

Minutes for May 6, 1958

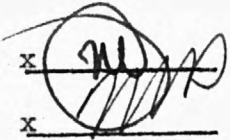
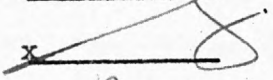
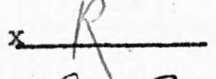
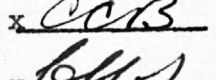
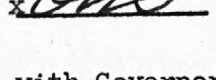
To: Members of the Board

From: Office of the Secretary

Attached is a copy of the minutes of the Board of Governors of the Federal Reserve System on the above date.

It is not proposed to include a statement with respect to any of the entries in this set of minutes in the record of policy actions required to be maintained pursuant to section 10 of the Federal Reserve Act.

Should you have any question with regard to the minutes, it will be appreciated if you will advise the Secretary's Office. Otherwise, if you were present at the meeting, please initial in column A below to indicate that you approve the minutes. If you were not present, please initial in column B below to indicate that you have seen the minutes.

	A	B
Chm. Martin	x 	_____
Gov. Szymczak	x _____	_____
Gov. Vardaman <u>1/</u>	_____	x _____
Gov. Mills	x 	_____
Gov. Robertson	x 	_____
Gov. Balderston	x 	_____
Gov. Shepardson	x 	_____

1/ In accordance with Governor Shepardson's memorandum of March 8, 1957, these minutes are not being sent to Governor Vardaman for initial.

Minutes of the Board of Governors of the Federal Reserve System
on Tuesday, May 6, 1958. The Board met in the Board Room at 12:40 p.m.

PRESENT: Mr. Martin, Chairman
Mr. Balderston, Vice Chairman
Mr. Szymczak
Mr. Mills
Mr. Robertson
Mr. Shepardson

Mr. Carpenter, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Daniels, Assistant Director, Division of
Bank Operations

Mr. Leedy, President, Federal Reserve Bank of Kansas City

Proposed purchase of properties at Kansas City (Item No. 1).

At the meeting of the Board on April 29, 1958, consideration was given to the request of the Federal Reserve Bank of Kansas City, as set forth in President Leedy's letter of April 11, 1958, for authority to purchase two properties across the alley from the head office building at a total cost not to exceed \$400,000. However, in view of certain questions which were raised, particularly with regard to a plan to conceal the identity of the Reserve Bank as owner of one of the properties pending the acquisition of the second property, it was decided to defer a decision until the matter could be discussed with Mr. Leedy.

After Chairman Martin outlined the questions which had been raised in Board discussion, Mr. Leedy said that in the light of recent developments with respect to possible acquisition of the second property, it appeared that it might not be necessary to conceal for any substantial period of time the purchase by the Reserve Bank of the first property;

5/6/58

-2-

that is, the one occupied by a seven-story office building. The situation which he then described with respect to the second property, occupied by a restaurant, indicated that there were grounds for believing that fee to the property might be acquired in the reasonably near future, although it might not be possible within that time to acquire the leasehold. The lease, it was understood, had less than five years to run, but there apparently was an option available to the lessee to extend the lease for another twelve years and this suggested that it might be difficult to acquire the leasehold at as favorable a price as might otherwise be the case.

Mr. Leedy said it had been the feeling of the Reserve Bank that if it became known that the Bank had purchased the office building property the asking price for the other property was likely to be raised, with the result that the Bank would have to pay more than it considered fair. The Bank, he commented, had had some experience with that kind of situation in acquiring properties for expansion of the Omaha and Oklahoma City branch buildings. Therefore, it seemed prudent, and would be in accord with what had been done locally by private organizations, to keep the purchase of the office building property undisclosed until purchase of the second property could be consummated at a fair price. If the Reserve Bank had the right of eminent domain it could protect itself, but since the Bank was in the position of a private corporation it was thought that it should follow the course that seemed most prudent in the circumstances.

5/6/58

-3-

In response to a question by Governor Robertson regarding the explanation that might be made of failure to disclose to the Congress the use of Reserve Bank funds for this purpose, Mr. Leedy said the explanation might be along the lines that the Bank had followed the procedure that an ordinary business corporation would follow; that is, it had exercised prudence in making a purchase of property at the proper price by not exposing itself. He did not see how disclosure could be made in the Bank's annual report without defeating the purpose of the plan. At the same time, short-run nondisclosure might be all that was necessary, for every effort was being exerted to bring the matter to a point where the purchases could be consummated. It appeared that real progress was being made with the owner of the restaurant property to acquire the fee to that property without too much delay, certainly by not later than the end of this year.

Chairman Martin suggested that the latest development conceivably might eliminate the problem surrounding nondisclosure and Mr. Leedy agreed, except possibly in the short run. If practicable, he would like to work out both the leasehold and the fee to the restaurant property at the same time, but if that could not be done he would favor acquiring the fee only. As he had said, the prospects of acquiring at least the fee before the end of the year seemed very good, and if the fee were acquired he would not be too much concerned about attempting to conceal the purchase of the office building. In this connection,

5/6/58

-4-

while the office building apparently could be acquired at any time, he understood that there might be other prospective purchasers and that the owners were rather anxious to sell.

In further discussion of the situation reported by Mr. Leedy, Governor Mills stated that he did not have quite the same feeling as other members of the Board about creating a corporation to take title to the office building. As had been pointed out in previous Board discussion of the proposal, it could be said that it was not becoming for a Reserve Bank to conceal its activities, but on the other hand failure to act in a manner that would save a larger expenditure of Reserve Bank funds might also be criticized. The objective was to acquire the properties, and he felt that too much might be made over the creation of the intermediate corporation.

There followed comments on what might be said in the Board's annual report about the purchase of property by the Reserve Bank, following which Chairman Martin suggested that the best course would be for the Bank to move forward as expeditiously as feasible along the lines which Mr. Leedy had indicated might now be possible. His suggestion contemplated that the Board would authorize the Bank to try to acquire fee to both properties within the total price of \$400,000 originally authorized by the Bank's directors, this price to include acquisition, when possible, of the leasehold on the restaurant property. Thus, it might develop that the plan to create a corporation for the purpose of concealing the identity

5/6/58

-5-

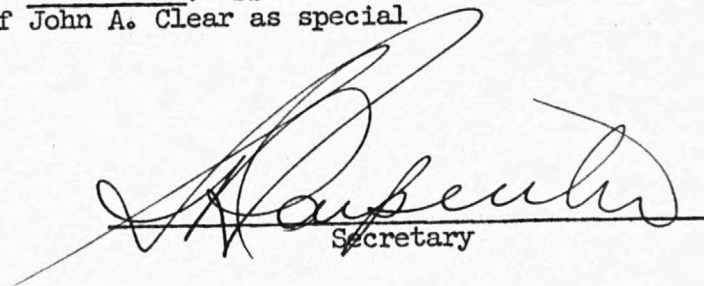
of the Reserve Bank as owner of the office building property would not need to be considered further.

There was unanimous agreement with the procedure suggested by Chairman Martin, and it was understood that the Reserve Bank would be advised formally by telegram of the authorization given by the Board. A copy of the telegram sent to the Federal Reserve Bank of Kansas City pursuant to this action is attached as Item No. 1.

In concluding comments, Mr. Leedy called to the attention of the Board the fact that in obtaining options on parcels making up the property which had been approved as a site for a new Denver Branch building, the Bank's agent was not disclosing the identity of the Bank as the interested party. Once the whole tract was under option, however, the Reserve Bank would expect to exercise those options in its own name.

The meeting then adjourned.

Secretary's Note: Governor Shepardson today approved on behalf of the Board a letter to the Federal Reserve Bank of New York (attached Item No. 2) approving the designation of John A. Clear as special examiner.



Secretary

T E L E G R A M
LEASED WIRE SERVICEItem No. 1
5/6/58BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON

May 6, 1958

Leedy - Kansas City

Reurlet April 11, Board will interpose no objection to purchase of two properties adjoining head office as outlined in letter at a total price of not to exceed \$400,000 which includes amount necessary to obtain cancellation of lease held by restaurant. It is understood that Reliance Building property can be purchased at a price of approximately \$288,750, including a real estate fee if paid by Bank in a flat amount agreed upon in advance not exceeding \$13,750. It is further understood on basis your discussion with members of Board of Governors at meeting this morning that negotiations are proceeding for purchase of the fee to both properties and that plan outlined for use of corporation in connection with acquisition of Ross property will not be used, and that if such a plan should appear to be necessary to protect interests of Reserve Bank the matter will again be taken up with Board.

(Signed) S. R. Carpenter

CARPENTER

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON 25, D. C.

Item No. 2
5/6/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 6, 1958

Mr. John F. Pierce, Chief Examiner,
Federal Reserve Bank of New York,
New York 45, New York.

Dear Mr. Pierce:

In accordance with the request contained in your letter of May 1, 1958, the Board approves the designation of John A. Clear as a special examiner for the Federal Reserve Bank of New York. Please advise the Board if the designation is not made effective May 8, 1958, as planned.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,
Secretary.

