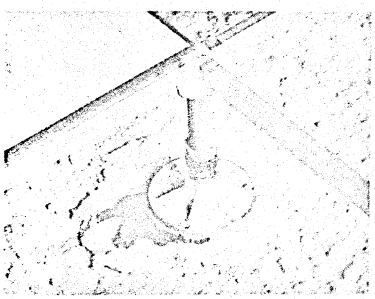


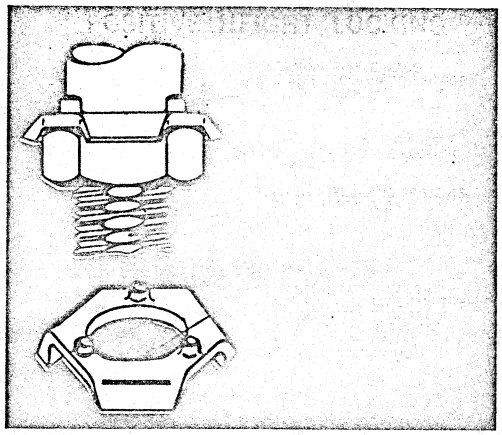


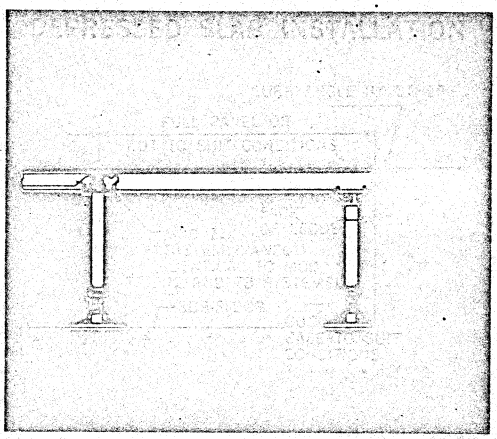
Without the "levelock" feature, a level floor is not achieved.

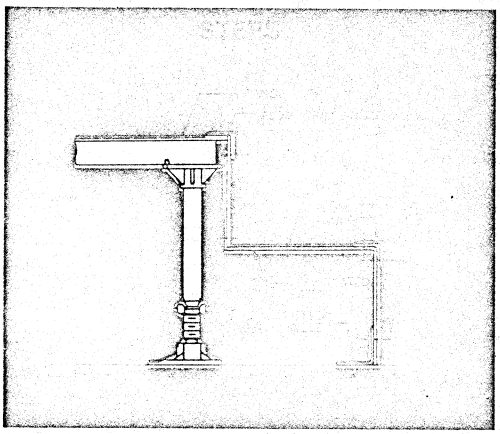


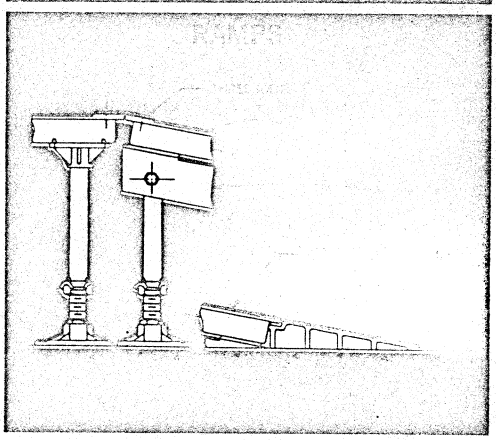
The "Levelock" pedestal compensates for sub-floor irregularities.

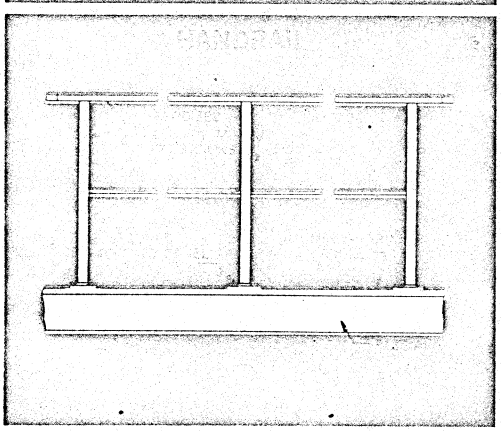


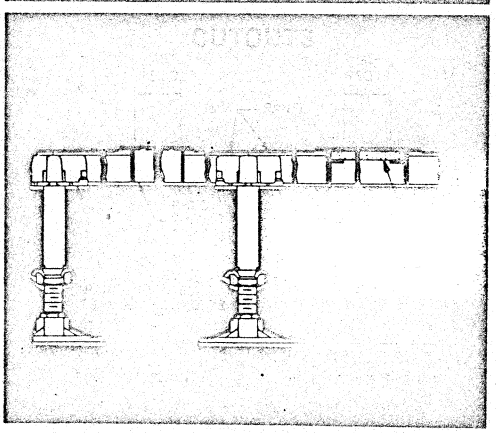


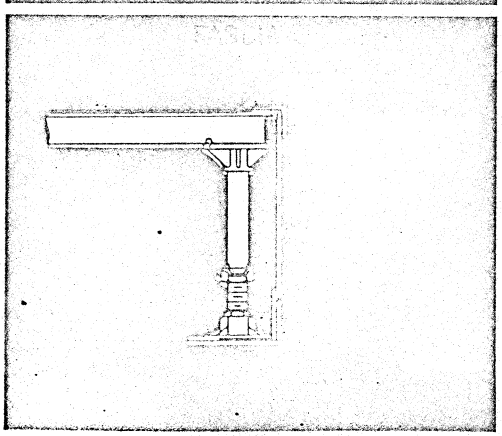


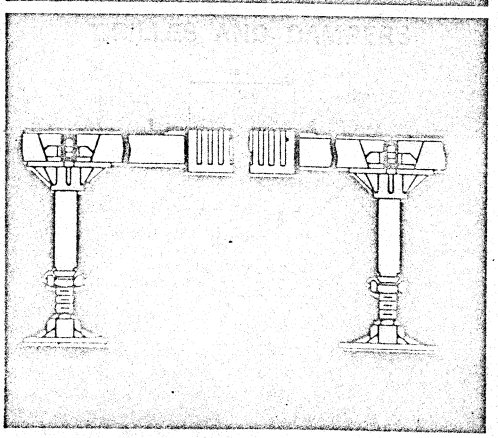












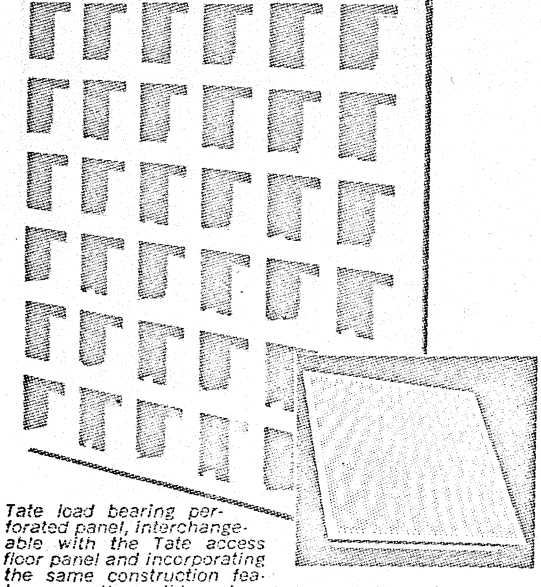
a Tate infinite access floor also gives you these additional features:

The TATE Steel Panel. This superior panel is used with all of the understructure and supporting systems detailed in this brochure. The photo below shows the underside of the Tate steel floor panel and illustrates the die-formed, patented intersecting "Z" beam configuration that makes this the strongest in strength to weight ratio available in the industry. The strucutral bottom steel section is spot welded to an absolutely flat top steel sheet; and both are held in a rigid, one piece assembly by 176 weldments.

The entire assembly is precision squared in a blanking operation that guarantees squareness to plus or minus five thousandths of an inch. A vinyl edge trim is applied to the cleaned and enamel finished steel panel — solid copper grounding connectors are attached to each corner of the panel for metal to metal continuity of panel to understructure — and the panel receives a floor covering material of your choice.

For use in clean rooms, or as an air distribution grille that is interchangeable with any other floor panel in the computer room, Tate manufactures a perforated panel meeting the same high strength requirements and to the same dimensions as the solid surface floor panel. The **Tate Perforated Panel** is made possible by the unique configuration of the bottom structural steel section — the only one available in the industry — which permits this 24" x 24" load bearing adjustable register.

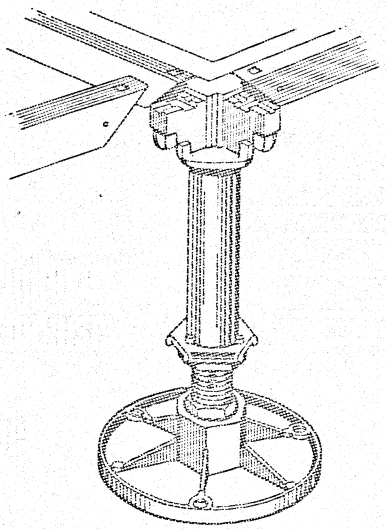
Underside of the Tate steel panel.



Tate load bearing perforated panel, interchangeable with the Tate access floor panel and incorporating the same construction features as the solid surface panel.

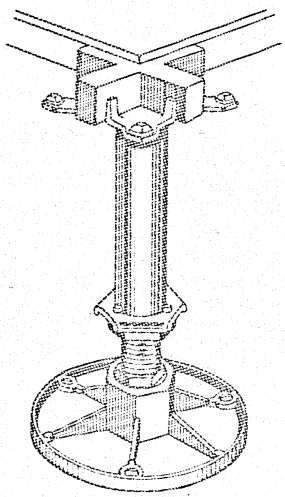
Three understructure systems are available from Tate; each designed with a particular end requirement of the designer/owner met by specific details of each system.

All three utilize the **Tate Steel Panel**, *and each is capable of providing up to 2" greater underfloor plenum and cable space than other understructure systems on the market. This is made possible by the design feature that allows the understructure components — Snap-on Stringer and pedestals; or pedestals only, or bolted stringer and pedestals — to be recessed between panel edges, above the bottom surface of the panels. This feature reduces the underfloor air flow resistance to that of the pedestals only. The underside of a Tate floor is a smooth, uninterrupted, continuous plane — no matter which understructure system is required and specified.*



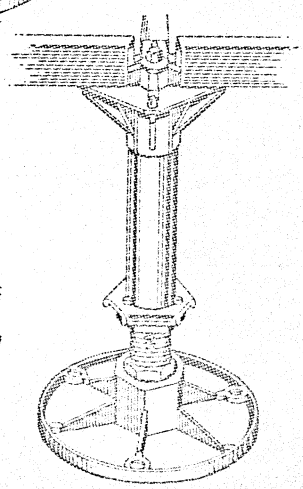
MOD 71 Snap-on Stringer System

Snap-on Stringer
Cast pedestal cap
Steel column
"Cam-lok" height adjustment locking
"Levelock" pedestal
Cast base
Provides a rigid understructure.
Stringers easily installed and removed by hand.
Positively positions supporting pedestals.
Aids in sealing plenum.



MOD 72 Pedestal Floor System

Cast pedestal cap
Panel guides for panel alignment
Locking lugs hold panel
Economical.
Most practical where frequent changes in services are anticipated.



MOD 73 Bolted Stringer System

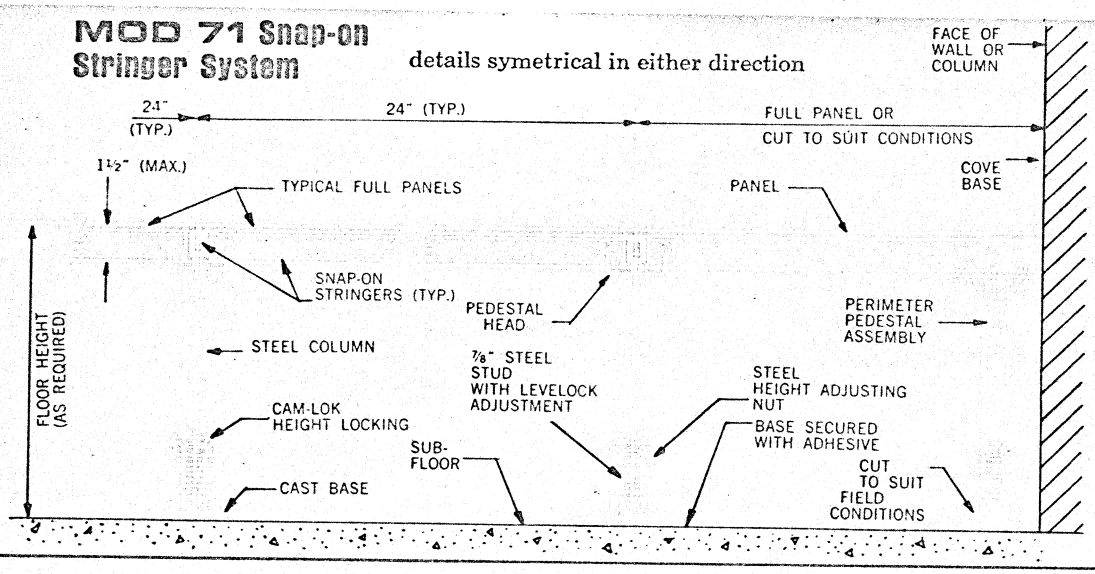
Stringer
One piece clamp locks all stringers
Cast pedestal cap
Provides most rigid understructure.
Most positive electrical grounding.
Stringers each 2' long for easy handling.

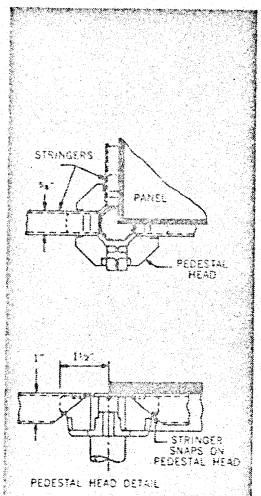
Tate products and systems are manufactured under United States patents or patents pending and foreign patents or patents pending.

details of general arrangement

MOD 71 Snap-on Stringer System

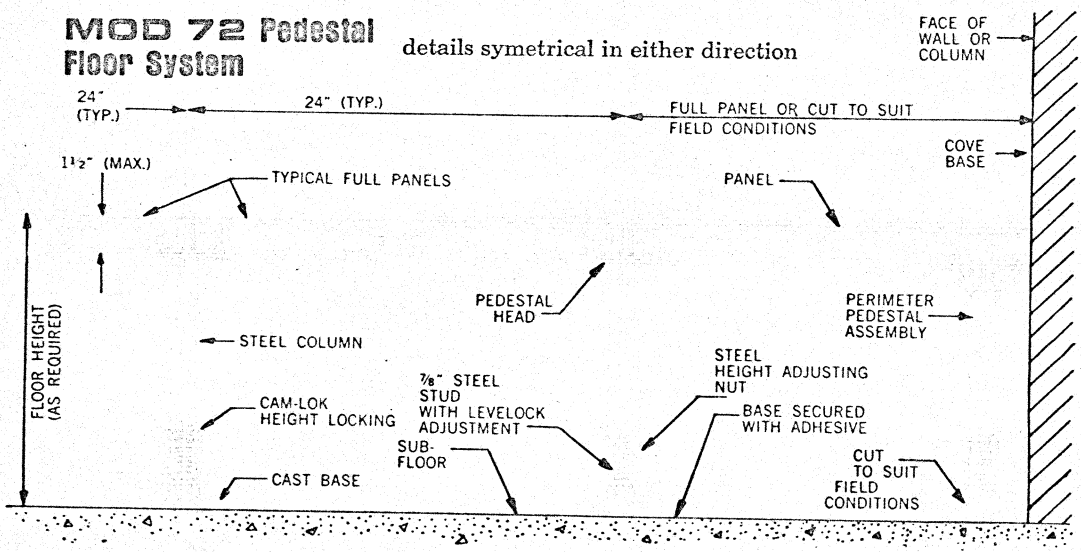
details symetrical in either direction

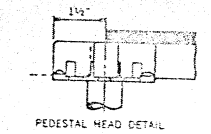


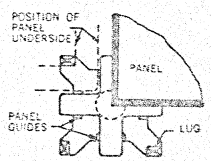


MOD 72 Pedestal Floor System

details symetrical in either direction

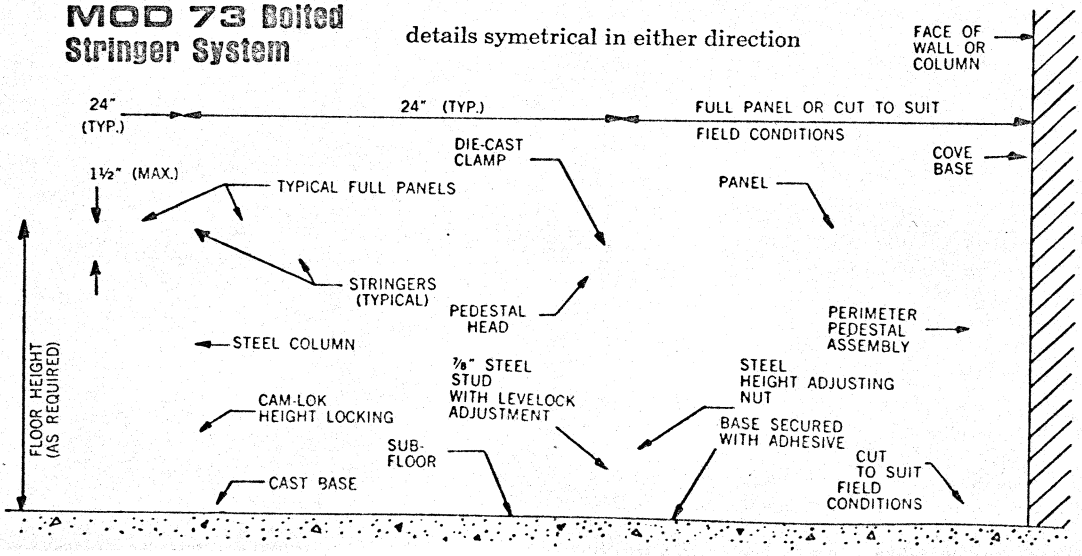


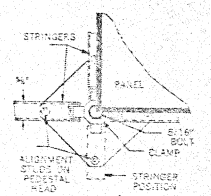


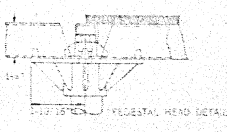


MOD 73 Bolted Stringer System

details symetrical in either direction







CARL C. CRANE, INC.

CONSULTING ENGINEERS

2702 MONROE STREET
MADISON, WISCONSIN 53711
PHONE (608)-238-4761

April 23, 1970

JN 1875

Mr. James A. Graaskamp
202 North Breeze Terrace
Madison, Wisconsin 53705

Subject: SAGE Building

Dear Mr. Graaskamp:

Enclosed are two (2) prints of a drawing showing a covered loading dock between the Power and Intermediate Buildings at the SAGE complex. Floors are at the same elevation and there are no load bearing walls that will interfere. Some footing and drainage problems are present but they can be circumvented.

Cost estimates are as follows:

1.	Painting Buildings C, D and Intermediate	$13,300.00
2.	Painting Power Building	2,300.00
3.	Build ramp, loading dock, drainage, etc.	26,500.00
4.	To close in sides of dock	6,500.00
5.	Prepare interior space for warehousing assume 3 floors @$9,300.00	27,900.00
6.	Prepare office space in Buildings C and D	4,000.00
	TOTAL	$80,500.00

The cost of interior space preparation would be the absolute minimum required to produce acceptable heated warehouse space and would be about $.50 a square foot. Most of the partitions would be removed, minimum plumbing changes to meet code requirements would be made, openings for fork lift access would be cut, and heating would be provided.

S.F., C.F. and % of TOTAL COSTS	UNIT	LOW	1/4	MEDIAN	3/4	HIGH
SCHOOLS Junior and Senior High Total project costs	S.F.	10	16.50	20	24.20	48
	C.F.	.75	1.05	1.35	1.60	3
Masonry	S.F.	1	1.90	2.25	3.25	4
Miscellaneous metals		.10	.20	.25	.45	.80
Water & dampproofing		.01	.06	.07	.11	.30
Windows		.05	.15	.25	.40	.75
Glass and Glazing		.04	.15	.25	.65	1.75
Painting		.12	.25	.35	.50	.75
Plumbing		.60	1.05	1.45	1.60	4
Heating & Ventilating		.80	1.95	2.55	2.90	4.55
Electrical		.50	1.55	2	2.50	6.50
Total: Mechanical & Electrical		2.55	4.85	5.90	7.05	12
Percentage of total; Masonry	%	4.3%	9.0%	11.7%	14.3%	19.1%
Miscellaneous metals		0.3%	0.8%	1.0%	2.3%	3.5%
Water & dampproofing		0.1%	0.3%	0.4%	0.5%	1.0%
Windows		0.3%	0.7%	1.0%	1.4%	2.6%
Glass and Glazing		0.3%	0.6%	1.5%	3.8%	7.3%
Painting		0.5%	1.1%	1.9%	2.3%	4.8%
Plumbing		3.6%	5.6%	6.7%	7.9%	16.7%
Heating & ventilating		6.0%	9.3%	11.3%	13.1%	20.0%
Electrical		5.0%	8.8%	9.9%	11.7%	22.7%
Total: Mechanical & Electrical		19.0%	27.4%	30.3%	33.0%	43.5%
Per pupil total cost	Per pupil	1,080	1,915	2,730	3,515	5,450
mechanical & electrical		380	560	770	1,060	1,600
SHOPPING CENTERS Total project costs	S.F.	7.35	9.85	11.70	14.15	25
	C.F.	.35	.60	.75	.95	1.60
SUPERMARKETS Total project costs	S.F.	7.40	10.70	12.55	14.35	22
	C.F.	.40	.65	.75	.90	1.45
Plumbing	S.F.	.25	.55	.75	1.10	1.95
Heating, ventilating, air conditioning		.60	1	1.30	1.70	2.30
Electrical	"	.90	1.35	1.55	1.95	2.95
Total: Mechanical & Electrical		1.75	2.75	3.75	4.40	6
Percentage of total; Plumbing	%	2.3%	4.2%	6.2%	8.6%	14.1%
Heating, ventilating, air conditioning		6.1%	8.3%	10.5%	12.5%	20.6%
Electrical	"	6.5%	10.6%	13.0%	15.2%	21.8%
Total: Mechanical & Electrical		15.8%	25.6%	29.2%	33.1%	49.0%
TELEPHONE EXCHANGES Total project costs	S.F.	17.50	21.50	26	29.60	41
	C.F.	.80	1.45	1.65	1.90	3
TOWN HALLS, City Halls & Municipal Bldgs. Total project costs	S.F.	10.50	17.80	22.75	27.70	52
	C.F.	.55	1.10	1.50	1.95	3.65
Plumbing	S.F.	.50	1	1.35	1.65	5.75
Heating, ventilating, air conditioning		1.25	2.35	3.35	4.45	7
Electrical	"	.80	1.50	2.15	2.85	6.50
Total: Mechanical & Electrical		2.55	4.85	6.65	8.30	19
Percentage of total; Plumbing	%	2.5%	4.6%	5.9%	7.7%	15.3%
Heating, ventilating, air conditioning		6.2%	11.8%	14.4%	17.6%	25.1%
Electrical	"	4.0%	8.7%	9.7%	11.4%	18.9%
Total: Mechanical & Electrical		15.0%	24.6%	29.8%	33.4%	45.0%
WAREHOUSES and Storage Buildings Total project costs	S.F.	3.25	6.25	8.40	10.70	26
	C.F.	.20	.30	.45	.60	1.85
Plumbing	S.F.	.05	.20	.40	.65	1.65
Heating & ventilating		.03	.25	.45	.85	2.10
Electrical	"	.12	.40	.60	.95	4.50
Total: Mechanical & Electrical		.35	1.25	1.85	2.95	9
Percentage of total; Plumbing	%	0.5%	2.8%	4.6%	7.1%	15.0%
Heating & ventilating		0.5%	2.4%	6.0%	9.0%	14.8%
Electrical	"	2.0%	5.3%	7.1%	9.7%	17.2%
Total: Mechanical & Electrical		6.5%	16.2%	21.8%	25.9%	57.0%

CARL C. CRANE, INC.
CONSULTING 2702 MONROE STREET MADISON, WISCONSIN 53711 PHONE (608)-238-4761 ENGINEERS

Floors would not be replaced, and existing lighting would remain unless low ceilings were removed.

A pleasant (not plush) office of about 400 square feet each would be provided in Buildings C and D. These offices would be heated and air conditioned.

In the enclosed cost chart, the figures for remodeling interior space (low storage rate) would give good heated, ventilated, air conditioned and nicely lighted storage space.

Please note that floors C-3 and D-2 are the floors with all the curbs and openings, which raises the cost of remodeling. The other floors run about $2.25 a square foot. The range of about $.50 per square foot for minimum acceptable space and $2.25 per square foot for low cost storage is determined by more uniform heating, the addition of air conditioning, better lighting, patched floors, better and more convenient plumbing facilities, more careful consideration in the removal of partitions, ceilings, and of unnecessary mechanical equipment.

High cost storage space would, of course, include a new suspended ceiling and floor treatment throughout, in addition to more precise temperature control plus humidity control.

The enclosed estimating sheet from "Building Construction Cost Data 1970" by Robert Snow Means Company, Incorporated, gives the range of construction costs for new warehouses for your comparison and information. Please note that mechanical and electrical costs can run more than half of the building cost. Therefore, convenience and comfort, together with requirements for seeing, and temperature and humidity control are important factors in warehousing.

Yours very truly,

CARL C. CRANE, INC.

Gordon E. Moore

Gordon E. Moore, P.E.

Enc.
GEM:lra

FLOOR AREAS (GROSS)

A. "CC" Bldg #1611:

Sub-Level	-	3,590 sq.ft.
First Floor	-	17,100 "
Second Floor	-	19,400 "
Third Floor	-	22,500 "
Command Level	-	2,550 "
Projection Level	-	2,280 "
Total (GROSS)	-	67,420 sq.ft.

B. "DC" Bldg #1211:

First Floor	-	22,500 sq.ft.
Second Floor	-	22,500 "
Third Floor	-	22,500 "
Fourth Floor	-	20,430 "
Command Level	-	1,900 "
Projection Level	-	1,635 "
Total (GROSS)		91,465 sq.ft.

C. Powerhouse Bldg #2112:

Ground Floor	-	22,000 sq.ft.
Total (GROSS)	-	22,000 sq.ft.

D. Intermediate Bldg

First Floor	-	4,500 sq.ft.
Total (GROSS)	-	4,500 sq.ft.

Sage Bldg

GENERAL INFORMATION ON SAGE COMPLEX AT TRUAX FIELD, WISCONSIN

PRINCIPAL BUILDINGS

CC Sage 1611

a. Bldg 1611 - Combat Center Facility, 30th Air Division

1. Year Constructed - 1956

2. Construction Cost - $2,165,000

3. Size - Operations Area - 48,280 SF
Administrative Area - 24,000 SF

Total - 72,280 SF 67,420 sf-g

DC Sage

b. Bldg 2111 - Direction Center Facility (Chicago ADS)

1. Year Constructed - 1956

2. Construction Cost - $2,495,000

3. Size - Operations Area - 87,550 SF
Administrative Area - 14,000 SF

Total - 101,550 SF 94,655 sf g

Floor Loading Capacity

1611

1. Combat Center Facility (30th Air Division)

1st Floor	-	300#/SF
2nd Floor	-	100#/SF
3rd Floor	-	100#/SF
Stairs	-	100#/SF
Roof	-	40#/SF

2111

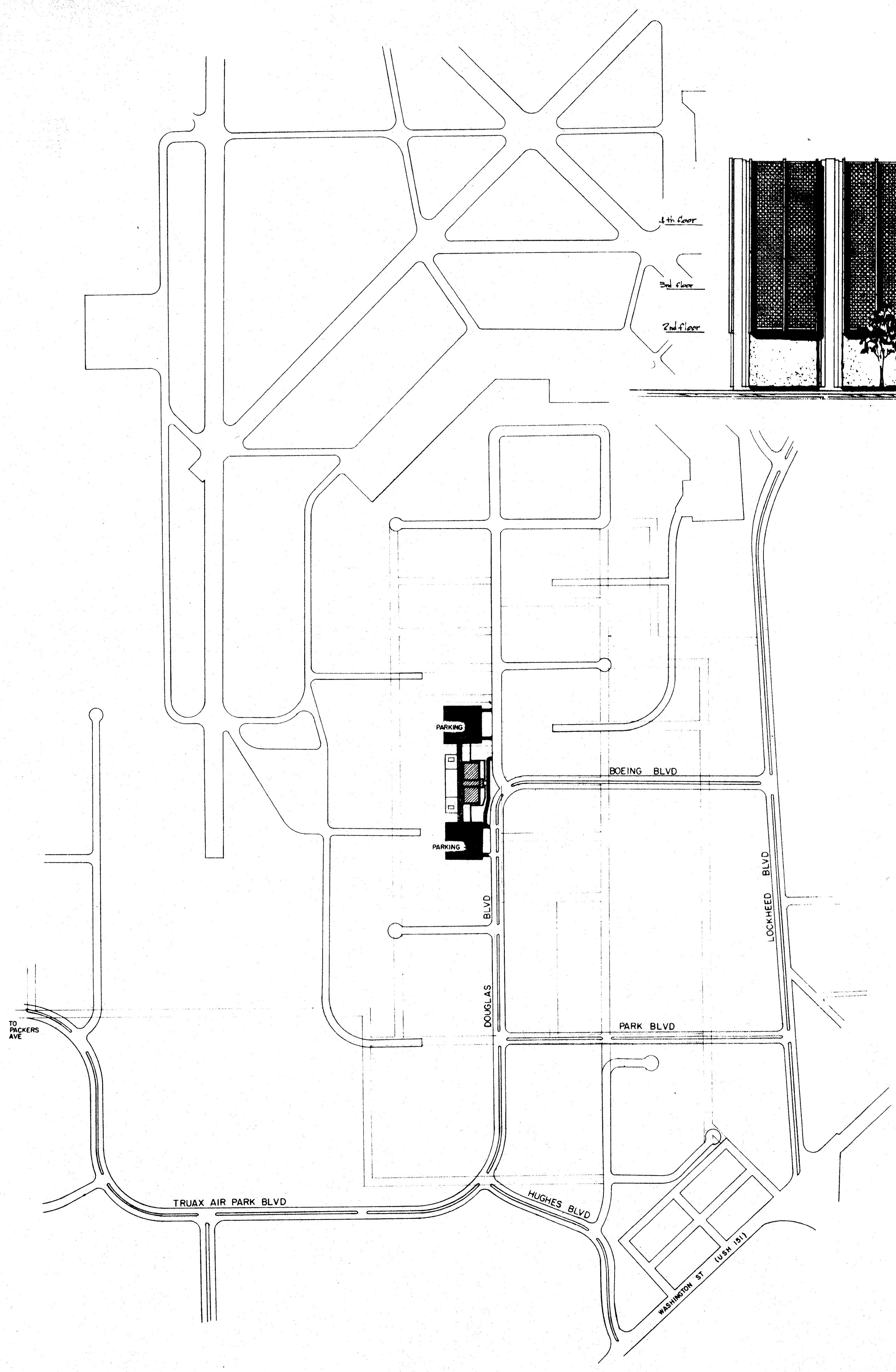
2. Direction Center Facility (Chicago ADS)

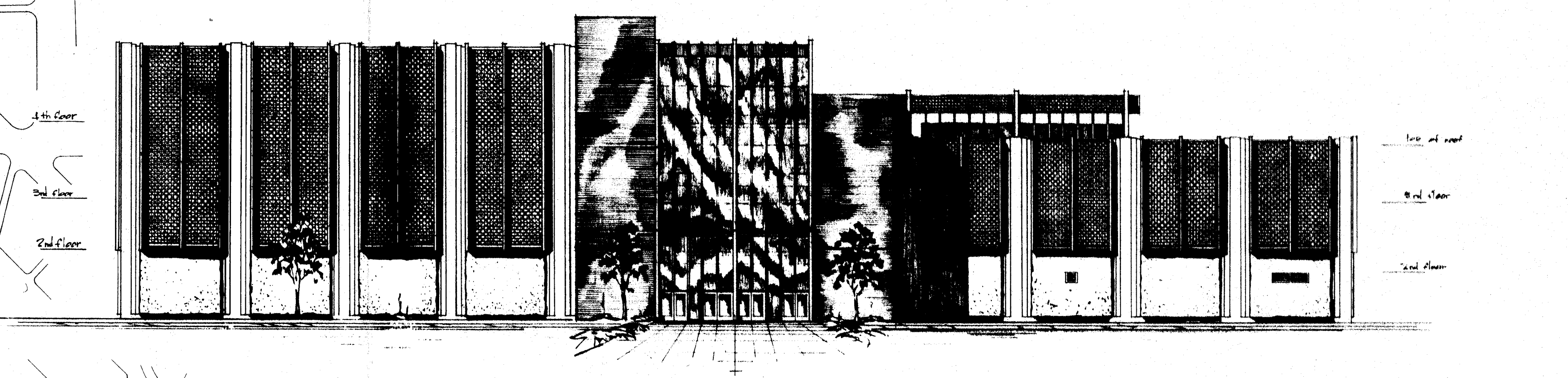
1st Floor	-	300#/SF
2nd Floor	-	300#/SF
3rd Floor	-	100#/SF
4th Floor	-	100#/SF
Stairs	-	100#/SF
Roof	-	40#/SF

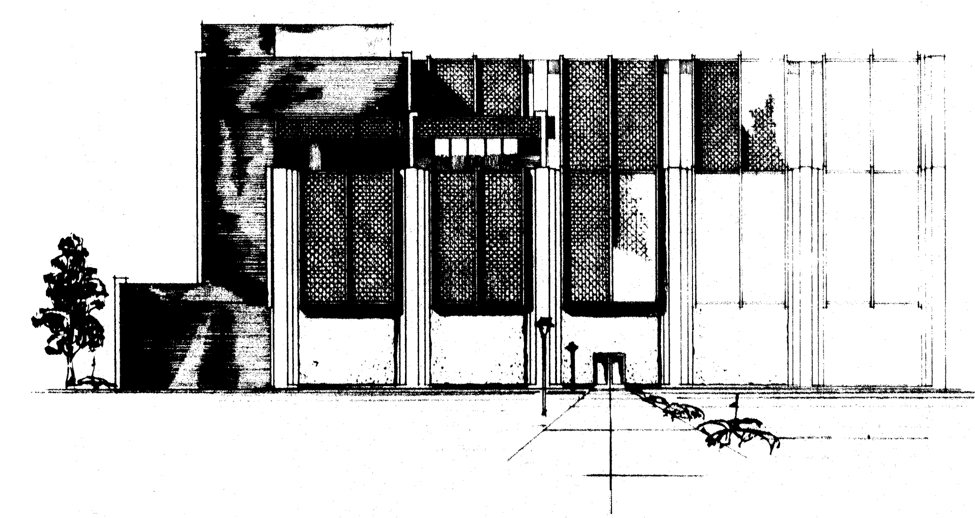
Average Yearly Government Operating Cost for SAGE Compound

	SAGE Proper	Base Support
01 Management & Engineering	$ 25,000	$ 2,500
02 Utilities Operation	200,000	--
(Labor)	90,000	--
04 Custodial Services		46,000
05 Facility Maintenance	90,000	11,000
06 Indirect Cost	28,000	--
07 Alteration & Minor Construction		1,000
	$442,000	$60,500

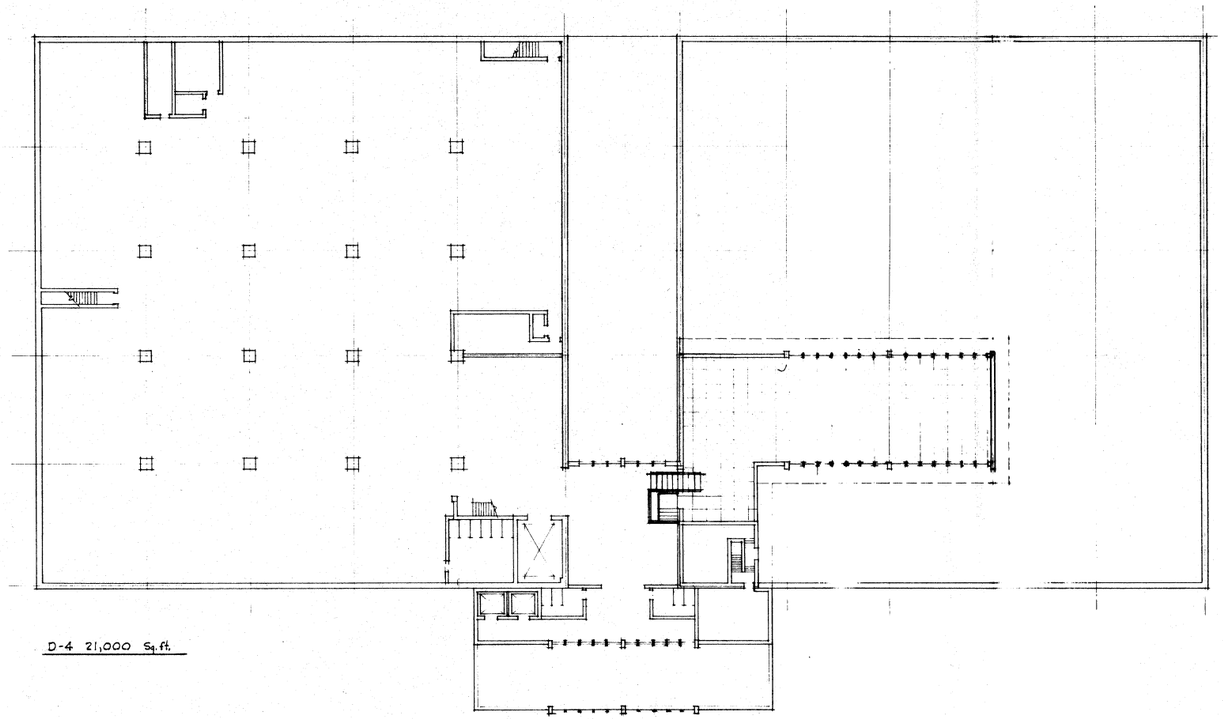
Average Total Yearly Operation Cost - $502,500


PARKING
PARKING
BOEING BLVD
DOUGLAS BLVD
LOCKHEED BLVD
PARK BLVD
TO PACKERS AVE
TRUAX AIR PARK BLVD
HUGHES BLVD
WASHINGTON ST (USH 151)

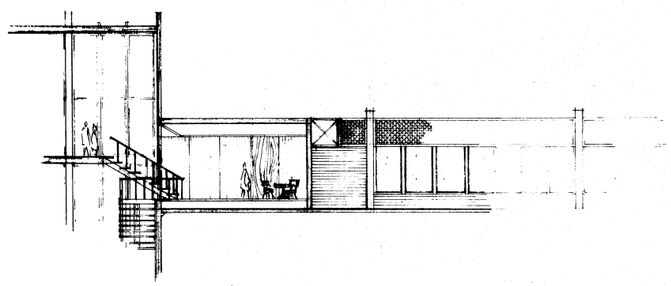

4th floor
3rd floor
2nd floor



JH 1975

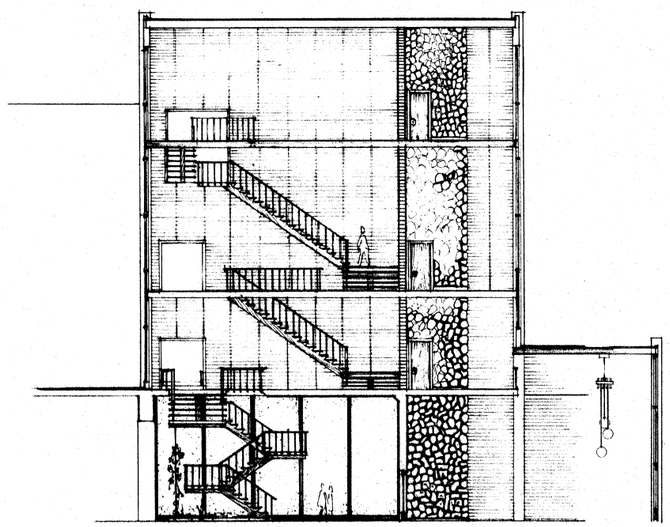


D-4 21,000 Sq ft.

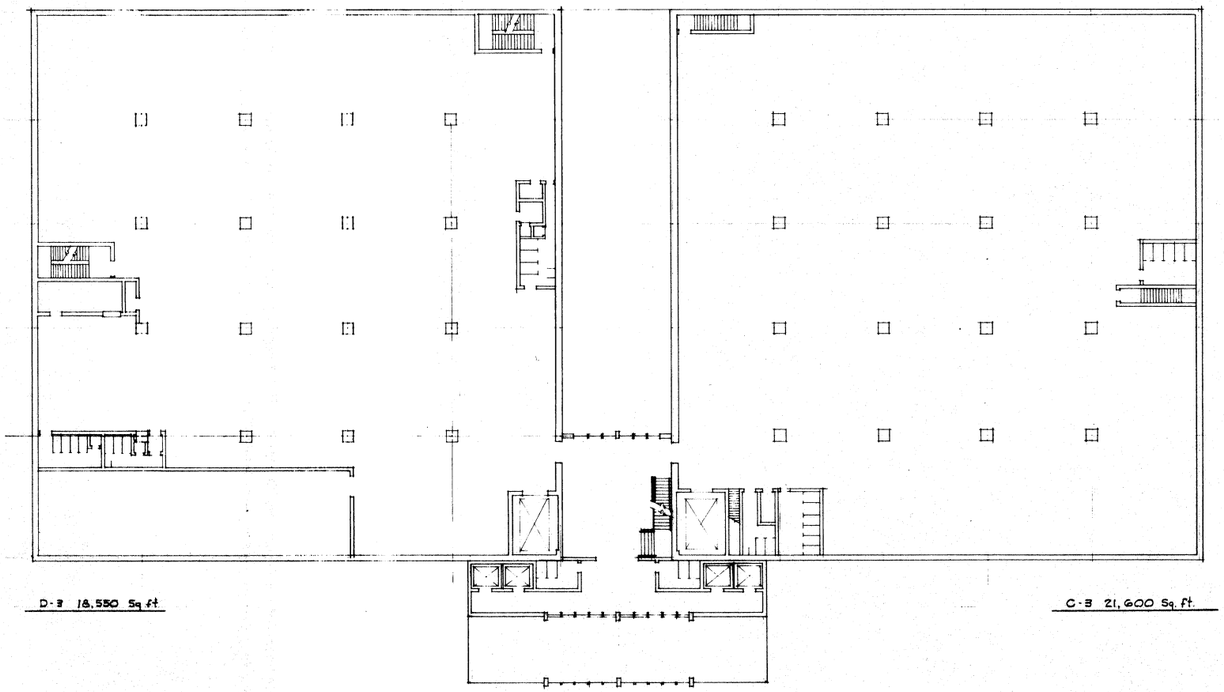


Section thru lounge entrance

FOURTH FLOOR PLAN



Section thru main lobby

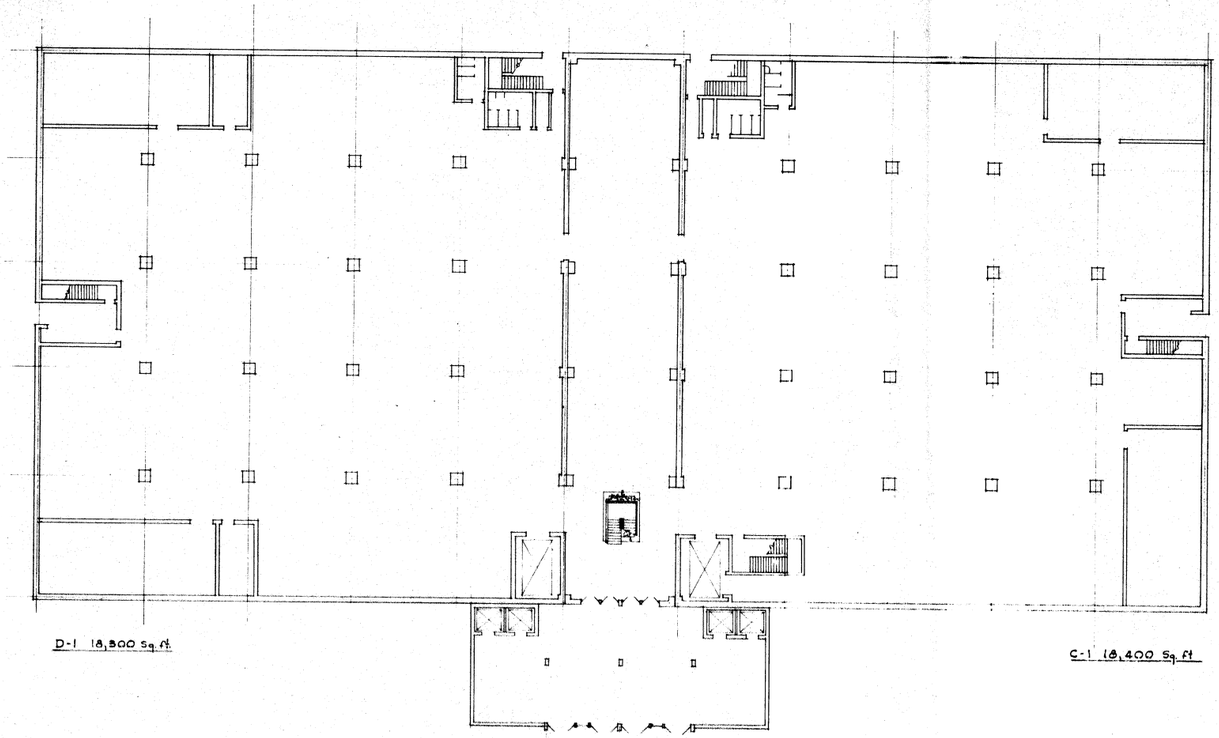


D-3 18,550 Sq ft

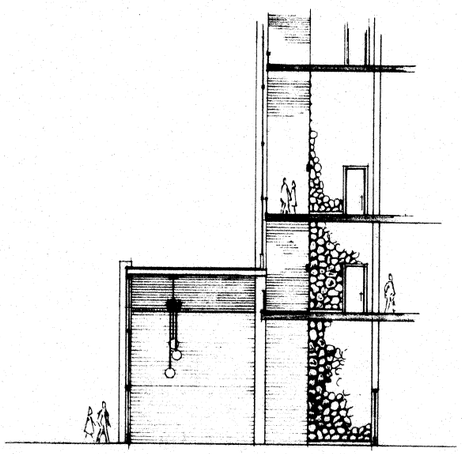
C-3 21,600 Sq. ft.

THIRD FLOOR PLAN

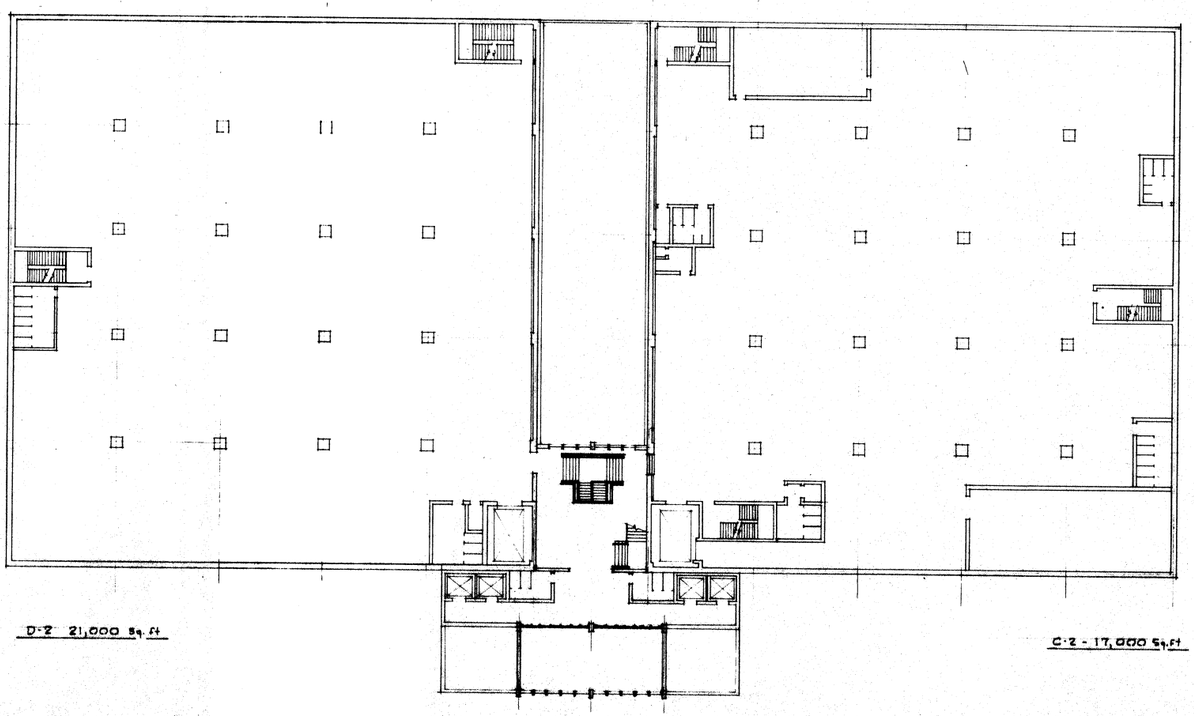
JN 1815



First Floor Plan

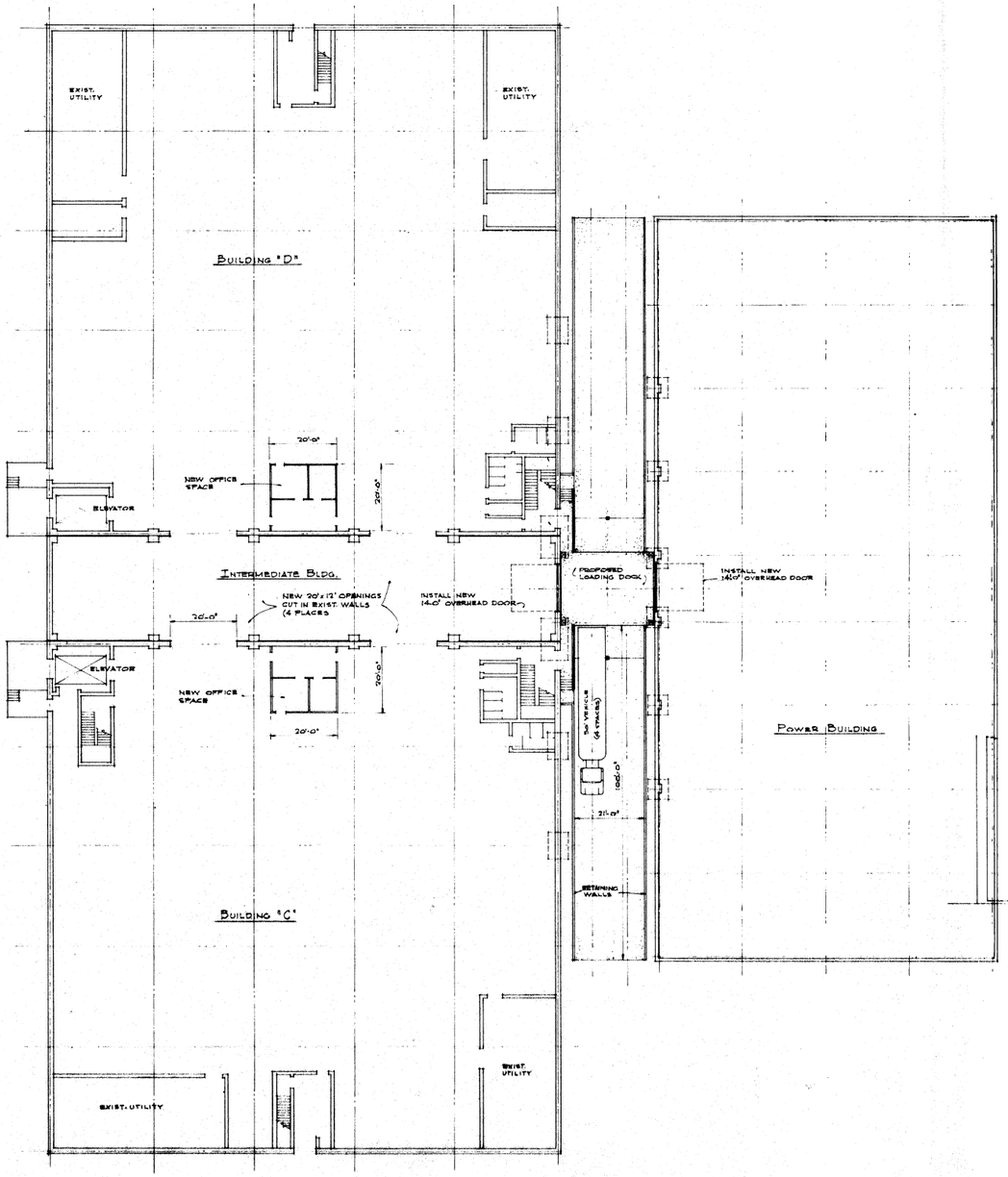


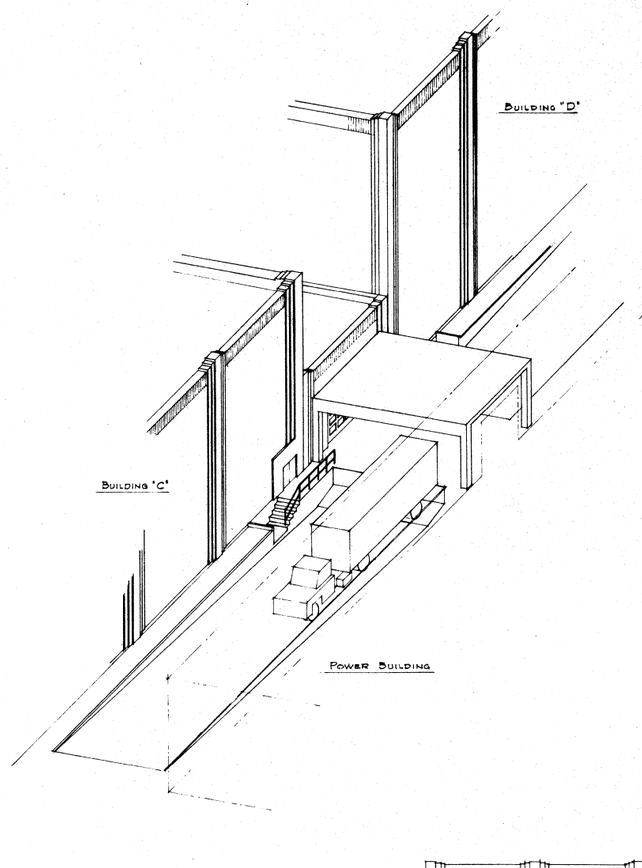
Section thru lobby entrance

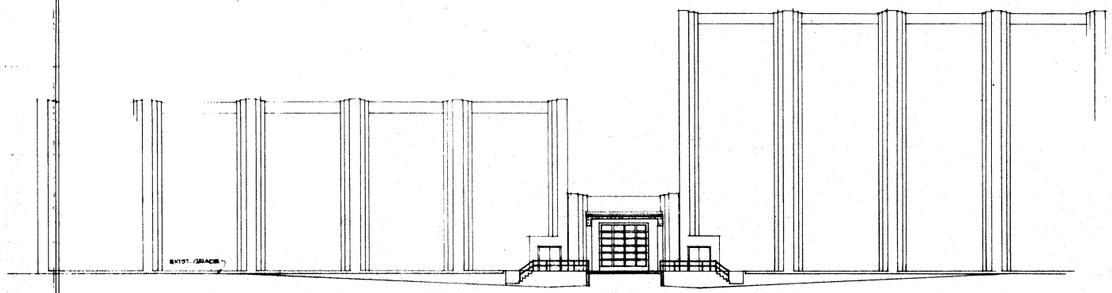


Second Floor Plan

JN 1876







SECTION THRU PROPOSED LOADING DOCKS


HEADQUARTERS
20th AIR DIVISION (SAGE)