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Welcome to the Spring 2021 issue of the S.E.C. Observer. In this issue, Joe Crowley, S.E.C., 2021 President of the Society, reminds us what to do when *spring is in the air*.

Steve Barker, S.E.C., CCIM, continues the adventures of *Jack Jones and his quest to transfer his knowledge and “pay it forward.”* Mark Lechner, S.E.C., comprehensively demonstrates why *development of affordable housing benefits the community.* William Stonaker, S.E.C., CCIM, ponders what happened *when the world paused*; and Stephen R. England, S.E.C., shares excellent guidance on seeking assistance *outside the room.* Steve Fithian, S.E.C., 2021 President of the S.E.C. Education Foundation, gives us an update on the Foundation’s activities. The *Society News Briefs* section includes information about our upcoming meetings in Greenville, South Carolina, and Cincinnati, Ohio.

Sadly, *In the Spotlight* is dedicated in memoriam to one of our most treasured members, Margaret H. Sedenquist, and you will enjoy learning about her amazing career, life, and accomplishments. In the *History Files*, Chet Allen, S.E.C., explains why the *developer needs a creative real estate broker.*

Enjoy this issue. As always, we welcome your comments, suggestions, and submissions of articles to be considered for publication. Please contact the S.E.C. Office via email at [sec@secounselors.com](mailto:sec@secounselors.com).

Jackie Hellingson  
Editor, *S.E.C. Observer*
Spring Is In The Air
Joe Crowley, S.E.C.
2021 President

Springtime is for cleaning. Getting rid of the old things we do not use or are outdated.

Remembering the past and lessons it has taught us is good, but live in the today and embrace the future. As we age, many of us tend to live in the past. Clinging to what we had, blinds us to new and different possibilities.

“SEC isn’t stuck in the past. It isn’t just a ‘60’s or ‘70’s institution.”

This past year has been exceptionally challenging for our Market. It has changed the focus of many of us on the type of asset we would traditionally work and invest in. Everyone seems to chase the product that is the hottest in the market whether it be apartments, industrial, flex space, etc., and shun the product that has lost it’s brilliant glow, like office, and retail. This is a time that we should pursue not just the hottest… as they are over priced a lot of times. We need to focus on the silver lining in the less attractive properties not the easy transaction that has a minimal upside potential or none at all. If you believe the proclaimed “experts”, everyone is fleeing either coast for the Mid West or the South. No one should limit themselves to one area that may be hot today, only to become like a momentary Trend.

“Question everything and everyone, including Socrates, who questioned everything. Strive to change the world in such a way that there is no further need to be need dissident.”
We all need to keep our minds open and clear to possibilities for the sow’s ear that can be turned into a silk purse.

Remember, Spring is a time for cleaning house. Out with the old set ways and embrace the future and all the possibilities it brings.

*Editor’s Note: The author requested that this article be published exactly as submitted with no editing, corrections, or changes.*
Jack Jones, as he had done countless mornings before at the local Starbucks, stirred a little sugar into his first cup of “high test” and opened his Wall Street Journal to peruse the happenings of the day. The news remained mixed. The usual political and economic turmoil, oil production damaged by cancellation of the Keystone Pipeline, conflicting economic indicators, personal freedoms threatened by the “cancel culture”, politics in a divided country, continuing deleterious affects of the COVID pandemic, open borders, and middle-class Americans under duress. The only real bright spot was the current real estate market propelled by low interest rates and an appetite for hard assets. An economy heating up with perhaps a shaky underpinning.

However, in reading about the world in disorder, Jack was reminded of previous times of distress. He recalled an underlying anticipation that there is, as so often has happened before, a resilience of America to weather uncertainty. But he also recognized an anticipation, as yet unrealized, that may promote a positive environment or a further negative one. Jack often thought of recessionary affects as the “black swan” of business and markets. Something happens that the best proformas and feasibility studies do not anticipate. He recognized that with the euphoria of real estate activities of the day, many had forgotten that the financial world often teeters on the head of a pin. Jack was reminded that all markets rise and fall and in today’s world that can happen with lightning speed. Jack knew that Real Estate practitioners needed to be ready to serve their clients no matter the conditions.

Jack appreciates and is comforted by his station even with these uncertain times, but remains unsettled by the future. More recently he took stock of his own modest success and some of his
failures. To him, in the later years of his career, it has certainly been a time of reflection, a time of sorting out weaknesses and strengths, a time of looking back on what made him successful in spite of the ups and downs of past market turmoil’s and wondering how his successful journey through many prior “hard times” could possibly help others. Especially with a real estate market where everything is positive and negative at the same time. Obviously, his comfort was the product of many practitioners who asked for nothing in return for imparting their wisdom upon him, except the burden of transferring the knowledge they imparted to be passed forward to another worthy real estate soul. Jack wondered how at this stage in his life he could make a difference. Would anyone listen? How would he be received? Where would he start?

Jack had always played his cards a little differently. In many respects local commercial real estate practitioners viewed Jack as an oddity in the business. He was always a bit of a contrarian who had been held as almost suspect by using strange approaches and concepts to the real estate landscape. Something that his local counterparts never really understood and were therefore a little suspicious of. Above all, however, Jack had been successful in maneuvering through several cyclical downturns and had actually made more money at these junctures than when the real estate market was in top form. He credited most of his enlightened success to the members of the Society of Exchange Counselors who graciously invested their time and talent in his success. Now in answer to his contemplation about the worldly real estate outlook and looking for some way to “pay it forward”, Jack found a way to give back. His successful differences have been noted and he recently accepted an invite to share his insights of his strange world with several hundred fellow commercial brokers at the State Commercial Real Estate Convention.

Jack put down the Wall Street Journal and started making some random notes in anticipation of the upcoming event. Would these conventional “blue suede shoe” commercial brokers be receptive to some new ideas about doing business in an upside-down world? Could they possibly break some habits to create new ones for success? What could he say that would entice at least one person to see the real estate world differently? Would they even care in a heavily influenced cash only environment mentality?
He realized that unconventional thinking was a hallmark of many successful real estate practitioners and that slashing and burning through the wreckage of deals gone bad, and bouncing aimlessly from one “good deal” or supposed “good client” to another always expecting great results and being continually disappointed, was the territory of the unsuccessful “jungle fighter”, as his old friend Chuck Chatham once noted. Jack took a moment to reflect on his own uninformed ignorance thirty years ago and tried to place himself in that mindset once again. It seemed such a foreign territory, but as he reflected, he started to recall the hardships and anxiety he had experienced and how the words of gifted real estate mentors, many of whom are now gone, imparted knowledge and wisdom that started Jack on his way.

He thoughtfully started to recall the first time he heard alien thoughts from his early mentors, and he began to write.

- Augment your time and talent.
- Never let your enthusiasm cloud your judgment.
- There is always another deal, work only on the ones that are motivationally enhanced.
- Real Estate is a sequential business.
- Counsel...Counsel...Counsel. Become an Expert.
- Problems always have a beginning and an end. Shorten the time.
- There is no problem property, only people problems.
- The church does not do real estate and you should not try miracles.
- Nurture your faith, you will need it.
- Don’t share what you do or how you do it unless it is with those who are equally informed or slowly with one who is seeking a different path.
- Perfect the art of “conversation”.
- Perfect the art of asking “non-threatening questions”.
- A “down home” approach is universally accepted.
- Your body is a temple not an amusement park. Charity begins at home, take care of yourself first.
- Don’t overpromise.
- Guard your integrity. There are those who would steal it from you without hesitation.
- Admit mistakes.
- Your luck increases with the intensity of your work ethic.
- Down Markets Always Provide the Best Opportunities.
- Creativity Flows through You...Not In You.
- You can never stop learning....Read...Read...Read.
- It’s okay to say “No”.
Jack stopped for the moment to finish his coffee. He reflected on how these simple words had stuck with him so long. By now many of them had been ingrained in his actions and business dealings without thought and yet these short ideas spilled out. He surmised that these points would be the context of his offering at the Convention in the hope that if just one practitioner was helped, he would have made a difference. Jack picked up his notes, his newspaper and filled his coffee cup as he parted with the satisfaction of and expectation of finding that “One” practitioner who would benefit.

With the success of Jack’s debut as a speaker at the state Real Estate Convention meeting, which he was invited to share and impart his real estate wisdom, he was asked by the organizers to remain for a more intimate round table discussion after the main festivities. Jack, uncomfortable with the modest notoriety, was however heartened that the extension of the meeting and further definition of his business philosophy would hopefully help those looking for a new and different perspective to incorporate into their brokerage and real estate world.

Jack had apparently hit a nerve with some in the audience with his explanation of people being more important than real estate and other related topics. He had no illusions, however, about the implications of his speech being dismissed by several in attendance as hyperbole and jaundiced hoo-doo real estate. He knew that the hard core “Blue Suede Shoe” brokers, many of whom were struggling, were probably not very receptive to this foreign philosophical approach. However, this was not new territory as he had weathered this “closed mindedness” many times over his career. Experience showed that people whose pride did not allow them to grow in the business were soon gone. Most were self-absorbed wondering where the next commission check was coming from.

In the moments following the announcement of the late forum, Jack with his modest perspective, was not so much fearful of giving to little information, but more so of giving too much. Giving freely the full monty on the matter in which Jack saw the real estate world, and how he had successfully traversed the business for so many years, was a drink from a fire hydrant for most. He recognized that very few understood it if given in large doses early on.
The organizers consulted with Jack and later announced a decision to conduct the impromptu round table in a breakout room announced for 6:00 pm that evening. Jack figured most brokers would have no interest in hanging around that long for the session. In any event, he figured the group would be culled down to a manageable size. It was to be an open forum, where more intimate questions could be asked of Jack by those attending.

Of course, Jack fretted a bit, not wanting to seem overly omniscient and yet sincere in his responses. Again, he figured that if one or two practitioners heard the true meaning and character of his responses and took them to heart in their operations he would have made a difference. So, he took a breath and hoped he would not embarrass himself too much.

As the inevitable cocktail party wound down, Jack located and entered the room at the prescribed time and immediately noted the round table with inquisitors sitting three and four rows deep around it. A surprising site, but apparently the participants were much more interested to hear some sort of gospel that would lead them to the “Promised Land” and shed a new and different light on their practice and lives.

Jack took his seat and asked who had the first question.

- “Hi, Mr. Jones, my name is Jane and I have been in practice for 10 years, starting in residential and then advancing to commercial about four years ago. Can you more fully explain why people are more important than real estate?”

Jack hesitated for a moment, knowing that this question was one upon which all real estate business was predicted.

- “Jane, real estate is an innate object. Brick, Steel, Wood, Plumbing, Mechanical and other elements which really have no value. Even land. These elements have no emotions, motivations, desires, ambitions, or dreams. However, when people become involved or uninvolved the landscape changes. Buildings don’t move, get a divorce, die, or create profits or value. It is only when the application of the human element becomes involved
that the intangible elements of real estate start to come alive. If you have ever driven through a small town whose grand old buildings are vacant and boarded up, you will validate this concept. An old established inner-city location once considered a commercially viable area now hampered by crime, drugs, and economic decay, is another example. Equally so, if you drive down Rodeo Drive and note the incredible activity of people moving in and out of shops, apartments, hotels, or other venues, you will see the antithesis or opposite end of the spectrum. So, if a property is valueless, or if it is valuable, only people make the difference.”

“Next question”, Jack said.

- “Thank you for being here Mr. Jones. My name is Charles and I have been in the commercial business for three years. What is it that people seek when buying, selling, and leasing or otherwise transacting real estate business?

Jack contemplated.

- “The real factor for all real estate transactions is people “benefits”. If there are no benefits to the participants of a real estate transaction, there will be no transaction. Perhaps the single biggest reason for failed real estate transactions is the inability of the broker agent to define the benefits necessary to satisfy his client’s objectives and to determine how to achieve those benefits for the client.

- Many brokers are more anxious to get the listing than taking the time to understand the client’s needs. An example would be a landowner who owns his property free and clear and needs income. The biggest benefit of land ownership is that it is management free. No tenants, no maintenance etc. In the reverse, a retail strip owner may be fatigued in managing his property. The benefits to the land owner is cash flow. The benefit to the shopping center owner is to be out of management. Both properties have benefits and shortcomings, but each client expresses different desires. This is where a good broker comes in. Recognizing the different needs and benefits of each party is the objective. Once determined a plan can be orchestrated by the broker to accomplish the
objective of each. In this example if the two clients exchanged equities, they would both have the benefits they are seeking.

“Who has another question”, Jack said.

- **Mr. Jones, my name is Lisa. I am relatively new to the commercial business. How do I find out what benefits a client is seeking?**

Another Pause.

- **“Lisa, the key to discovering the needs or benefits desired by a client is to use “counseling”. This technique is primarily associated with listening and questioning. Most agents talk far too much, with too much emphasis by the broker on “selling” the client. Listening to what a client says and then asking non-threatening probing questions that cannot be answered “yes” or “no” is the true key to finding out the motivation. People do not like silence and will continue speaking within a few seconds if there is no response. Be still...let them talk. You must listen patiently, and you may have to meet with them more than once or twice to determine the true motivation and need.”**

- **The art of using these techniques may prove that your client does not need your services or that his expectations are impossible to fulfill. Finding out what is best for the client is your job. Selling his asset or investing in one may not be the best alternative. The best way to practice this technique is to use it with young children as “pseudo clients”. Ask them questions. Don’t make statements. You will find a remarkable difference in your relationship with them. Then try it on family members and friends. Then clients.**

- **Questions may be, “Mr. Jones, you presented me with the opportunity of marketing your net leased commercial building. It has a nice income, why would you consider selling such a good asset?”, or “Mr. Jones, in the event we can find a buyer for your property, what do you intend to do with the proceeds?”, or “Mr. Jones, who will be assisting you in making your decision to sell (or buy)?”**
Another question out there?

- Mr. Jones, said Amy, should we entertain dealing with every client seeking our services?

Jack responded.

- No. You must augment your time and talent and practice being a “don’t wanter”. You must decide who to work with based on your criteria for taking on acceptable clients. Those standards should be in writing and defined by you. Refusing a client’s property or problem situation, is so unusual that I have had clients actually come back to me and ask to reconsider my involvement. This places the control of the relationship in favor of the broker. The client oftentimes tries to sell the broker on the value of his property or his high expectations about its qualities, yet he has come to you, the professional, to solve his problem. Who is selling who? Take your time analyzing both. Think before getting involved.

One more question, said Jack.

- Mr. Jones, my name is Jim and I have had trouble being paid for my services. The buyer and seller as well as unscrupulous brokers always look for ways to thwart paying commissions for my services. Is there any way you can help me?

Jack replied.

- Payment for your services should be established by a contract or listing agreement, long before you begin work. A good client will expect this and a bad client will challenge the agreement. A sign that may defer your decision to work with them. More importantly, you can have the best listing agreement and no control or no listing agreement and the best control. The difference is your assessment of the client. Is this someone that will honor their commitment to pay for your services once performed? You validate a surreptitious buyer or seller’s negative impression of you when you take less than what has been previously negotiated. Do not take less even if jeopardizes the transaction. If the transaction hinges on payment of your predetermined fee, then you have not adequately solved the problem for the client and the transaction should not close. The difference is
whether your opinion of your work is somehow less at closing than it was before the
property problem or client problem was solved. You can either work for tips or be paid as
a professional. Your call.

As the evening wore on Jack continued to answer many more questions. Two hours later, he ended
the session and thanked those in attendance. As Jack walked through the hotel to his car the night
air seemed to sooth his mental exhaustion. “Mr. Jones, Mr. Jones”, a voice called out. A middle-
aged lady approached. “Mr. Jones, my name is Joyce and I have been listening to you this
evening. I had been seriously thinking about abandoning my fifteen-year commercial real estate
career as I have been disillusioned by the business. You have revealed a new and different way to
conduct business tonight that is refreshing. May I call upon you to learn more?” Jack, fatigued
and yet grateful for the inquiry said, “Yes, here is my business card. Call me tomorrow and we
can talk more”. “Thank you”, she said and disappeared into the night air.

Jack’s hope of affecting at least one person with his day’s activities had been fulfilled. There may
still be a future for passing along his insights on the philosophy of real estate. Jack thought, maybe
she is the “One.” And maybe…just maybe, there are “Others” out there.

Editor’s Note: The author requested that his article be published exactly as submitted, with no
editorial changes.
I’d like to start by letting everyone know that I used facts and figures from several studies and articles written about the need and benefits of developing affordable housing. The need for affordable housing is more necessary than ever, not only for those relying on this housing, but for neighborhoods that need the community benefits of affordable housing.

Nearly 19 million US households pay over half their income on housing, and hundreds of thousands more have no home at all. The scale of the housing crisis for low-income households is growing. As the average rental rates are increasing, the number of available low-cost units is shrinking. In 2010 the US had 5.1 million more low-income renters than affordable units to house them. There is a huge increase in demand for rental housing, and demand has reached its highest levels since the 1960s.

The increased demand for rental housing has caused rents to rise across the nation, leading to more low-income families having to spend most of their incomes on keeping a roof over their heads. A full-time worker earning the prevailing minimum wage cannot afford a modest two-bedroom apartment in any state, metropolitan area, or county in the United States. These households have little left to spend on basic needs, like food or medicine, and have no means to save for retirement or college. This is the definition of “housing poverty.”

Unaffordable rent can lead to undernourished children because, as sociologist Mathew Desmond put it, “the rents eat first.” They are also at high risk of falling behind on their rent, being evicted,
and becoming homeless, which can set them back further by contributing to job losses and family separations. As Sherrod Brown (D-Oh), the newly installed chairman of Senate Committee on Banking, Housing, and Urban Affairs, said, “We know several things about housing. That without affordable homes and safe neighborhoods, people don’t live as long, their medical care is inadequate, their children attend struggling schools, they don’t have nearby grocery stores with nutritious food options. In short, housing is the gateway to opportunity and to building a middle-class life.”

All the above information was a discussion on why affordable housing is needed for working families, but equally dire is the need for more affordable housing for seniors. As older adults age, they face declining incomes, increased medical costs, and housing that may not be designed to meet their needs. Housing is the largest expenditure in the typical budget of an age 65+ household, taking up to 35 percent of their budget, on average. They also spend almost three times more of their budget on health care compared to younger households. Approximately 40 percent of senior households (9 million) are very low income—earning an average income of $13,824. Of those households, seven in ten pay more than 30 percent of their income on housing.

Aside from the cost, housing poses another big concern for seniors: safety. One in three older adults fall each year, a leading cause for serious injury and death. Half of these falls occur at home because of poor lighting, tripping hazards, and a lack of grab bars. The Homeless Research Institute projects that the number of homeless people above the age of 62 will more than double between 2010 and 2050. Homelessness and housing instability amount seniors has major health consequences. Studies have found that unstably housed older adults (above the age of 50) visit the emergency room at nearly four times the rate of the general population of older adults, experience higher rates of geriatric health problems (such as falls and memory loss), and may even be at higher risk for premature death.

Now that I’ve elaborated on the need for affordable housing, I want to talk about the benefits of developing more affordable housing inventory. Investing in affordable housing strengthens our
economy, creating jobs, boosting families’ incomes, and encouraging further development. Each dollar invested in affordable housing infrastructure boosts local economies by leveraging public and private resources to lift resident earnings and local tax revenue and to support job creation and retention. In fact, studies have shown that building 100 affordable rental homes generates $11.7 million in local income, $2.2 million in taxes and other revenue for local governments, and 161 local jobs in the first year alone. In the US annually there are an average of 100,000 affordable housing units developed per year, so you do the math on the impact. Affordable housing development also benefits local businesses through increased patronage created by the sale of construction materials and new neighborhood customers. Numerous studies show that affordable housing has a neutral or positive effect on surrounding property values – more likely beneficial when it is attractively designed, well maintained, replaces blighted properties, and is located in strong, mixed-use communities. Like roads and bridges, affordable housing is a long-term asset that helps communities and families succeed. Without the burden of higher housing costs, families would be better able to move to areas with growing local economies where their wages and employment prospects may improve. Increasing and preserving the supply of affordable housing—especially in areas connected to good schools, well-paying jobs, health care, and transportation—will help more families climb the economic ladder and help communities meet their workforce needs. A recent study found that the shortage of affordable housing in major metropolitan areas costs the American economy about $2 trillion a year in lower wages and productivity.

A robust body of research has shown that access to affordable housing has broad, positive impacts on families, seniors, people with disabilities, and the economy. Evidence-based research has shown that when families have stable, decent, and accessible homes that they can afford, they are better able to find employment, achieve economic mobility, perform better in school, and maintain improved health. In addition, children who live in a stable, affordable homes enjoy better health and educational outcomes, greater access to economic opportunities, have better mental and physical well-being, and benefit from stronger communities. Research shows that increasing access to affordable housing is the most cost-effective strategy for reducing childhood poverty in the United States. Affordable housing can function as a “vaccine”—contributing to positive health
outcomes by providing stability and freeing up resources for food and health-care expenditures for families and seniors. Studies have shown that having quality affordable housing promotes better mental and physical health, improved quality of life, and independence for low-income seniors. I submit that because of these facts on the need and the benefits of the development of affordable housing, we should redouble our efforts in the United States.

As we state in the LDG mission plan: “Everyone Deserves a Quality Place to Live”
This is completely ridiculous. As I sit here, I am about to leave for the highlight of my day today—at 4:30 I get my first injection of the COVID Pfizer vaccination. Sad that now I have to wait three weeks for another “anticipation high”—the second dose.

I am so glad that 2020 is gone, but it seems that 2021 has turned 21 and can now drink. It is not over, and here we are in February, one year later, and still shut down. Hopefully this stuff will be over by fall.

I am grateful we had Zoom meetings. They were better than conference calls with several people trying to speak at once, but I am sick of them, too. Zoom meetings are kind of like Tofu burgers—they accomplish the objective, but it just isn’t the same!

Right in the middle of all this dislocation, job fear, sickness, and uncertainty, our church brought out a bold campaign: “When the World Pressed Pause, the Church Pressed Play!” We have increased our two-year campaign by a substantial amount. Compass Christian Church is on a mission to help others in our church, in our area, in Texas, across the US, and in missions worldwide.

Dallas Evictions 2020 is a pro bono legal group of attorneys that helps tenants facing eviction. Its goal is to help tenants who need assistance without sticking it to the landlords. This group of attorneys is making a difference. I just wish someone would help the small landlords who have one or two rental houses make their mortgage payments.
Dave Portnoy of Barstool Sports just stumbled on the idea of the Barstool Fund. He wound up putting $500,000 of his own money into the fund. With help from many famous donators across the spectrum and over 600,000 other excited supporters, Dave has been able to hand out millions of dollars to restaurants, at least one clothing store, and many other small businesses impacted by COVID. One hundred percent of the donations are actually invested in small businesses that truly need the help. Dave is what is known in the military as a force multiplier.

The S.E.C. Members I have talked to are mostly doing OK. Some of us are busier than ever and having banner years. I personally am slammed with leases, sales, and a few acquisitions. The market has been awesome to me in 2019, 2020, and so far in 2021.

There is a big difference between those who are doing well and those struggling. Personally, I have had two tenants who had retired at an earlier age in their lives and used all their savings to open their dream small businesses. I just signed a termination agreement allowing one of them to walk the lease, even after I had given him significant rent abatement since March. Mark’s business was a gathering spot for friends to meet and make crafts and enjoy a glass of wine together. I offered him extended abated rent if he would just pay the NNNs, but he was just tired. That is OK; I will find another tenant. I just hope Mark can try it again someday.

So, what are we doing to help others during this time? Tricia just sent some money to Dallas Evictions, and I am going to donate to Barstool Fund. Keep your eyes open for ways to help others. Don’t hesitate to ask your friends to join you. Post opportunities on your social media. Heck, tell the S.E.C. what you are doing to help. After all, that is what this nation was founded on.

And if you know of someone in need, do not hesitate to contact the S.E.C. Office. That is what the S.E.C. Education Foundation is all about.
Outside the Room

By
Stephen R. England, S.E.C.

When you participate in a Society of Exchange Counselor marketing session, there is a trove of creative ideas and advice you can take home, all given freely by Society Counselors at the session to assist any guests or Counselor attendees.

Sometimes a creative solution is not immediately endorsed by your client, banker, or managing broker. That does not mean it is not a great idea. It may mean you need some support in a person to help explain how that could help you or your client solve a problem. I remember in my early years that I learned creative solutions, but I did not have the confidence or actual successful examples to illustrate. I just needed support and did not realize where I could go for help!

We talk about the knowledge “within the room,” but there may be even more ideas, creative solutions, experience, and resources “outside the room.” This wealth of knowledge and expertise is in the minds and memories of the Society’s Lifetime, retired, or older and most experienced members. They may be less active as a regular attendee at marketing sessions, so you need to find them in the Society membership roster or ask the Society office.

Each broker has a career curve. Normally, guest brokers learn through industry mentors, friendships, and education classes. The motivated broker earns credentials like CCIM, ALC, SIOR, CPM, or other professional designations along the journey. A selected few add S.E.C. to their signature and post on their resume. Now, as a Counselor, they usually move into their most productive real estate years, growing in expertise through the natural successes and failures along the way.
At some point in a career, due to success, age, or health reasons, the Counselor starts to trend down in their active marketing session attendance and may invest primarily for their own account. This downward trend in meeting participation does not mean they wish to let their minds become stagnant or passive. Most are invigorated by a new challenge.

A challenge could be to assist you with a difficult listing, idea, or creative solution. The challenge could be to brainstorm possible solutions. Maybe your client needs actual examples to trust a creative formula you learned at a meeting. Or it could be counselling techniques that propose an exchange that brings the benefits your client desires. It could be to gain an expert third-party opinion to analyze a property or client when you have hit a brick wall on a “dead” listing. It could be that introducing you to a contact is actually what is needed.

The source of this expertise could be “outside the room” within the roster of the Society and its most seasoned members.

Today’s technology has shown us how to do extensive research using Google Earth, Co-Star, etc. With COVID we also learned to communicate effectively through email, phone, Facetime, Skype, and Zoom. Using these resources can open many doors for consulting, even without an on-site visit.

The first step is to ask around for recommendations of a Counselor who has the expertise needed. Many seasoned Counselors have unique talents and have consulted on all types of properties across the nation. Many lived through bad times, like the 1980s when credit dried up. They experienced 1,500 commercial banks and 1,200 Savings and Loan Associations closing. They might have been in business when real estate values dropped up by 80% in some markets. These senior Counselors survived and, in some instances, prospered in adversity. They are great resources if we face major economic adversity again.
Let’s think about how to compensate the Counselor you ask to assist you. This is entirely by negotiation. Most brokers are willing to be paid based on success. We all have spent careers working on commission or reaping future benefits of ownership. Maybe agree to share some part of a commission, fee, or ownership when earned. If a Counselor’s ideas, formulas, expertise, or contacts led to a successful closing or project, they should be rewarded.

I have sent an unexpected check to brokers who were key to my closing or opened a door for new business without being asked. However, it is always better to predetermine the Counselor’s fee in advance. Compensation should be an honor system decision based on the relationship and the knowledge utilized.

Do not forget: Valuable expertise could be available by asking for help of that Counselor “outside the room”!
S.E.C. Education Foundation News
Steve Fithian, S.E.C.
2021 S.E.C. Education Foundation President

The S.E.C. Education Foundation is pleased to announce that Jason Mittman, S.E.C., CCIM, will present “Applying Lessons from the World’s Toughest Races” in Greenville, South Carolina, on March 21, 2021. This course is only available in person. On May 16, 2021, Jason Dillard will present “Paper on Steroids,” an exciting course that will provide you with the knowledge you need to use, create, and close more transactions with paper, and this course will also be available in person only.

You may register for education when you register for the S.E.C. Meeting if you are an invited guest, or you may register online at www.secounselors.com using the Education Only portal. S.E.C. Education courses are open to everyone and do not require an invitation.

In September 2021, in conjunction with the Society’s 60th Anniversary, Ted Blank, S.E.C., CCIM, will present his Counseling course in Newport Beach. Counseling is a core course for the Society’s education requirements. More information on this event will follow soon.

The S.E.C. Education Foundation is available to help you bring education and marketing to your region. Contact the S.E.C. Office if you are interested in exploring the possibility of hosting a class or marketing session.

We look forward to expanding our reach to new marketing groups, professional organizations, and individuals who are interested in bringing the best creative real estate education to their regions. Please visit our website, www.secedfoundation.com, to learn more about the courses and programs we sponsor.
VI. Society News Briefs

A. March Marketing Conference

S.E.C. National Invitational Marketing Session
Greenville, South Carolina
March 21–24, 2021

The S.E.C. National Invitational Marketing Session will be held at:

The Hyatt Regency Greenville
220 N. Main Street
Greenville, SC 29601

Call (864) 235-1234 to make your reservation. Make your hotel reservations early, as we have a limited number of rooms available.

Visit Greenville Hyatt Regency for hotel information, and click Visit Greenville to learn about the area.

Visit www.secounselors.com and click on the Society Marketing Meetings menu tab for more information. Please contact the S.E.C. office (sec@secounselors.com) if you have any questions about the upcoming meeting.
The S.E.C. Education Foundation and the Society of Exchange Counselors are pleased to announce that Jason Mittman, S.E.C., CCIM, will present Applying Lessons from the World’s Toughest Races from 9:00 a.m. to 4:00 p.m. on March 21, 2021, in Greenville, South Carolina.

This course will not be offered virtually due to the interactive nature of the course. Attendees do not have to be licensed or invited to attend; it is open to everyone, and you may register online at www.secounselors.com by accessing the Education Only link on the homepage.

Mark your calendars now! Please visit the S.E.C. Observer at www.secobserver.com and click the Upcoming Events menu tab to access the calendar of events and view a brochure for the course.
VI. Society News Briefs

C. May Marketing Conference

S.E.C. National Invitational Marketing Session
Cincinnati, Ohio
May 16–19, 2021

The S.E.C. National Invitational Marketing Session will be held at:

The Summit Hotel
5345 Medpace Way
Cincinnati, OH 45227

Call (513) 527-9900 to make your reservation. Make your hotel reservations early, as we have a limited number of rooms available.

Visit The Summit Hotel for hotel information, and click Cincinnati Visitor Information to learn about the area.

Visit www.secounselors.com and click on the Society Marketing Meetings menu tab for more information. Please contact the S.E.C. office (sec@secounselors.com) if you have any questions about the upcoming meeting.
The S.E.C. Education Foundation and the Society of Exchange Counselors are pleased to announce that Jason Dillard, S.E.C., will present Paper on Steroids, from 9:00 a.m. to 4:00 p.m. on May 16, 2021, in Cincinnati, Ohio. The course will teach you how to create, use, and generate more transactions using paper.

This course will not be offered virtually due to the interactive nature of the course. Attendees do not have to be licensed or invited to attend; it is open to everyone, and you may register online at www.secounselors.com by accessing the Education Only link on the homepage.

Mark your calendars now! Please visit the S.E.C. Observer at www.secoobserver.com and click the Upcoming Events menu tab to access the calendar of events and view a brochure for the course.
Margaret H. Sedenquist, S.E.C.,
In Memoriam

Margaret H. Sedenquist, S.E.C., was a longtime member of the Society and served as its President in 1995 and 1996. Her biography is a story of adventure, intellect, and courage.

Childhood and School:
Margaret had deep roots in the state of Wyoming and in its history. She said, “The history of Wyoming is filled with the history of my family.” James C. Shaw, her maternal grandfather drove herds of 4,000 to 5,000 cattle and led 100 cowboys up the Texas trail to Wyoming and Nebraska. Biographies have been written about Jim Shaw, detailing his cowboy exploits and the cattle drives he led. In 1930, Jim wrote Pioneering in Texas and Wyoming, telling of his journey from South Texas to Wyoming in the 1870s and his part in building the state from a wilderness. Jim purchased his South Dakota ranch from Teddy Roosevelt.

While James was writing history, his wife, Margaret’s grandmother, was helping run the family cattle operations, which spread over Nebraska, New Mexico, Wyoming, and South Dakota. In 1913, Mrs. Shaw decided to build a house. She hired an architect from Ohio, who lived with the family for three years during the construction of their eight-bedroom home. The Shaw house was a model for its time with indoor plumbing and electricity, and it is still considered an area landmark.

Margaret was the first of Ruth Shaw and Fred A. Hageman’s six children. She was raised on a cattle ranch northeast of Douglas, Wyoming. Fred Hageman had a lumberyard, a grain elevator, and a general store in Shawnee. The depression and a great drought forced the family to move to Fred’s homestead. Fred worked in Douglas as a carpenter and a surveyor while building the ranch into a cattle operation. Margaret describes her father as a man of great ability and intelligence.

To pay for music lessons and shoes, the family raised chickens and sold eggs, cream, and butter. Money was not needed for clothes because her mother sewed those for the family.

Despite the depression and tight family finances, Margaret spoke of her childhood with great fondness. She talked of visiting aunts, uncles, and cousins on the Platte River and of having good times with a house full of children playing cards, riding horses, and enjoying the rural life.
Margaret attended a country school in Shawnee until the 12th grade. After graduation she attended the University of Wyoming in Laramie, where she studied journalism and graduated with a degree in psychology.

**Early Career:**

“People perform best when they are given the information they need and want.”

Upon graduating from college, Margaret worked as a research psychologist in employee and community relations at the General Electric plant in Schenectady, New York. GE was concerned about possible employee strikes and work interruption, so the company focused on improving employee relations and hired Margaret for this purpose. With an attitude that served her well throughout her life, Margaret saw her lack of prior experience as an opportunity to see the situation from a fresh point of view. She insisted on talking directly to the workers and spent more time on the factory floor than in her office. Soon, workers began coming to Margaret with their concerns and needs.

Margaret determined that the employees wanted feedback. The terms and concept of “empowerment” and “employee buy-in” had not only not come into vogue, but they were unheard of at that time. She trained the foremen how to bring the employees into the chain of information and how to draw ideas from them. She established a process of providing information and a system of evaluation with feedback.

The basic research and ideas that Margaret had at age 23 and used at General Electric have been employed at Harvard Business School and in most industrial psychology studies for the past 25 years.

**Marriage and Motherhood:**

“Having healthy children who have been educated and are productive members of society is an important achievement.”

Because of family demands, Margaret returned to Wyoming and school. She began teaching high school literature and English in Cody, Wyoming. Her interest in drama surfaced, and she was given the job of directing the high school drama “Lost Horizon.”

It was during this time that she met Charles Sedenquist, a chemical engineer at Husky Oil. They married in August, and for the next 11 years she worked at home raising their family. When her son Mark became very ill, Margaret began studying the effects of vitamins and eating habits on health and wellness.
Real Estate:

“Real estate seemed like a good way to have the time for my family and to make money; I had no idea it would be so much fun.”

When Diana, her youngest child, was two years old, Margaret decided she needed a job where she could spend time with her children and make money. Real estate seemed perfect. She saw exchanging as a wonderful vehicle for her clients to improve their holdings and allow their estates to build in a tax deferred position.

Many clients worked with Margaret for years. She had several clients who came to her with non-producing properties and through counseling and exchanging, she helped them become multi-millionaires. Through a series of exchanges over a period of several years, Margaret counseled one client from an 8-unit apartment project in Pasadena that needed repairs into a 48-unit project and a shopping center.

Margaret spent years working in organized real estate, culminating in being vice president, treasurer, and president of the Pasadena Board of Realtors. She also served as the president of the Los Angeles Boards of Realtors.

Volunteer Spirit:

“People are blessed when they give. Giving should be a joy because it produces prosperity for both the person receiving and the person giving.”

Giving back to the community and the less fortunate has always been a high priority for Margaret. As a senior warden and stewardship chairperson of All Saints Episcopal Church, Margaret was put in charge of the annual gifting program, which had an historically annual collection of $140,000. Margaret increased this figure to over $2 million annually.

She saw giving as a joyous expression of a person’s own life and blessings. With this philosophy, she began training members of the congregation how to raise funds. There could be no talk of the needs of the church; guilt was not to be used as a motivation. Each and every expression of giving had to be a joyous experience, and all sorts of fun needed to be added to the process. All Saints has financially benefited from this program, but the members have benefited more by discovering the blessing of giving.
Women in the Vestry:
“It still gives me such a thrill to see women put on the vestments.”

Margaret’s involvement in the Episcopal Church went far beyond changing an attitude toward giving. She started the process of getting women ordained because she witnessed a shift in her daughter’s attitude toward the role of a woman. Margaret realized that her child was being affected because the church was sending its messages in a single gender.

Margaret began talking to George Regas, the rector at All Saints, about God’s grace and noting that it extended to women and was not a male domain. She started keeping track of gender-oriented words in the sermons and liturgy. During her first recording period, 100 gender-oriented words were used; 97 were male-oriented. The three female terms used were mother, daughter, and wife. She began sending these tallies to George and having meetings with him to discuss them.

Margaret’s next focus was to get women into the priesthood. She initiated an ad hoc committee for this purpose. This pilgrimage ultimately led to the Diocesan Convention, where she made the motion to change the language in the Diocesan and canon’s by-laws to include women.

Bill Rodiger, the attorney for the Diocese, surprised by this unscheduled motion, tried to floor it by formally asking, “If we address this matter next year, would Mrs. Sedenquist be satisfied?”

In response, Margaret delivered one of her show-stopping one-liners: “From you Mr. Rodiger, I am not seeking satisfaction, only justice.” This memorable response ensured that the idea was not dismissed. The next year the National Convention began adopting gender changes in the diocesan and canons, which ultimately led to the inclusion of women in the priesthood.

Margaret Sedenquist’s business activities included:
  • Owner of real estate brokerage company M. H. Sedenquist & Co., which specializes in investment properties including apartments, houses and commercial office buildings
  • Owner of Mohawk Management Corp., a property management company
  • 50% owner and chair of the board of Sedenquist-Fraser Enterprise, Inc., which is the owner of S. F Technology and Leisure Components, a plastics factory
  • Founder of and member of the board of directors of Commercial Pacific Bank and former chair of the board of Commercial Pacific Bank
Margaret’s community activities included:

- Chairperson of Five Acres, a home for abused children
- President of the Pasadena Playhouse State Theatre of California
- President of Pasadena Chamber Orchestra
- Past president of the Society of Exchange Counselors and member of the board
- Senior warden and stewardship chairperson, All Saints Church
- Member of the board of directors of the YWCA
- Founder of Foothill Apartment Association
Developing the Developer

Chet Allen, S.E.C.

Editor’s Note: This article first appeared in the July 1975 issue of the Real Estate News Observer.

Recently I was a moderator at a marketing session attended by some 75 well-above-average real estate professionals. One broker was presenting an excellent package, part of which was some land ready for development. I asked the 75 brokers, “Who represents a developer?” and only one hand was raised. **Only one!** This is appalling. Probably half of all real estate transactions involve new properties or land being purchased for development, and practically none of us are tapping that market. The developer’s life blood is buying and selling real estate. It is not a matter of motivating a passive investor or interesting some speculator: the developer **must buy and sell** or he is out of business.

NOW, as never before, the developer needs the creative real estate broker. Developers are faced with problems they could not foresee, even in their wildest nightmares, ten years ago. In this article we will examine some of the developers’ problems, some of the solutions the creative broker can offer, and some of the problems he will encounter in working with the developer.

The developer’s most important problem is, as always, selling a product. He has always been faced with a multitude of problems and decisions in this area. For example, the price to charge to maximize profit but still be competitive, the amounts to budget for marketing, and how to distribute the marketing dollar (e.g., should he allot more to commissions and less to advertising—in theory, getting better sales people, or should he allot more to advertising and less to commission—thus relying on the advertising to do most of the selling and making the sales people order takers).

In addition to the normal problems of marketing, the high interest rates of the 1970s have caused
several almost impossible situations. If the developer is a house builder, the home buyer cannot afford, or qualify for, the high loan payments. The difference between a 6.5% and 9.5% $30,000 25-year loan is $60 per month. A prospective home buyer has to make an additional $270 per month (using a 4.5-1 ratio) just to qualify.

If he is an FHA builder, he may have to pay points, which are running from 2–8% of the loan. This $600 to $1,800, in addition to runaway inflation, has caused building costs to soar. Some building components have had price jumps over 200%. If the builder pre-sells homes (which used to be the best of all possible worlds), he may now find himself having sold them for less than his costs.

One other problem materially affects the developer’s costs. This is the high cost of construction financing. Most construction loans during the last few years were on a variable interest rate. Interest rates varied from 2 over prime by a bank to an A-1 borrower to 6 over prime by REITs to a marginal borrower. So, in addition to soaring material and labor costs, the developer was paying up to 18% interest on his construction money.

The income property builder has the same problems. The shopping center, apartment house, or industrial building that he could build for $6 to $10 per square foot in the ’60s is now $12 to $20 per square foot, and up to $60 per square foot for some high-rise office buildings. Let’s see how this affects an apartment house and its income stream. Assume a 900-square-foot, two-bedroom apartment in a building of similar apartments, where the building is operating at 95% occupancy and 40% expenses. Assume the builder’s land cost per unit has remained stable at $2,500, but that his construction costs, including builder’s profit, have jumped from $10 to $20 per square foot. Also assume the investor buyer of the completed apartment building expects to buy at a 10% cap rate. When the builder was able to build for $10 per square foot, his price was $11,500 ($9,500 building plus $2,500 land). In order to receive his 10% cap rate, the buyer could rent the unit for $168 per month. After the 5% vacancy and 40% expenses, the unit brings in $95.76 per month, or approximately $1,150 per year. Assuming the same two-bedroom apartment was built today with builder’s cost and profit at $20, the price on the 900-square-foot unit would be $20,500 ($18,000
building plus $2,500 land). To receive the same 10% cap rate, the unit must rent for $300 per month. In spite of what the consumer groups say, most rentals have not kept pace with inflation, and it might be quite difficult for the developer or investor to obtain 95% occupancy in the $300 per month, 900-square-foot, two-bedroom unit. (Please, New York and other high rental areas, don’t write in saying you could rent them all day at $300 per month. If you can, you probably can’t build them for $20 per square foot, or your land is above $2,500 per unit. This is only an example.)

The shopping center developer can no longer rent his space for 20c NNN. He must get 35c. The industrial building developer and motel and office building developers all are faced with the same problems.

To compound the problems, the sophisticated investor is now asking for his yield, cash on cash. He wants a 10% cash return (or more) on cash invested. This was fine when interest rates were 6% or even 7% or 8%. But let’s look at what happens when interest rates are 9.5% or 10%. Assume a $500,000 shopping center with a 10% cap rate and an investor who wants to invest $100,000 with a 10% cash on cash return. If you could arrange an 80%, 9.5% 25-year loan, the constant would be 10.48, making the annual payments on the $400,000 loan $41,920. This only leaves $8,080 spendable from the $50,000 net operating income after debt service. Therefore, the developer would have to sell at $481,680 to meet the buyer’s requirements, as $40,000 per year will only service a $381,680, 9.5% 25-year loan. But even worse, what happens if the best takeout loan available is 10%, 20 years? Now the constant is 11.58. The same $40,000 payments will now only support a $345,423 loan, so the developer must sell his property for $445,423 to the 10% cash on cash investor or hang on to it.

So, in marketing his property, the developer is being whipsawed from both sides. Higher building costs necessitate higher rents, and higher interest makes the investment less desirable to the investor at the developer’s price. But the developer’s problems don’t end with marketing problems. The developer now must invest considerably more time and money in getting his product ready to go. The requirements for subdividing and developing have changed so dramatically in the last ten
years that the old-time developers wouldn’t recognize development 1975. Environmental Impact Reports; Coastal Commissions; and local, regional, state and federal regulatory agencies all are making the developer’s life a nightmare. Before he can even start a project, he must spend months and sometimes years going through the government red tape. His days are spent talking to planning directors and public agencies, his nights appearing before planning commissions and city councils. He is insulted and demeaned as a spoiler, an opportunist. He spends thousands of dollars on projects that he can never build because an environmental group has the political clout to scare a city council.

All of the above leaves many developers with an inventory of overpriced or unmarketable product and makes it extremely difficult for him to get started on new projects. This is where the creative broker becomes perhaps an absolute necessity to the survival of the developer.

Let’s touch on a solution to the inventory problem. The product can’t be sold to an investor at a price that will make sense to the investor because the developer has too much in the project. He may not even be able to give it away because the loans may exceed the value. The buyer of the property will need a take-out loan, and not too many lenders want to make loans on a no-down-payment basis. So, the only solution is to exchange the developer out. If he does have equity, the exchange will allow the developer to save face. If he can acquire development land, he will receive the bonus of raw product to build upon. If he has no equity, nothing (encumbered land, unfinished buildings, or similar “z” bag properties) will allow the developer—and lender—to save face.

The lender is one of the keys to this transaction. No other lender in his right mind is going to place a 100% permanent loan on this project. The construction lender might. They will tell you that they do not make permanent loans and that they don’t like exchanges. But they probably don’t want that project back. Most banks and REITs that made construction loans are up to their necks in REOs and are having a very difficult time keeping their statements, stockholders, and bank examiners reasonable. If they are brought face-to-face with the choice of having a loan on their books, and maybe even a legal loan if the “equity” in the exchanged-in property is sufficient, or
owning the property, you may get your permanent financing. But what about the client going in to the property? It probably isn’t full and an eater. If your client can’t stand a temporary eat, ask the lender for a partial moratorium on payments for a period of time.

The broker can be of new value to the developer in his acquisition of land and profit doing it. In the past the broker found a developer in need of land, got out his plat maps with the sewers drawn in, and called the farmers until he found one willing to sell at a reasonable price, and then brokered the raw land to the developer. Let’s assume $10,000 per acre is a reasonable price to both parties. I suggest that with home development problems the developer would rather pay $12,000 per acre for the property, zoned, Environmental Impact Report completed, and tentative map approved, than $10,000 raw. This leaves an opportunity for the broker to pick up $2,000 per acre for performing those functions. The land need not be purchased—a binding option would suffice. Naturally, both parties would be given full disclosure, and both should be delighted to have someone perform that function.

The developer needs the creative broker.