The Logic of Lodgic

A Due Diligence Report 10/10/25
by Mark Lederer and Bob Falk, Trustees

VoSH is considering the purchase of the Lodgic building on Marshall Ct. as a new Village Hall and Police Station. As a former CFO and Professional Engineer, respectively, we have looked extensively into the feasibility of this purchase from a financial, functionality, and logistical standpoint and would like to share our thoughts and conclusions from this assessment. We bring into the discussion the due diligence information available to date. Also, we have tried to address as many of the residents' concerns as we could regarding this property.

Executive Summary

We have concluded that the purchase of Lodgic will lead to multimillion dollar savings to the Village in the near term and will provide an opportunity for long term revenue generation. It can help retain and attract quality staff and police and minimize the disruption to essential Village services that will result from alternative facility remodel/rebuild options. The purchase supports a number of objectives in our Strategic and Comprehensive plans including strengthening sustainability, recruitment and retention of staff, public safety, and economic redevelopment. Our option to purchase a nearly new fully outfitted building that meets our needs, that is within Village boundaries, and for a very fair price is a rare opportunity.

To hear how we reached these conclusions, please read on.

What are the problems we are trying to solve?

As many of you know, we have a facilities problem in the VoSH. The major Village facilities (Village Hall, Firehouse/DPW Building, and Pool Community Center) were constructed decades ago, and as they continue to age, maintenance costs continue to increase. In addition, they are not compliant with many of today's required standards, including accessibility, energy code requirements, and fire safety requirements. Furthermore, they were not designed to serve the Village's current departmental needs in an efficient, safe, or humane manner.[1] For example, space is so tight in our existing Village Hall our police officers must change into uniforms in a janitorial closet and our municipal court clerk's office is a windowless closet inside the police station that is not in compliance with Wisconsin statutes.

Over several years condition assessment evaluations by outside consultants consistently confirm the poor condition and degrading

[1] See Email and Letter from Public Works Director Tary Handschke

functionality of our facilities. Addressing these deficiencies with minimal cosmetic fixes merely pushes the problem into the future and will result in ever growing expenses. Not only are these facilities getting more expensive to operate, their out-of-date and degrading condition make it more difficult to recruit and retain staff.

As a small community providing valuable services and amenities that few other villages offer (such as local policing), we need to expand the tax base and identify other revenue sources that ease the tax burden on current and future residents. Recognizing that we have both a facilities investment requirement as well as a revenue source constraint makes it imperative that we look for new and innovative revenue sources to assure a stable financial future for our Village (such as are laid out in the University Avenue Corridor Plan).

How could we solve these problems?

For the last two years, our Services committee and the Board have been investigating various building remodeling/rebuilding alternatives to help solve the facilities problem identified above. Consultants (FGMA, Tom Degen & Assoc.) have proposed four different options that meet anticipated space needs as well as the functional requirements of the Village's departments. These alternatives included rehousing the Police (along with Public Works) at the Firehouse or rehousing all departments at the Firehouse. Construction cost estimates for these options ranged from $11.3MM to $17.4MM[2][3]. Note that MM is an abbreviation for “million”.

In the midst of these investigations, the Board became aware that the Lodgic building is for sale. It was determined that the building’s second floor office space and ample underground parking might meet our space needs requirements for our Administration and Police departments. So, the Board moved to investigate whether purchase of this building could solve some of the problems identified above and further our strategic goals.

An important consideration in our facilities assessment is that our current Village Hall sits on valuable land that the Village owns. Any facilities improvement solution that frees up this land for future sale would provide monies to offset the cost of the facilities improvement, fund other projects, reduce debt, and/or pay operating expenses. Such a sale would also expand the Village property tax base when the land and nearby properties are redeveloped.

As a fully built out community with very high land values, the options within VoSH to acquire new properties for Village facilities are extremely limited.

---

[2] See the FGMA Final Report. FGMA’s total cost for a 3 storey facility at the firehouse is $19.6MM. This cost can be reduced by $2.2MM to reflect the value and sale of existing Village Hall.

[3] $11.3MM figure is from pg.152 of Degen Preliminary Site Design Analysis The $11.3MM figure was arrived at by adding 20% for soft costs (engr, arch, FFE) to the total on pg.152 and subtracting $2.2MM to reflect the value and sale of the existing Village Hall.

This fact necessarily focuses our attention on what is available today (such as Lodgic) or redeveloping existing Village facilities. Because no option is perfect, the merits and downsides of any option can only be judged in comparison to other options.

What is the opportunity with the Lodgic building?

The Lodgic building offers a space needs and operational solution that is essentially nearly fully built spaces for our Administration and Police Departments and as detailed below at a net cost significantly lower than other options. Simply put, it solves many of the space needs and facility maintenance issues highlighted above at the lowest cost. We will discuss these cost savings shortly.

Both Administration and Police staff have toured the Lodgic building and evaluated the building's layout and design. A reconfiguration of the second floor office spaces to provide security for the Police department and improve operational work flow is required. However, this investment would be modest (see below) and both departments enthusiastically support the purchase of this building because it provides an immediate solution to their space needs issues.[4]

Also important is that new, renovated, or reconstructed facilities can be a valuable tool for retaining and recruiting staff. We anticipate that the labor market will continue to be very competitive (particularly for police) and the cost of replacing and training new staff will be high, particularly when the staff is small and there is minimal backup or overlap. In short, better facilities will help retain and recruit staff.

In addition to meeting the operational needs of our departments, the Lodgic building would also offer Village resident amenities, such as a large furnished community room, Board and committee meeting rooms, and adequate space for voting. Ample parking is available in a two-floor underground parking structure.

The Lodgic building is nearly new and in excellent condition[5]. This purchase would eliminate the rising maintenance costs associated with our existing Village Hall. The first floor of Lodgic houses a daycare that can accommodate 50 children as well as a fully equipped and furnished restaurant space. These spaces are valuable amenities to the community and have income potential that we will discuss later.

[4] See letter from Police Chief Jamie Weitzel Weitzel Letter
[5] See 8/15/25 Lodgic Engineering Inspection Report

What will Lodgic cost?

The VoSH currently has an option to purchase the Lodgic building for $6.5MM. Unlike most building purchases that include only the empty building shell, this price includes all furnishings and equipment, including nearly new high end office furniture, energy efficient lighting, an extensive security system, audio/visual equipment, a fully equipped daycare and restaurant, computer server equipment, fully integrated backup generator, solar roof, office equipment and supplies, etc. These items add significant value to the building. The building does require an initial remodel on the second floor to address work flow, access, and security to meet required administration and police operations. An architect and builder have provided preliminary plans and estimate that $0.42MM[6] would be required to alter the necessary spaces, install secure doors and modify the second floor reception area. These initial modifications would make the building accessible to residents for public services while providing secure spaces necessary for Police operations and reconfigured office and secure storage space for efficient departmental functions.

As stated earlier, any facilities improvement option that frees up the current Village Hall provides an opportunity to monetize that valuable property. Purchasing the Lodgic building would allow the current Village Hall to be sold. A recent appraisal of the current Village Hall puts its market value at $2.25MM[7]. For purposes of this discussion we assume that the sale proceeds of the existing Village Hall property would be used to offset the cost of Lodgic and we have applied the same offset to other renovate/rebuild options that free up this property. Furthermore, the sale may spur redevelopment in the area leading to an expansion of the tax base.

Note also that the $11.3MM to $17.4MM options referenced above include remodeling the firehouse to accommodate upgrades needed by Public Works. To compare fairly with those options, the Lodgic option needs to include costs of these firehouse upgrades. We anticipate a $2MM cost for this Firehouse/Public Works remodel[8] in the options below.

---

[6] Sketchworks Architecture/Ideal Builders 10/06/25 construction estimate ($416,671). Available from Village Hall.

[7] 10/6/25 Appraisal of current Village Hall by Scott Appraisal, LLC.

[8] See Trustee Bassuner Board Meeting Handout of 2/24/25. A remodel of the Firehouse to meet Public Works was estimated to cost between $1.8MM - $2.0MM.

So, the Lodgic option will cost:

+$6.5MM purchase cost
+$0.4MM initial remodel
=$6.9MM subtotal upfront cost

+$2.0MM future public works remodel
-$2.2MM future sale of current Village Hall
$6.7MM total

What are our options if we do not purchase Lodgic?

The purchase of Lodgic must be judged in comparison to other available options. As mentioned earlier, four rebuilding/renovation options have been proposed to address our facilities needs and range from $11.3MM to $17.4MM.

A more recent proposal by Degen & Assoc. provides a "Village Hall Addition" option to remodel our existing Village Hall to house Administration and the Police Department.[9] As noted in Degen's proposal, the projected cost is $4.1MM for the renovation of the existing Village Hall plus an added $1.9MM for a Police addition for a total of $6.0MM.

An additional cost of this option is the rising cost of construction. The current inflation rate for construction is estimated at 8%[10]. It would likely take 12 months (or longer) to initiate, design, hold public hearings, approve, solicit bids, find alternative housing for staff, and execute the remodel. This execution time of the project would result in inflationary costs and would increase the cost by $0.5MM ($6.0MM x 0.08). Note that every year a project is delayed results in an extra 8% in cost, assuming this current inflationary trend continues.

Also, this estimate does not include the "soft costs" associated with engineering and architecture fees nor the cost of required furnishings, fixtures, and equipment (FFE). These soft costs can range from 10% to 40%, depending on building type. Assuming a 20% soft cost, an additional $1.3MM ($6.5MM x 0.2) would need to be added to the total.

To be comparable to the cost of Lodgic and the other options presented, the costs to remodel the Firehouse/Public Works must also be included ($2.0MM). Also, because this option involves the remodel of the existing Village Hall, there is no $2.2MM sale offset.

[9] See pg. 41 of Degen Village Hall Addition
[10] Verbal estimate provided by Tom Degen on 8/19/25. See pg 145 of Degen Preliminary Site Design Study

So, the Degen Village Hall Addition option is estimated to cost:

+$6.0MM construction cost
+$1.3MM soft costs
+$0.5MM annual construction cost inflation
+$2.0MM Public Works remodel
$9.8MM total

Further, the above option does not address the need to find temporary working locations for the Administration and Police departments during a lengthy construction process. It's important to recognize that there will be disruption to resident services. Costs of these factors are difficult to estimate, however an AI search provided the following information:

"When a small police department moves during a station remodel, costs go beyond standard moving expenses and can run into the tens of thousands or hundreds of thousands of dollars. Expenses are primarily driven by the need for secure temporary facilities, moving sensitive evidence and equipment, and relocating complex IT and communications systems."[11]

It is important to note that police service (and associated communication systems) cannot be interrupted making it difficult to reside in-place during a remodel. When factoring in the transition costs associated with this option, we believe the total cost of this Village Hall Addition option will end up costing in excess of $9.8MM while creating disruption and extensive inconvenience to residents and staff.

Conclusions

We conclude that the purchase of Lodgic will result in multimillion dollar savings in the short-term ($6.7MM vs. $9.8MM) and provide opportunity for long term revenue generation. It will address our departmental operational needs and also help retain and attract quality staff and police. And, the purchase of Lodgic will minimize the disruption to essential Village services that will result from alternative facility remodel/rebuild options. Our option to purchase a nearly new fully outfitted building that meets our needs, that is within Village boundaries, and for a fair price is a rare opportunity. We recognize that is not a perfect solution (no option is), but we believe it to be a much better option than any alternatives presented to date.

The projected savings of $3.1MM ($9.8MM - $6.7MM) realized from purchasing Lodgic could be used to improve other facilities, such as the pool and/or McKenna Park. This option also allows for the monetization of the existing Village Hall property that provides resale value and long term tax revenue through redevelopment. This purchase will eliminate delays in addressing our facilities needs, avoid future cost increases, as well as

[11] Google AI search 2025

minimize adverse construction related impacts; such as noise, construction traffic, and disruption of service to residents and staff.

Some residents have argued that financial concerns should not be the sole criteria in evaluating our options. We wholeheartedly agree. Also uppermost in our minds is providing our staff with an efficient, safe and pleasant workplace. We are also mindful that any move will be a burden on the staff and residents alike and we believe the move to Lodgic will be far easier for everyone than renovating in-place. Any major renovation of Village buildings will be far more inefficient, costly and stressful than relocating to a move-in ready building.

While some suggest that the Lodgic building is not central enough, we believe this potential shortcoming is outweighed by the fiscal savings, minimal disruption, and functional improvements the Lodgic location offers to the Village.

We also recognize that this opportunity to purchase is on a short timeline. This is not ideal, but it is often a reality in real estate transactions. Our option to purchase a nearly new fully outfitted building that meets our needs, that is within Village boundaries, and for a fair price is a rare opportunity.

Potential Income, Operating Costs, Resident Concerns, and Other Thoughts

What is the history of the Lodgic building? Why has it remained empty?

The Lodgic building is two stories with office space and a community room on the second floor.[12] The first floor is divided and houses a daycare (4.300 sf) with capacity for 50 children as well as restaurant space (6,400 sf), a bar, and event spaces.The second floor is office space.The building includes two floors of underground parking (64 spaces). The building originally cost $12MM to construct in 2019 and was offered for sale for $8.0MM.

The Lodgic building is owned by Moose International, a fraternal and philanthropic organization. In 2019, Moose opened three Lodgic properties (Madison, WI; Champaign-Urbana, IL; Louisville, KY). They were described as facilities that combine co-working spaces, flexible childcare, and diverse food and beverage services.

According to the Lodgic building manager, the Madison location was doing well financially (daycare was full with a waiting list, restaurant was busy, and the office space was full) when it closed in early 2023. This success occurred though University Ave was under construction. We were told that the other two Lodgic locations were not doing well financially and Moose decided to cease ALL operations in ALL Lodgic facilities, despite the Madison location's success. Since that time, Moose has not been interested in leasing the property despite much local interest to do so.

Why is the Lodgic purchase a preferred option to rebuilding or remodeling existing facilities?

The purchase of Lodgic is a fixed cost, nearly built out solution that will provide almost immediate occupancy. Other options that rely on new construction or heavy remodeling are subject to lengthy design and construction schedules, potential disruption of Village services, costly and inconvenient relocation of departments, and the rapidly rising costs of construction. Construction costs and schedules can be highly variable, making it difficult to predict actual future costs. More often than not, construction projects end up costing more and taking more time than planned. This is particularly true in today's environment with supply chain issues, variable tariffs, and labor shortages. In short, anything we can do to avoid major construction or remodeling will help ensure that predicted costs are in line with actual costs and avoid lengthy disruption of services from our departments.

[12] See Lodgic Brochure

How would we pay for Lodgic?

The Board has recognized the importance and need for better facilities and allocated $6.4MM in our Capital Improvement Plan (CIP) for facilities improvement in 2025-2026 and an additional $1.0MM for Community Center improvement. The Finance Committee recommended a plan to finance this spending which the Board previously adopted as part of the CIP. Preliminary modeling by our financial advisors Baird suggests that VoSH has some additional debt capacity should the Board choose to incur more debt to fund facilities or other capital projects while retaining a strong credit rating. If the Board approves the acquisition of Lodgic, the Finance Committee is scheduled to review and discuss financing options laid out by Baird, a Village financial advisor, in advance of the Board's approval of an updated Capital Investment Plan and 2026 Budget.

Is the price paid for Lodgic a fair one?

According to accessdane.org (Dane Co. property data website), the Lodgic building has a fair market value of $6,563,776. An independent, and very recent, market appraisal[13] places its market value at $7,020,000. This appraisal is for the building only and does not include all the furnishings, fixtures, and equipment (FFE) included in our option to purchase. For this reason, we believe that $6.5MM is a very fair price.

Does the Lodgic building have income potential?

The existing (and fully furnished) daycare and restaurant on the first floor of Lodgic have potential to be leased and could generate income to offset the building's operating costs.The rental of parking spaces could also generate income if it is found that spaces are unused.

It has been suggested that VoSH should not be in the restaurant or daycare business. We agree. However, the Village has been involved in the leasing business for decades. VoSH currently leases Village owned land (94 acres) and a Country club building (also owned by VoSH) to the Blackhawk Country Club that runs a bar, restaurant, and golf course. That lease currently generates about $130,000 per year. VoSH is not involved in day-to-day operations, nor should it be. We only negotiate the lease and cash the checks.

The same type of model for the Lodgic building is envisioned. VoSH would not run a daycare or restaurant. The spaces would be leased. A property manager would be retained (typically at a cost of 4%-5% of gross income) to manage day-to-day operations. This property manager would not be part of our Village staff. We anticipate the daycare and restaurant tenants will be responsible for their own insurance, their share of utilities, custodial services, and other operating costs (triple net lease or NNN). It should also be noted that several daycare and restaurant groups have expressed interest in leasing the first floor. One daycare group would like to convert

[13] 10/09/25 Appraisal of Lodgic by Scott Appraisal, LLC.

the entire first floor to daycare. Despite this demand, the building owners (Moose International) have declined to lease the building and will only entertain a sale.

The following income estimates are based on a recent market appraisal/rental estimate[14].

Restaurant: The current market estimate for rent is $30/sf and the restaurant area consists of 6,400 sf;

$30/sf X 6,400 sf = $192,000 per year, NNN.

Daycare: The current market estimate for rent is $40/sf and the daycare area is 4,300 sf;

$40/sf X 4,300 sf = $172,000 per year, NNN.

So, the potential gross income for daycare and restaurant could be $364,000 ($192,000 + $172,000) per year. If vacancy losses of 5% are assumed (-$18,250) as well as CAM charges of $0.50/sf (-$5,350):

Net Daycare and Restaurant Operating Income: $340,400

We believe that any income from Lodgic should be used to first pay operational costs. Any residual income could be invested in a “rainy day fund” to cover maintenance issues, provide for gaps or interruptions in leases, or other unanticipated costs.

Logic is a large building. What are the operating costs in comparison to our existing Village Hall?

The owner of Lodgic ran the building as a single business, meaning it did not sublet any of the spaces. Therefore, the owner was and is responsible for paying all the operating costs. VoSH would manage the property differently, leasing the first floor pursuant to triple net lease where the tenant pays their share of all the operating costs. That would leave VoSH to only pay the operating costs for its share of the building it occupies. That cost is estimated at $6,000 per month. In comparison, the monthly operating costs of our existing Village Hall averages about $4300 per month and includes utilities (MGE), internet services, and building insurance.Therefore, when Village Hall is sold, the net increase in operating costs for the Village would be:

($6,000 - $4,300) x 12 months = $20,400 per year.

This increase could easily be covered by a daycare lease ($172,000).

If we have no tenants, which could be the case for 3 to 6 months until we negotiate a lease, the operating cost per month would increase because of

[14] See pg 92 of Appraisal of Lodgic by Scott Appraisal, LLC.

the lack of tenant cost share. We estimate that cost could be up to $10,000 per month. While this monthly cost could be high, we expect that any loss of occupancy will be temporary, given the interest already shown in leasing the Lodgic spaces. We calculate that the revenue streams created by the daycare and restaurant would rapidly overtake temporary occupancy losses and will deliver positive net income after lease negotiation and startup.

Can a daycare and a police department reside in the same building?

The Wisconsin Department of Children and Families (the department that authorizes daycares) has been consulted regarding this question. They are familiar with the Lodgic building and when we suggested that we would like to move our police department to the second floor of the building, they held a meeting among their childcare specialists and offered that there should be no problem as long as the daycare on the first floor is secure and has pass key entry (which it does) and the police department had a similarly secured, but non-adjoining space (which it would have because it would reside on the second floor). That said, a final decision would require application by a daycare tenant.

Can a municipal court and a restaurant/bar reside in the same building?

The following is a direct quote of the appropriate Wisconsin Statute.

Wisconsin Statute 755.09 Office, where kept.

(1) *The governing body of the city, village, or town shall provide the judge with an office or appropriate work space other than at a place prohibited under sub. (2).*

(2) No judge may keep his or her office or hold court in any tavern, or in any room in which intoxicating liquors are sold, ***or in any room connecting with a tavern*** *or room in which intoxicating liquors are sold.*

Note that the statute does not refer to a building, but rooms. In the case of Lodgic, the municipal court would take place on the second floor. The restaurant/bar would be on the first floor. Is this considered a “connection”? This question will likely require a legal determination. If such a determination results in a disallowance of cohabitation, the current restaurant space could be leased to a non-alcohol business, such as the daycare business that wants to lease the entire first floor.

Is traffic going to be a problem on Marshall Ct. and make it difficult to access and park at Lodgic?

Increasing traffic near the UW hospital and all along University Ave. is an ongoing inconvenience for Village residents. A recent traffic study[15] indicates that Marshall Ct. has an average weekday daily traffic count of 1642 vehicles. A 2019 Madison traffic study[16] indicates that Shorewood Blvd (between University Ave and Harvard) has an average weekday daily traffic count of 5650 vehicles.

So, despite some residents' perceptions, the traffic volume near the Lodgic building is only one-third of the traffic we experience near our current Village Hall. In addition, traffic maximums on Marshall Ct. are, as one would expect, at commuter times. Traffic peaks in the morning between 7AM and 8am with an average volume of 152 vehicles during that hour. Afternoon traffic peaks between 4pm and 5pm with an average volume of 241 vehicles during that hour.

In conclusion, the traffic near Lodgic is much less than near our current Village Hall and the density of this traffic is concentrated at commuter hours. Also, the ample parking (64 stalls) should provide plenty of parking for residents.

And Finally……

A big thank you if you have read this far. We appreciate your willingness to read through our analysis and due diligence. Please reach out if you have any questions, suggestions, or need clarification on anything we have written.

Best, Bob Falk & Mark Lederer

[15] See Marshall Ct. Traffic Study by Town & Country Engineering. Available upon request.
[16] See City of Madison Traffic Study