

REAL ESTATE

Acquisition and Disposal.

17 December 1947

CONFIDENTIAL
Via
Secy, Services (Hans J. Law)

MEMORANDUM FOR THE EXECUTIVE FOR A&E

Subject: Relocation of [REDACTED]

References: a. Memo of 5 December 1947 from the ADO
for the Director.
b. Memo of 2 December 1947 from the Chief,
Services to the Executive for A&E.

1. The reference memoranda in effect present the joint recommendations of the ADO and the Chief, Services, for the purchase of 86 acres of land near [REDACTED]. The alternative to purchase is a lease arrangement at \$5,600 for 65 acres of the tract and an unknown amount for the remaining 30 acres.

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2. For purposes of argument, we will assume the 30 acre rental to be \$1,400 or a total of \$5,000 a year for the full area. Rental at a figure of \$5,000 per year would establish a limitation on permanent improvements installed at Government expense to the amount of \$1,250 for the full period of occupancy, i.e. only 25% of the first year's rental may be expended during the entire life of the lease. Items (c) and (d) in paragraph 7 of Reference b are clearly such permanent improvements, and are estimated to require the expenditure of \$3,000. We agree with the Chief, Services that he must make allowance for contingencies in section (m) of paragraph 7 of Reference b, and we further agree that experience has shown that a certain portion of such contingencies would be required for improvements or construction which would have to be considered permanent. It is evident that present specifications require permanent improvements in the amount of not less than \$5,000, an amount far in excess of the rigid limitations of the Economy Act. It is obvious that a lease arrangement would not be satisfactory unless the specifications are changed to meet the objection.

3. With reference to the purchase of this property, it should first be pointed out that the only Appropriation available for expenditure in the acquisition of real property is contained in the War Department Appropriation for the fiscal year 1947 in a limitation applicable to Atomic Energy activities. A portion of that Appropriation was made available to support Central Intelligence activities. By its terms, this limitation is a two year Appropriation, available until 30 June 1948.

CONFIDENTIAL

Executive for AMM

-2-

17 December 1947

4. In considering the purchase of real property as opposed to lease, a final administrative determination should be made by the head of the department of the best interests of the Government under all circumstances then known to him or capable of estimation by him. A primary factor in such a determination is the permanency of occupancy. Determination on this point would influence the next consideration for balancing the cost of purchase against the cost of rental. Thus, assuming that the cost of purchase would be \$90,000 for 95 acres, it should be kept in mind that this is the equivalent of 15 years rental at \$5,000 a year. Consequently, if a probability of change within ten or fifteen years were foreseen, other factors being equal, the lease arrangement would be preferable. The question of necessary permanent improvements is not normally a decisive factor but may be taken into consideration. Any possibility of increase in value is, strictly speaking, not an item for consideration, as acquisition should be based on the Government's need for permanent occupancy. We feel that an administrative determination based on the above considerations would not be questioned.

5. For your information, in the event of negotiations either for rent or purchase, the War Department Corps of Engineers has indicated a willingness to assist in appraisals or similar details.

LAWRENCE R. HOLLIFORD
General Counsel

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