

Historic Fed might join inn crowd

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San Francisco's landmark old Federal Reserve office building would become a luxury hotel and condominium complex under plans now being considered by its owner, according to real estate sources with knowledge of the talks.

As the plan now stands, landlord Boston Properties is expected to tap Singapore-based luxury lodging chain Raffles Hotels & Resorts to operate the hotel portion of the property, located at 301 Battery St. That would comprise 80 suites, sources said. Meanwhile, Boston would tap a local developer to entitle the project as a whole and guide the conversion.

Boston Properties refused comment. Raffles could not be reached for comment.

The building, which sits at the west end of Boston's Embarcadero Center, has 150,000 square feet of office space. It was occupied by law firm Orrick, Herrington & Sutcliffe LLP until July, when Orrick moved into the top five floors at Equity Office Properties' Foundry Square II, south of Market Street.

The building was originally completed in 1924 to house the 12th district of the Federal Reserve. Designer George Kelham was also responsible for San Francisco's main library (1917), the Russ Building (1927) and the Shell Oil building (1929). The bank eventually grew to the largest district headquarters in the federal system before moving to new digs on Market Street in 1984.

Embarcadero Ltd., the original owner of the Embarcadero Center, purchased the building in 1982 as part of a westward expansion that also included the Park Hyatt hotel and the office tower at 275 Battery St. In 1988, the company completed the extensive, \$20 million renovation, steered by National Register of Historic Places guidelines and complicated by the discovery of asbestos. Orrick moved in the next year, commencing a 15-year lease with \$12 million in additional tenant improvements.

In 1998, Boston Properties acquired the property, along with the rest of Embarcadero Center, from Prudential Insurance Company and David Rockefeller & Associates, owners of the development for more than 25 years. The price was \$1.2 billion.

Since Orrick left, the building has attracted interest from more than one local developer eager to put it to use as a hotel, condominium project or both. Boston Properties explored how feasible a conversion would be and has apparently concluded it is a viable route.

Any such change in building use would require city approval, likely ending up before the San Francisco Board of Supervisors. It could also entail high reconstruction costs. While the development community has often been abuzz with speculation of an office-to-residential conversion boom, such projects have proven difficult because the costs are often prohibitive, residential builders say.

That's partly because it is often awkward to squeeze condominiums into floorplans laid out for offices. Also, plumbing, soundproofing and other infrastructure must be added, an often difficult proposition.

Indeed, San Francisco's two existing hotel-condo projects were both built as new construction from the ground up. Millennium Partners expects soon to have sold out the 142 condominiums -- which range from \$850,000 to \$10 million -- at its 3-year old Four Seasons near Market and Fourth streets. Marketing is set to begin next year on the still-unfinished St. Regis Museum Tower at Third and Mission streets, which includes 102 luxury condominiums and 269 high-end hotel rooms. The property is being developed by Carpenter & Co. and Starwood Hotels & Resorts.

Amid the weak hospitality market of the past few years, hotel developers have increasingly turned to the surging housing market to underwrite new development. Selling some units in a new hotel as condominiums provides

quick money to help pay for the project, while both the hotel and condominium owners can save money by pooling services like security and utilities.

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