

Pat: Instructions and Confidential Information

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Instructions

1. Read the confidential information for only one of the two roles. **Do not read the other role until after you complete the negotiation.**
2. Do not discuss your role with anyone before completing the negotiation.
3. Read your role carefully so that you understand the facts before you begin negotiating.
4. Act out your role. Do not say that "The role says that I am supposed to do this." Just do it!
5. You can add facts, but only if they do not change any facts in your role.
6. There is a 30-minute time limit for the negotiation. This does not include time spent at the beginning getting to know the other side. Stop negotiating after 30 minutes, even if you are not successful in reaching an agreement.
7. [Optional] After you reach agreement, you can disclose the confidential information from your roles to each other. Given this information, try to improve the results in a way that benefits both sides.
8. After you finish the negotiation, watch the final (Module 5) videos, which last one hour. These videos debrief the negotiation exercise while also reviewing the concepts covered in the course.
9. **After** you watch the videos, provide feedback to the other side and complete your own self-assessment, using the document "Self-Assessment and Feedback for the Other Side." Do not read this document before you negotiate. Use this information to prepare a plan for improving your negotiation skills.
10. After you provide feedback to the other side, you are ready to complete the course by taking the final examination. Good luck!

Common Information

- This is a negotiation between Tracy and Pat for the sale of a beautiful, old Victorian house with wood siding on a large lot in a residential neighborhood.
- The house needs expensive repairs.
- The seller and neighbors have a strong interest in preserving the house and the neighborhood.
- The last sale in the neighborhood was 6 years ago when a similar house (but well-maintained) sold for 135,000. Property values have increased considerably since then.
- The property has a tax assessment of 140,000, but tax assessments are usually well below actual market value.

The House on Elm Street

Confidential Information for Pat

You (Pat) work at a bank. You recently met with Chris, a bank customer. Chris is a senior manager for a small US company that is owned by a large, multinational company based in India. The US company builds and sells apartments for the elderly.

You first met Chris two years ago when the bank financed the construction of a large apartment building for senior citizens in your community. You were impressed with the project. The construction cost for each apartment was around 150,000 and the company planned to sell the apartments for at least 200,000.

During your recent meeting, Chris updated you on the project. Only half of the apartments in the building have been sold. But given the rising number of elderly residents in the area, the company is optimistic about future sales and is planning to construct a second apartment building. The company has also decided to base its operations in your area, which is why Chris wanted to meet with you.

Chris told you that the company has acquired an ideal site for its headquarters, a vacant storage building that will be converted into offices. The building is located east of Main Street, at the corner of Oak Street.

The company recently learned that local law requires it to add additional parking space before it can convert the building from storage to offices. Because no parking space is available near the building on the east side of Main Street, the company has decided to acquire property west of Main Street across the street from the building.

Lots on the west side of Main Street are exceptionally long—almost 150 feet (46 meters) deep. The back yards alone are almost 75 feet (23 meters) deep. The company needs to purchase only two of these lots for parking and has selected Lots A and B, which are nearly identical properties. **See the attached diagram**, which is not drawn to scale.

Lot B and the eastern 1/3 of Lot A would be sufficient to meet the company's additional parking needs. Unlike the neighboring houses, the beautiful, old Victorian houses on these two lots are run down and need expensive repairs. The company plans to tear them down when the parking lot is built and will develop landscaping (with attractive trees and shrubs) on the areas of the property not used for parking, which will shield the parking lot from neighbors.

The company has already signed a contract to purchase Lot B (which is directly across the street from the storage building) for 245,000 and the property transfer will be finalized in two weeks. The contract includes a “confidentiality agreement,” where the owner agrees not to disclose the buyer's name or the price to anyone until the property transfer is completed.

Apart from the purchase price of Lot B, there is little information about property values. The neighborhood is very stable and homes sell infrequently. The company did learn that Lot D—across the street from Lot A and with a house in excellent condition—sold six years ago for 135,000. As it discovered when purchasing Lot B for 245,000, real estate values have increased considerably over the past six years. The company also knows that Lot A is assessed for tax purposes at 140,000 but tax assessments are well below market values.

Acquiring Lot A might be difficult for the company. The neighborhood to the west of Main Street is entirely residential with no businesses, although the law does allow business use (including parking lots). Several years ago, the owner of Lot A formed a homeowners' association to fight businesses that attempt buy property in the neighborhood. As a result, the owner of Lot A might refuse to sell the property to the company at any price. Even if he did sell, the owner would expect a higher price from a large, multinational company than from an individual buyer. The company learned this the hard way when it had to pay 245,000 to the owner of Lot B.

Given these problems, Chris told you that the company wants to hire you as a **secret agent** to acquire the property. In this role, you would attempt to purchase the property **without disclosing to the owner** that you are working for the company until after the contract is signed. **The company would authorize you to pay up to 250,000 for Lot A**, which is slightly more than it paid for Lot B. Chris hopes that the purchase price will be lower than 250,000. But if the owner learns that you are a secret agent for a large multinational company, he might want a much higher amount than 250,000.

Assume that in this area the use of secret agents is legal unless the agent lies about being a secret agent. For example, if the seller asks you whether you are buying the property on behalf of someone else and you lie by answering "no," the seller could cancel the contract when the true facts become known. But if the question does not arise, or if you avoid answering the question, the contract is binding.

The bank has given you permission to work as a secret agent for the company, an important customer of the bank. The company will pay you a fee, which the bank has approved.

You accept Chris's offer. The extra money would be especially welcome, as salaries at your bank are low. You have a new baby (your fourth child) and live in a small house. Your car needs expensive repairs and you must repay large college loans. Because you get along well with Chris, you hope that, if you do a good job, you might receive a job offer from the company, which pays much higher salaries than the bank.

The bank has already agreed to finance the company's purchase of Lot A, which would be a cash sale. The company wants to sign a contract with the owner of Lot A as soon as possible. It wants to schedule the **transfer of possession within one month** after the contract is signed, so that it can immediately demolish the two houses and begin work on the parking lot.

If you are not successful in your negotiation, the company will purchase Lot C, on where there is a large, well-maintained house. Through confidential negotiations with the owner, the company learned that Lot C can be purchased for 265,000. This is higher than the 250,000 that it is willing to pay for Lot A. But Lot C would give the company additional property on Main Street. The company has not explored the purchase of other lots. It is afraid that, if rumors begin to circulate about the company's interest in buying real estate, prices will rise and some homeowners will organize protests because they want to keep the west side residential.

Immediately after your conversation with Chris, you called the owner of Lot A and discovered that he is willing to consider a sale. He asked you to meet with his relative, Tracy. You remember Tracy from high school. Tracy was two years behind you in school and you married one of Tracy's classmates.

Given the time pressure, you hope that during your meeting with Tracy you can reach agreement regarding the purchase of Lot A. Prepare to negotiate with Tracy.



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