

FEDERAL RESERVE BANK OF SAN FRANCISCO  
101 MARKET STREET, SAN FRANCISCO, CALIFORNIA 94105

JOHN F. MOORE  
FIRST VICE PRESIDENT AND  
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**1015 Second Avenue, Seattle, Washington – Property Disposition**

**RECORD OF DECISION**

Summary of Decision

Analysis by the Federal Reserve Bank of San Francisco (FRBSF; the “Bank”) in the early to mid-2000’s concluded that the building at 1015 Second Avenue in Seattle, Washington could no longer meet the Bank’s long-term operational requirements and that a new facility was needed. A new facility was built in Renton, Washington, and in February 2008 the FRBSF relocated its operations to the new facility. Since that time, the building at 1015 Second Avenue has remained vacant. The FRBSF needs to make a decision on disposition of the property because the building no longer serves a Bank function. The building has been identified as eligible for the National Register of Historic Places (NRHP) since 2003 and in 2011, it was recommended for listing in the NRHP.

The FRBSF’s disposition decision is to donate the property at 1015 Second Avenue to the United States of America, General Services Administration (GSA). This disposition alternative was analyzed in a Draft Environmental Impact Statement issued on June 22, 2011 (Draft EIS), and in a Final Environmental Impact Statement issued on November 17, 2011 (Final EIS). In coordination with the Draft EIS and Final EIS, the FRBSF also conducted a year-long Section 106 process for agency and public comment consistent with the National Historic Preservation Act (NHPA).

The decision to donate the 1015 Second Avenue property to GSA would not have adverse environmental impacts nor have an adverse effect on character-defining features that qualify the building for listing in the NRHP.

Further information on the decision to donate the property to GSA is presented in the attachment to this Summary of Decision.

4/13/2012  
Date of Approval

  
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John F. Moore  
First Vice President and Chief Operating Officer  
Federal Reserve Bank of San Francisco

There is a need for action by the FRBSF because the building no longer serves a Bank function. Thus, the FRBSF needs to make a disposition decision on whether to retain the property or transfer, donate, or sell it to another entity.

## **DISCUSSION OF ALTERNATIVES**

### **1. NEPA and NHPA Policies and Goals**

In conducting environmental review and evaluating disposition alternatives, the FRBSF has considered the policies and goals of NEPA. NEPA states that it is government policy to:

...use all practicable means and measures, including financial and technical assistance, in a manner calculated to foster and promote the general welfare, to create and maintain conditions under which man and nature can exist in productive harmony, and fulfill the social, economic, and other requirements of present and future generations of Americans.

42 U.S.C. § 4331. To carry out this policy, all practicable means, consistent with other essential considerations of national policy, are to be used to:

- (1) fulfill the responsibilities of each generation as trustee of the environment for succeeding generations;
- (2) assure for all Americans safe, healthful, productive, and esthetically and culturally pleasing surroundings;
- (3) attain the widest range of beneficial uses of the environment without degradation, risk to health or safety, or other undesirable and unintended consequences;
- (4) preserve important historic, cultural, and natural aspects of our national heritage, and maintain, wherever possible, an environment which supports diversity and variety of individual choice;
- (5) achieve a balance between population and resource use which will permit high standards of living and a wide sharing of life's amenities; and
- (6) enhance the quality of renewable resources and approach the maximum attainable recycling of depletable resources.

*Id.* NEPA recognizes that "each person should enjoy a healthful environment and that each person has a responsibility to contribute to the preservation and enhancement of the environment." *Id.*

In addition to the NEPA policy to preserve historic aspects of our national heritage, the NHPA also has policies and goals that were considered as part of the combined NEPA and Section 106 NHPA process for disposition of the property. NHPA policies and goals include the following:

- (1) use measures, including financial and technical assistance, to foster conditions under which our modern society and our prehistoric and historic resources can exist in productive harmony and fulfill the social, economic, and other requirements of present and future generations;

- (2) provide leadership in the preservation of the prehistoric and historic resources of the United States and of the international community of nations and in the administration of the national preservation program in partnership with States, Indian tribes, Native Hawaiians, and local governments;
- (3) administer federally owned, administered, or controlled prehistoric and historic resources in a spirit of stewardship for the inspiration and benefit of present and future generations;
- (4) contribute to the preservation of nonfederally owned prehistoric and historic resources and give maximum encouragement to organizations and individuals undertaking preservation by private means;
- (5) encourage the public and private preservation and utilization of all usable elements of the Nation's historic built environment, and
- (6) assist State and local governments, Indian tribes and Native Hawaiian organizations and the National Trust for Historic Preservation in the United States to expand and accelerate their historic preservation programs and activities.

16 U.S.C. § 470-1.

## **2. Description of Alternatives**

The Draft EIS and Final EIS evaluated a broad range of programmatic alternatives for disposition of the property to identify and consider environmental impacts, including impacts to historic resources. The Draft EIS and Final EIS reflected consideration of agency and public comment as to which particular alternatives should be considered and how they should be described in NEPA and NHPA documents. The Section 106 agency and public consultation process was conducted concurrent with the NEPA process so that public meetings and comment periods allowed for comments to be submitted on both environmental impacts under NEPA, and adverse effects on historic resources under the NHPA.

The Draft EIS and Final EIS evaluated seven alternatives. In this Record of Decision, reference is made to the alternatives by the number assigned to them in the Draft EIS and Final EIS. Thus, for reference, listed below are the alternatives that were evaluated:

- Alternative 1 – No Action: Retention of the Property by the FRBSF
- Alternative 2 – Retention of the Property by the FRBSF and Lease of the Property to Others
- Alternative 3 – Transfer or Donation of the Property to GSA or Other Federal Agency
- Alternative 4 – Sale, Transfer or Donation of the Property with Preservation of the Building Under a Preservation Covenant
- Alternative 5 – Sale of the Property with Rehabilitation and Adaptive Reuse of the Building Under a Preservation Covenant
- Alternative 6 – Sale of the Property with Retention of Certain Facades and Substantial Redevelopment, and
- Alternative 7 – Sale of the Property and Full Redevelopment

The Draft EIS and Final EIS explained why Alternative 1 was not consistent with the Purpose and Need for property disposition, why Alternative 2 was not considered a reasonable

alternative, and also stated that Alternatives 3 through 7 were consistent with the Purpose and Need.

Based on agency and public comments received on the Draft EIS and through the Section 106 process, and based on further investigation, the FRBSF identified Alternatives 3, 4 and 7 from the Draft EIS as Preferred Alternatives for purposes of the Final EIS.<sup>2</sup> In addition, Alternative 3 was refined for the Final EIS to only include transfer or donation to GSA, not another federal agency, as other federal agencies outside of GSA's property disposition procedures that were contacted did not express an interest in the property.

Although environmental analysis was conducted for the full range of elements of the environment identified through the agency and public EIS scoping process, the impact analysis placed particular emphasis on historic resources. In terms of impacts to off-site historic resources, the Draft EIS and Final EIS concluded that none of the Alternatives would result in significant adverse impacts to such resources. With respect to significant adverse impacts to on-site historic resources, *i.e.* the building at 1015 Second Avenue as an historic resource, the Draft EIS and Final EIS concluded that: a) the disposition decision itself would not have any direct impact on the building as an historic resource; b) Alternatives 1 through 5 would not have indirect significant adverse impacts, and c) Alternatives 6 and 7 would have indirect significant adverse impacts due to demolition of all or significant portions of the existing building.

Because certain project alternatives included the potential for alteration or demolition of a historic resource, all of the elements of integrity and contributing character-defining features that qualify the property as an historic resource eligible for the NRHP were evaluated in the Draft EIS and Final EIS. As properties eligible for, or listed in, the NRHP must retain integrity to remain eligible or listed, the analysis presented in the EIS applied equally to the property either as a historic resource eligible for or actually listed in the NRHP. The EIS noted that for purposes of impact analysis, it was assumed that the building was listed on the NRHP.

Agency and public comments were received as part of the EIS scoping process, the comment period on the Draft EIS, and the Section 106 consultation process. In evaluating disposition alternatives, the FRBSF has considered all agency and public comments that it has received. No objection was filed to the contents of the Final EIS.

### **3. Discussion of the Environmentally Preferable Alternatives**

In terms of environmentally preferable alternatives, the Draft EIS and Final EIS noted that Alternative 1 (No Action and presumed long term vacancy given that the building no longer meets FRBSF needs) was not considered to be conducive to preservation of a historic resource. Thus, Alternative 1 would not be considered environmentally preferable. In addition,

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<sup>2</sup> In comments submitted during the EIS scoping process (letter dated April 22, 2011) and in commenting on the Draft EIS (letter dated August 15, 2011), GSA stated that it could not accept donation of the property with a preservation covenant. Given that, Alternatives 3 and 4 need to be evaluated separately and a preservation covenant cannot be incorporated into Alternative 3 as a means of avoiding or minimizing environmental harm.

Alternatives 6 and 7 would not be environmentally preferable given their impact on the building as an historic resource.

It is noted that differing opinions have been expressed as to potential impacts of Alternative 5, as it would involve adaptive reuse with a building addition to add usable square footage. As described in the Draft EIS and Final EIS, Alternative 5 includes a preservation covenant that would require building rehabilitation and additions to comply with the Secretary of the Interior's Standards for Rehabilitation and Guidelines for Rehabilitating Historic Buildings (the Standards). Compliance with the Standards is a common and widely-accepted method of mitigating effects on historic resources, and through consultation prior to issuance of the Draft EIS, the Washington State Department of Archaeology & Historic Preservation (DAHP) had determined, on a conceptual level, that the building addition described in Alternative 5 would be Standards-compliant.

After issuance of the Draft EIS, DAHP submitted a comment letter stating that it concurred with the Draft EIS finding that Alternative 5 would not have adverse impacts, presuming that protective measures were implemented. However, two other comment letters on the Draft EIS (from The Committee for the Preservation of the Seattle Federal Reserve Bank Building and from the National Trust for Historic Preservation) questioned whether the described building addition would be consistent with the Standards, and thus whether a conclusion of no adverse impact to the historic resource was justified for that Alternative. It should be noted that a final determination as to whether development in accordance with Alternative 5 is Standards-compliant would depend on DAHP review of a detailed building design.

Assuming that Alternative 5 could be designed in a Standards-compliant manner, for the purposes of this Record of Decision, Alternatives 2 through 5 are considered environmentally preferable. DAHP has specifically determined that a Finding of No Adverse Effect is appropriate for Alternative 3. The Advisory Council on Historic Preservation (ACHP) has also commented that a transfer of the property to GSA would not have the potential to cause effects on historic properties.

## **DETERMINATIONS AND FINDINGS**

The general factors that the FRBSF would consider in making its disposition decision were listed in the Draft EIS and Final EIS. In applying those factors, and in consideration of the policies and goals of NEPA and the NHPA, and all of the information from the NEPA and NHPA processes, the following determinations and findings have been made with respect to each alternative.

*Alternative 1, No Action*, which is the FRBSF retaining the property, does not meet the project Purpose and Need. The FRBSF determined several years ago that the property did not meet its operational needs and the building has been vacant for over four years. Nothing that has occurred since then has led to a contrary conclusion. Therefore, it is not appropriate or consistent with the mission of the FRBSF to retain property unusable for its functions. In addition, retention of the property involves fiscal considerations of prolonged payment of

maintenance costs and property taxes. Finally, as noted previously, Alternative 1 is not an environmentally preferable alternative in terms of historic preservation.

*Alternative 2* assumes the FRBSF retains the property and leases it to another entity. The FRBSF considered this option and concluded that it was not a reasonable alternative in light of the purpose and function of a Federal Reserve Bank. The purpose and function of the Federal Reserve Banks is to conduct the nation's monetary policy, supervise and regulate banking institutions, maintain the stability of financial systems, and provide financial services to depository institutions. When surplus space becomes available in a building a Federal Reserve Bank owns and from which the Bank is already conducting operations, lease of that space can be appropriate. However, it is not consistent with the primary purpose or function of a Federal Reserve Bank to become a landlord and lease an entire building to one or more tenants. The FRBSF has never leased an entire building it owns. Marketing, leasing and managing a property for one or more tenants in a building from which the Bank is not conducting operations would put the FRBSF in the role of being a commercial real estate developer competing with others in the Seattle market. Taking on such a role is not appropriate for a Reserve Bank and nor is it consistent with the Federal Reserve System Facility and Security Guidelines (the Guidelines).

An additional consideration with respect to Alternative 2 is that GSA is the entity that has a well established program for determining if agencies and others wish to lease property. As the landlord for the civilian federal government, GSA owns or leases 354 million square feet of space in 8,600 buildings, in more than 2,200 communities nationwide, and provides work space for one than one million federal workers. GSA also has a prescribed process for determining if there is federal interest in the property and, if there is not such interest, for offering the property to state and local governments. If no state or local interest is expressed, then the property is offered to the public. Given GSA's expertise, resources, and familiarity with leasing (which the FRBSF does not have), donating the property to GSA is a reasonable way of fostering consideration of lease or exchange of the property. All of the above considerations support the conclusion that Alternative 2 is neither a reasonable alternative for the FRBSF nor the best means for achieving reuse of the existing building by a new tenant or tenants.

*Alternative 3* involves donation of the property to GSA and is the alternative the FRBSF has selected for implementation. As noted above in the discussion of Alternative 2, GSA is in the best position to implement reuse of the building, and as stated in their comments on the scope of the EIS, GSA will follow the federal regulatory process for disposition of property. In addition, GSA is subject to NEPA and the NHPA and would involve the public in consideration of disposition of the building under its stewardship. GSA's intended use or disposition of the property is not known at this time. However, GSA is subject to NEPA and the NHPA, and would involve the public in future consideration of disposition of the building under its stewardship.

Alternative 3 is one of the environmentally preferable alternatives. DAHP has concurred that a Finding of No Adverse Effect on historic properties applies to Alternative 3. The ACHP has also commented that a transfer of the property to GSA would not have the potential to cause effects on historic properties. In addition to being environmentally preferable, donation of the

property to GSA would allow the financial value of the building and property assets to be on the federal balance sheet.

The FRBSF has considered the viewpoint critical of Alternative 3 that The Committee for the Preservation of the Seattle Federal Reserve Bank Building has expressed. The Committee has advocated that the FRBSF impose a preservation covenant on the property prior to it being donated to GSA. However, because GSA has advised the FRBSF that GSA cannot accept donation of the property with a preservation covenant (see references in footnote 2), the FRBSF has not modified Alternative 3 as The Committee proposed nor has the Bank selected that modified version of Alternative 3 for implementation.

*Alternative 4* involves imposition of a preservation covenant followed by subsequent sale, transfer or donation of the property.<sup>3</sup> This is also one of the environmentally preferable alternatives as the covenant would require that contributing character-defining features be retained and that any building alterations would be Standards-compliant. The advantage of this Alternative is that it ensures preservation of the building, whereas in Alternative 3, GSA will be responsible for determining property reuse. A disadvantage of Alternative 4 (which it shares with Alternatives 5 through 7) is that the FRBSF would need to devote resources to a bidding and sale process that it would not incur through the Alternative 3 donation to GSA. An additional disadvantage of Alternative 4 is that the anticipated market value would likely be lower if there was a preservation covenant imposed on the building and land and, thus, proceeds returned to the federal balance sheet would likely be less, especially in comparison to Alternatives 6 and 7. However, like Alternatives 5 through 7, proceeds from the property transaction under Alternative 4 would be on the federal balance sheet.

*Alternative 5* involves sale with a potential building addition to evaluate the options for adding space to the building. The public questioned the suitability of this alternative and any potential for a building addition was strictly hypothetical. A determination on whether the addition would be Standards-compliant could only be made in connection with a detailed development proposal. Although this alternative could be environmentally preferable, there are considerable practical difficulties with implementing it.

*Alternative 6* involves sale of the property with a requirement to preserve only certain of the building facades. As contributing character-defining features would not be retained, this alternative has a significant adverse impact on historic resources and is not environmentally preferable. On the other hand, the purchase price would likely be substantially higher under Alternative 6 than under Alternatives 4 or 5, given that City of Seattle zoning allows a highrise building to be built on the site, and thus a greater amount of proceeds would be on the federal balance sheet. Alternative 6 (like Alternative 7) would be consistent with City of Seattle policies for office uses in the Downtown Commercial Core which favor highrise buildings and dense development.

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<sup>3</sup> The Draft EIS and Final EIS describe that under this Alternative, the property could be conveyed to a public agency (federal, state, regional or local government), a private owner, or to a non-profit entity. The presumption is that the receiving entity would accept the property subject to a preservation covenant the FRBSF imposed.

*Alternative 7* involves sale of the property with no requirement that the building be preserved. As this alternative involves demolition of an historic resource, it would result in a significant adverse impact and is thus not environmentally preferable. To an even greater degree than *Alternative 6*, *Alternative 7* would likely yield the highest purchase price (because of additional flexibility in developing the site under City zoning regulations) and would thus return the greatest amount of proceeds to the federal balance sheet.

In consideration of the above, the FRBSF selects *Alternative 3* for implementation as that *Alternative* is consistent with the project Purpose and Need, is a reasonable alternative that is consistent with the FRBSF's purpose and function and the Guidelines, is one of the environmentally preferable alternatives, and it allows application of the greatest expertise and resources to foster potential reuse of the building consistent with NEPA and NHPA policies and goals.

Transfer to GSA would be accomplished through a property transaction. Continued maintenance of the property would be provided for as part of the property transaction to mitigate potential adverse effects to the historic resource. Other than such maintenance obligations, the FRBSF would not have responsibility for the property after that transaction and, thus, there is no additional monitoring or enforcement role for the FRBSF.

## **CONCLUSION**

For the reasons outlined in this Record of Decision, the FRBSF decision to donate the 1015 Second Avenue property to GSA is the alternative that satisfies the project's Purpose and Need, and will not have adverse environmental impacts or effects.