



# The Cleverest Real Estate Trick Ever Turned In San Francisco.

THE STEWART, NAMED FOR YOUNG STEWART WHICH WILL GO UP ON THE LINCOLN SCHOOL SITE



**The Amazing Coup of Ashby O. Stewart, Young Bank Clerk, Who, With Less Than \$6,000 Capital, Leased the Lincoln School Site for 35 Years, Agreeing to Pay \$2,835,000 in Rent and to Erect a \$250,000 Building;**

**How, Having Been Turned Down by Every Bank in San Francisco, He Contrived, by Almost Superhuman Means, to Pay His Rent Each Month, at Length to Finance the Building by an Unheard-Of Plan; and,**

**How, Having Made Good His Scheme, He Now Sells Out at a Modest Profit of \$150,000!!**

By Robert Bolton

SCALING the high walls of finance at a leap and setting at naught the chances of almost inevitable failure, Ashby O. Stewart, a bank clerk of 28, has put through the cleverest real estate deal ever known in San Francisco. With but a handful of money and an indomitable grit, he essayed the seeming impossible, accomplished it in the face of hopeless odds, and can now sit back comfortably with \$150,000 to his credit.

A monument is being built to him on the site of his activities, the Lincoln school tract, at Fifth and Market streets, and the name across the front of it, "Stewart building," can be pointed out to the young and penniless to show what they can do if, as Stewart himself says, "they never give up."

Behind the solid, substantial four-story store and office building, covering an entire 100 vara lot, the most extensive in the city, is the story of how he did what no other man in San Francisco dared attempt on such terms.

Having less than \$6,000 and no backing, Stewart leased from the board of education the old Lincoln school site, 275 feet square, for a term of 35 years for \$2,835,000, being \$912,000 more than any one else bid, and agreed to construct a four-story building costing at least \$250,000 (Stewart made it \$200,000), to revert to the city at the end of the term.

With this enormous load on his back Stewart walked the tightrope below which lay financial ruin and a broken career, and by sheer nerve rushed to a triumphant conclusion the most daring

business venture ever undertaken in the real estate field. With him as faithful supporters and fellow workers through heartbreaking months were James S. Webster and his son, Hugh, who pulled Stewart through a critical period.

Before the time when Stewart bid for the Lincoln school tract, the big real estate men had considered the great piece of property a sort of public charge and planned among themselves to have it subdivided so that each could find a rich client to handle a portion of it.

They felt in fact rather proud of themselves as public spirited citizens in offering to handle the property profitably to the city.

The site was and is one of the finest and most valuable in Market street, but on account of the conditions surrounding it, it actually was difficult to dispose of. The city is bound to own it in perpetuity, as that was the condition on which it was acquired. Only the size stood in the way of its being snatched up immediately after the fire as a site for stores and offices, but the vastness of it made it almost prohibitory for investors willing to build on leased ground.

First, four months after the fire, the site was offered for lease and there was one bid made, \$4,050 a month for 20 years. This was rejected. And it was then that the talk of subdividing was heard.

It was also at this time that Stewart, who was doing clerical out of town business for a local bank, awakened to the situation and saw his big chance, a chance that no real estate firm or body of operators, no syndicate or bank would take. But he, knowing nothing of the real estate field or of financing building companies, went before the board of supervisors and said he would like to make a bid for the property on a long time lease. Under the charter, as it then stood, it was impossible to rent the property for longer than 20 years. Stewart wanted no less than a 35 year lease. So he set about stirring the board of education to secure the necessary change in the charter. The board was willing enough, but the board of supervisors had also to be

convinced of the advisability of the change. This difficult task accomplished, the legislature had to be put in the same frame of mind, and lastly the people had to give the sanction of their vote. All this was accomplished with no little care and trouble and Stewart did his share. These were anxious months for him, for he now began to see the many pitfalls which lay in the way of his cherished project, but not all of them did he see.

This first hurdle passed, after all his work and trouble Stewart found that he had opened the field for competitors, and when the property was put up for a 35 years' lease he was only one of several. He had secured the backing of a bank and was all ready to carry off the bid triumphantly, when the financial panic swept the country and his backers were compelled to desert him.

He was not expecting this, and he only had word of it a short time before the bids must be entered. In that short time he hurriedly canvassed the field for a daring spirit or two willing to take a long chance for a big stake. He found a real estate man and a Nome miner who said they would dare it. Each of the three then put up a third of the \$10,000 deposit required and entered a bid of \$3,780 a month for the first five years and \$7,245 a month for the remaining 30 years. The total adds up to \$2,835,000 for the 35 years.

The day came for the bids to be opened last spring, and Stewart's was \$913,000 greater than the one next below. The other bidders were astonished and incredulous. The agent for the bidder next below arose before the assembled board and bidders and asked the board to reject Stewart's bid as preposterous.

"It is a shame," he said in all earnestness. "These young men have been misled and will never be able to make the proposition go through. I advise you to refuse to consider their bid and accept one which, if less, will not fail to make good."

But the board of education saw no reason why Stewart's bid was not as good as the next man's, and the property was his for 35 years, with the staggering conditions already mentioned.

Then Stewart began to move. He had the lease and a big proposition to lay before financiers. But he found that the banks would not touch it. He went to every bank in the city and found they all thought alike of the proposition and would have none of it. Next he tried independent investors. They also were shy. Syndicates of investors were also approached and all the answer he received was:

"Dreams, beautiful dreams."

By this time he had associated with him in the effort to raise money James S. and Hugh Stewart, but with even their shoulders straining against the wheel beside him they could not make it move. Stewart's two partners, the

real estate and the mining man, also canvassed the field and found it cold and unmoved by the promise of a fortune in the fulfillment of the contract.

The big insurance companies and bonding companies—every kind of institution which accumulates money—were approached, and none would listen. "Dreams, beautiful dreams," was all the encouragement they got through two discouraging months.

The final closing of the contract was at hand and within a few days it would be necessary to give the board of education a \$25,000 bond to insure good faith. At last there were only two days left, and Stewart was compelled to let his partners know that they would have to put up the extra money. Only one was here. The miner was in Nome. Stewart cabled him and he spent a midsummer Arctic night in raking Nome for money. In the morning he wired back that he could not raise his share and said: "Sell the lease at any price." Then the real estate man said that he could not carry it alone. It looked as if they would have to forfeit their \$10,000 and let all the work go for nothing.

But Stewart did not know how to quit. He offered the other two \$1,000 for their share in the practically forfeited money, was quickly taken up, and then went to a bonding company to see on what terms he could secure the \$25,000 security. The best offer he got was for \$25,000 in cash. That, of course, was impossible.

Defeat Seemed Certain

He had reached his last resource. There seemed to be nothing but surrender. Instead, he put on his coolest look and went before the board to ask for better terms. He explained that the demands of the bonding companies were impossible and, choosing the psychological moment, asked if the board would not be satisfied with a \$5,000 cash deposit.

No, the board would not; in fact, it could not; at least it thought it would not be permissible. "Find out," said Stewart.

So the matter was laid before the board of supervisors and passed it on to the finance committee, where it hung fire. Stewart was on hand and active.

"Let the city attorney pass on it," suggested Stewart.

The suggestion was followed, and Stewart waited an anxious day while City Attorney Long revolved the thing in his mind and finally decided that the board might accept the \$5,000 cash bond if it pleased.

But, even then, the board did not quite like to do it. Director O'Connell was very doubtful, but Stewart talked as never before and won the day. He then drew down his \$10,000, of which he personally had only put up a third, and, taking \$5,000 out of it, put that up as the cash security.

But the moment the board decided to accept the bond the first month's rent was due, so Stewart took the other \$5,000 and paid the rent from that. This gave him a month to turn, but he wanted two. So he borrowed \$1,500 on his nerve and breathed easier.

Now Stewart was on some kind of a basis, but was confronted with mountain high difficulties which he had hardly dared think of before. Here he was compelled to build a four-story building covering an area 275 feet square, and he had already exhausted the financial field. But he had an idea. He confided it to the Websters and to the First Federal trust company. Then the three men went out into the field again, the Websters now shouldering the bulk of the work, with only the hope of a commission on a deal so shaky that, as they had reason to believe, no one in town would handle it.

Moreover, they did not even have the inducement of low rent to offer in consideration for this most extraordinary request, but, on the contrary, were asking the biggest rent which had ever been paid up to that time on Market street. The terms were such that the merchant, in order to get an ordinary store in the building had to put up \$20,000 in cash in advance, to be repayable only after 20 years.

With a scheme like this being outlined to dozens of merchants every day it soon became generally known, and they say that everywhere they went other men followed to detract from them in the hope of inducing the prospective lessees to change their minds.

But in spite of the handicaps they succeeded within two months in securing by this means \$152,500. There it ended. They could not get a cent more.

Money Comes at Last

But while the Websters were signing up lessees Stewart was organizing a syndicate of wealthy men, who agreed to let him have \$75,000 at 7 per cent interest on condition that he paid in addition, on account of the risk, \$500 a month as a bonus. In other words, he was paying 19 per cent interest on the money. This left \$75,000 still to be raised, and Stewart succeeded in inducing the hard headed contractors to take this in 10 year bonds as part payment on their original work. The building was financed at last.

It was a gigantic, a stupendous, task. Stewart says he hardly slept for months, and after spending long days in discouraging search for money never left his desk until 2 in the morning.

planning the next day's campaign. The deal was closed. The money was raised with which to erect the building. Immediately the transaction began to assume a very different aspect from a few weeks before. It was now easy to see where a fortune could be made from the property. The syndicate which had loaned Stewart \$75,000 now came forward and asked him what he wanted for his interest in the lease. Stewart named a stiff figure. They made a smaller offer. Stewart held them off and they became more eager, offering a better price, but Stewart stuck by his original figure.

And here comes the crisis in the drama. The next month's rent was due and Stewart did not have the money to pay it. It was true that the First Federal trust company had in its vault over \$200,000 which Stewart had placed there, but he was not in a position to touch a dollar of it.

No one knew what a tight fix he was in and he could not afford to let it be known. Still the rent had to be paid. So he went out to raise it. This was hard to do. It seemed immeasurably harder than ever before. Moreover, he had to be careful not to let it be known how badly he was in need of ready money. Finally he found a man who was willing to lend him \$2,000 to pay the rent on condition that he be repaid \$4,000 in 10 days. Stewart was forced to accept the terms and a few days later the syndicate came up to his price and took the lease off his hands, immediately assuming all obligations and giving him a check which left him \$150,000 where he had only \$5,000 a few months previous.

The syndicate which now owns the lease got it at a good figure at that, and, being well backed, will be able to carry out all the conditions which Stewart made.

"It was a terrible task," said James S. Webster, discussing the transaction in his office the other day, the deal finished and clear water ahead. "But we did it all in the open. We never misrepresented a single fact and any one could find out at any time what we were doing. It seemed impossible and there were plenty to cry us down, but we did not dare waver for a moment, and we accomplished the almost impossible."

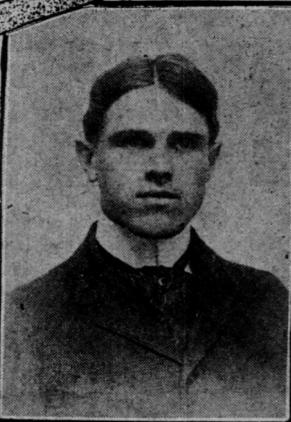
Stewart sees now, and saw in the beginning, the chances against him. They were all but overwhelming, but like a good boatman putting a frail craft into harbor between threatening reefs with a tumultuous sea between, he held the tiller firmly in his hand and put it through.

"Any young man with nerve and a determination never to give up can do the same in San Francisco again," Stewart said in conclusion, after giving the facts of the story, which he had never done before. And a look at his firm jaw and cool eyes set true in a broad face shows the kind of young man it requires.

Incidentally, the real estate men say that Stewart earned every cent of that \$150,000.



JAMES S. WEBSTER WHO WITH HIS SON NEGOTIATED THE LEASE



HUGH M. WEBSTER WHO HELPED FIND TENANTS