

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, May 15, 1947. The Board met in the Board Room at 10:40 a.m.

PRESENT: Mr. Szymczak
Mr. Draper
Mr. Evans

Mr. Carpenter, Secretary
Mr. Sherman, Assistant Secretary
Mr. Morrill, Special Adviser
Mr. Thurston, Assistant to the Chairman
Mr. Smead, Director of the Division of Bank Operations
Mr. Vest, General Counsel
Mr. Leonard, Director of the Division of Examinations

ALSO PRESENT: Mr. Brainard, Chairman of the Federal Reserve Bank of Cleveland
Mr. Gidney, President of the Federal Reserve Bank of Cleveland

In accordance with the decision at the meeting of the Board on May 13, 1947, Messrs. Brainard and Gidney were present for the purpose of discussing with the Board the purchase of the Chamber of Commerce Building in Cincinnati on the basis outlined in Mr. Gidney's letter of April 29, 1947.

Mr. Gidney stated that the lease on the present quarters of the Cincinnati Branch of the Federal Reserve Bank of Cleveland in the Chamber of Commerce Building would expire in 1952, that the directors of the branch and of the head office had been studying the matter for some time, that they had come to the unanimous conclusion, which was also shared by Mr. Lazar, Vice President in charge of the Cincinnati

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Branch, that the best solution to their space problem would be to purchase the building in which the branch is now located, and that the Bank held an option to buy which would expire July 17, 1947. He added that the purchase of this building, which stands on land owned by the Federal Reserve Bank of Cleveland since 1920, could now be made on the basis outlined in his letter of April 29, and that this would represent a substantial saving as compared with construction of new branch quarters, since the Cincinnati Chamber of Commerce, which erected the building in 1925, was willing to sell its equity for a price which would permit the Bank to consummate the purchase for approximately the original cost less depreciation.

Mr. Gidney went on to say that a tentative survey of the practicability of adapting the building to meet the space needs of the branch had been made at their request by Frederick W. Garber, an architect in Cincinnati, that under date of May 6, 1947, he had informed them that the building was in better than average condition and that maintenance work now required and immediate remodeling for bank occupancy could be completed at an estimated cost of between \$100,000 and \$150,000. He also said that, if the building were purchased, it would be contemplated that within the next five or six years additional expenditures should be made for alterations and repairs, including air conditioning, that the total

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cost of all contemplated alterations and repairs should not exceed \$800,000, and that the total investment in the building, exclusive of land and vaults which are now owned by the Cleveland Bank, would not exceed two million dollars when all improvements were completed. He added that in his opinion the proposed purchase was the best of the available solutions of the problem.

With respect to the possibilities of renewing the present lease which expires October 31, 1952, Mr. Gidney stated that he felt sure a renewal could be arranged but probably at a substantial increase in rent, that if the lease were renewed some remodeling would be necessary in order to make the present quarters more satisfactory for banking operations, and that the Bank would prefer to undertake these alterations as an owner rather than as a tenant.

Mr. Brainard stated that the directors of the head office met with the directors of the branch last Thursday, that they were unanimously of the opinion that the purchase would be a good business proposition, that the building could be made to provide space as satisfactory as could be obtained at this time, that it would allow for expansion or contraction to meet future needs, that the location was excellent, that it was more desirable to purchase a building already constructed than to undertake erection of a new

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building during the next two or three years, and that the only reason the Bank could get the building on the favorable terms proposed was because of the unusual circumstances involved.

In response to an inquiry, Mr. Vest stated that the present statutory limit on expenditures for Federal Reserve branch bank buildings applied only to expenditures for the construction of buildings and that technically it would not preclude purchase of an existing building. He added, however, that in view of the circumstances referred to in Mr. Smead's memorandum of May 12, to which reference was made at the meeting of the Board on May 13, 1947, it would seem unwise to undertake the purchase without the approval of Congress, especially since a bill had been introduced at this session of Congress which would remove the limitation on the cost of Federal Reserve branch bank buildings but which had not yet been approved.

At this point Chairman Eccles entered the meeting, and after a discussion he stated that the principal question was one of getting legislative authority for the purchase of the building since the transaction appeared to be acceptable to all concerned from a practicable standpoint, and that he did not know whether legislation could be enacted prior to the expiration on July 17, 1947, of the purchase option presently held by the Cleveland Bank. He then reviewed the decision reached at the meeting of the Board on May 13, stating that

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it had been agreed that he would discuss with the Chairmen of the House and Senate Banking and Currency Committees the question of legislation relating to Federal Reserve branch buildings, that the most desirable alternative would be removal of the present limitation on expenditures for such buildings, that a second alternative would be to obtain blanket authority for the expenditure for branch buildings during the next year or so of ten or fifteen million dollars, and that the third alternative would be to ask Congress for specific authority to undertake construction in cases where emergency needs existed.

Mr. Gidney said that if the Board were willing to indicate that it would favor the purchase, he would ask the Cincinnati Chamber of Commerce for an option which would be exercised as soon as the necessary legislation was passed. With respect to the proposed twenty-year lease to the Chamber of Commerce of the space which it occupies at the present time, Mr. Gidney said he would undertake to get an agreement for a lease for ten years or a lease which would provide for an adjustment of the rental from time to time in accordance with going rates in Cincinnati.

It was agreed unanimously that (1) the Board would interpose no objection to the purchase of the Chamber of Commerce Building in accordance with the terms outlined by Messrs. Brainard and

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Gidney, provided legislation authorizing the purchase was enacted by Congress; and (2) a letter would be sent to Mr. Gidney setting forth the understanding reached at this meeting.

Secretary's Note: The letter sent to Mr. Gidney in accordance with this action read as follows:

"This letter is to confirm the advice regarding the purchase of the Cincinnati Chamber of Commerce building given you and Mr. Brainard when you met with the Board of Governors yesterday at which time you stated that, after considering all of the various possibilities including the construction of a new building, the directors of your Bank and its Cincinnati Branch were unanimously of the opinion that the acquisition of the Chamber of Commerce building on the terms outlined in your letter of April 29, 1947, was the best possible solution of the problem and would provide satisfactory space for the Cincinnati Branch at a cost very materially less than the cost of a new building or any other practicable alternative that had been considered.

"During the discussion at the meeting you were advised that the Board felt that it would be desirable before the building was purchased to obtain general or specific authority from Congress. This will be undertaken promptly by the Board in the hope that the necessary legislation can be enacted during the present session or early in the next session of the Congress and it was understood that you would advise the Chamber of Commerce (1) that your Bank desires to purchase the building for \$100,000 cash, the Bank to assume the outstanding bonded indebtedness of \$1,029,000 and to pay the agent's commission of five per cent on \$1,129,000 or \$56,450, (2) that before the purchase could be undertaken it would be necessary to obtain authority from Congress, and (3) that your Bank would like to have an option on the building which would continue until the adjournment of the second session of the present Congress. With respect to the proposed 20-year lease to the Chamber of Commerce of the space now occupied by it (or similar and equivalent space) at a rental of \$5,000 per annum, you stated that this rental was considerably below the rate at which the

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"space could be rented to other parties and that you would attempt to get an agreement from the Chamber to accept a 10-year lease at that rate or a 20-year lease which would contain the provision that the rental paid would be subject to adjustment from time to time in accordance with going rates for comparable space in Cincinnati.

"You also stated that, while it was expected that the cost of the building as it stands would not exceed \$1,200,000, a certain amount of alteration and repair work would be necessary to put it in satisfactory condition, that this work would cost between \$100,000 and \$150,000 and should be undertaken as soon as the building was acquired, and that over the course of the next few years you contemplated certain additional expenditures for the replacement of water pipes, air conditioning, etc., which might bring the total cost of alterations and repairs to approximately \$800,000 or a total cost for the building of approximately \$2,000,000. It would be understood that before any commitments were made for expenditures, in addition to those referred to above which would be undertaken upon acquisition of the building, they would be submitted to the Board of Governors for approval.

"The Board of Governors is in agreement with your directors that, if the proposed legislation is enacted, the acquisition of the building on the terms outlined above would be a desirable step and will interpose no objection to your proceeding in accordance with the understanding set forth in this letter."

At this point Messrs. Smead, Vest, Leonard, Brainard, and Gidney withdrew and the action stated with respect to each of the matters hereinafter set forth was taken by the Board:

Minutes of actions taken by the Board of Governors of the Federal Reserve System on May 14, 1947, were approved unanimously.

Letter to Mr. Thomas F. Kelly, Government Coordinator for The Hoover Company, North Canton, Ohio, reading as follows:

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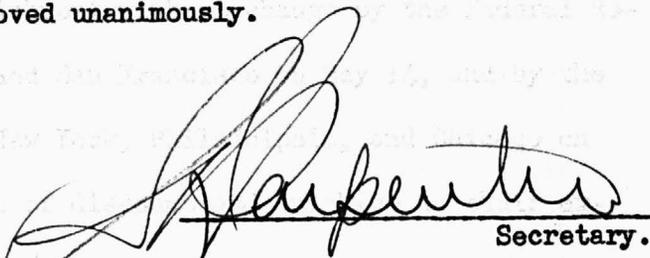
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"This will acknowledge receipt of your letter of April 14, 1947, which again asks that the Board remove or amend the provision of Regulation W which prohibits the delivery of a listed article in anticipation of an instalment sale without obtaining the required down payment.

"In view of the continuing strong inflationary pressures, the Board does not believe that it would be in the public interest to relax the terms of the regulation as you suggest at this time.

"We have noted your statement that this provision is being violated by others. As we have reported to you, the Federal Reserve Banks have investigated most, if not all, of the cases which you have submitted to us previously, and have not found the violations which you supposed. It is possible, of course, that there are some violations which the Federal Reserve Banks have not yet found in their continuing investigations, but even if it is true in spite of these investigations that a few do exist, we do not believe that this fact would justify the Board in taking an action which it believes would be against the general public interest."

Approved unanimously.


Secretary.

Approved:


Chairman.