



Shifting Soil, Stirring Souls

by Scott Kauffman

Officials at the St. Joe Company refer to themselves as being “no ordinary Joe.” It’s a fitting description. How else would you describe a company that creates some of the leading master-planned golf and resort communities in Florida and owns more than 850,000 acres — making it the state’s largest private landowner.



The WaterColor Inn & Spa in Seaside.

The story of how St. Joe Company became one of the largest real estate forces in the Southeast also is not ordinary. In fact, many people probably associate St. Joe Company with timber and paper, in part because of its previous incarnation as St. Joe Paper Company.

In reality, though, St. Joe was more than just one of the country's largest producers of pulp and paper. During the 60 years while it was officially known as St. Joe Paper, the publicly traded company also owned a controlling interest in the Florida East Coast Railway Company — which ran from Jacksonville to Key West — a sugar company, a telecommunications company, and interests in three cellular limited partnerships.

Today, however, make no mistake about who St. Joe is. After selling the company's famed Port St. Joe paper mill and cardboard container plants 10 years ago along with other non-real estate assets, and changing its name to St. Joe Company, the once powerful paper producer is evolving into one of the biggest players in real estate. And St. Joe's massive property portfolio — most of which was purchased for just a few dollars per acre 60-70 years ago — puts it in prime position to set significant environmental and lifestyle agendas for generations to come.



Left: The daunting 14th, a mid-range par three, anchors the returning nine at Camp Creek Golf Club in WaterSound.

Below: Water and sand threaten down the entire left side of the 542-yard 3rd hole at Camp Creek.

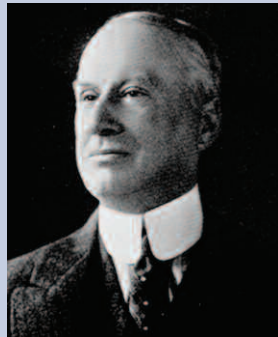
"St. Joe's massive property portfolio ... puts it in prime position to set significant environmental and lifestyle agendas for generations to come."

One component that naturally connects these two integral elements of real estate — the environment and lifestyle choice — is golf. In Florida's Panhandle, for example, golf particularly plays a prominent role at several acclaimed low-density St. Joe developments. The course that arguably put St. Joe in the spotlight is Camp Creek Golf Club, a Tom Fazio-designed gem that opened five years ago near St. Joe's mixed-use WaterSound Beach project and WaterColor, the high-end enclave anchored by the luxurious WaterColor Inn & Spa in the renowned community of Seaside.



St. Joe Beginnings. . .

The St. Joe Company, Florida's largest private landowner, actually traces its roots to the legendary duPont family — namely rebellious family member Alfred Irénée duPont. Having started as a laborer in the duPont gunpowder-manufacturing company, duPont, a colorful character and nonconformist, eventually



Alfred Irénée duPont

became president of the family's Delaware enterprise. But in 1926, DuPont surprised both his peers and his family by leaving Delaware and moving to Jacksonville with his young wife, Jessie Ball.

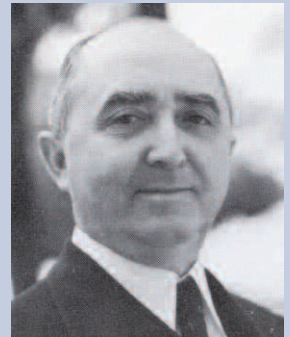
Shortly after he moved to Florida, duPont commissioned his wife's brother, Edward Ball, to acquire good investment properties.

Ball acted quickly, purchasing hundreds of thousands of acres of land, as well as various banks and companies that had fallen into financial trouble. In 1933, a single transaction added 240,000 acres in northwest Florida to the duPont holdings. This particular transaction included two railroads, some phone companies, a land development company, a port terminal, and a sawmill. It also included almost the entire gulf town of Port St. Joe.

DuPont died in 1935, leaving the majority of his assets in a trust for his wife, and appointing Edward Ball as head of his business conglomerate. His longstanding dream of opening a paper mill was finally realized the following year when the executors of his estate formed the St. Joe Paper Company in Port St. Joe. Ball continued to aggressively add to the company's holdings, purchasing a number of corrugated cardboard box plants, a sugar company, and a controlling interest in the Florida East Coast Railway Company, which ran from Jacksonville to Key West. Simultaneously, Ball kept building on St. Joe's already-impressive land holdings by purchasing large tracts of timberland and using the timber to provide the pulp for paper

products. By the 1970s, St. Joe's pulp and paper operation was one of the largest in the nation.

In the early 1990s, however, realizing its greatest growth potential lay in its vast land holdings, the Florida conglomerate began remaking itself as a real estate company. The first step in this transformation was to begin selling off non-real estate assets, including the sale of stock in its telecommunications company, St. Joe Communications, as well as its interests in three cellular limited partnerships in 1996. The next businesses on the block were the company's namesake, the Port St. Joe paper mill, and its cardboard container plants, which were sold in May 1996. That was when the St. Joe Paper Co. officially changed its name to the St. Joe Corporation.



Edward Ball

More significant than the name change was a change in leadership. In 1997, the St. Joe board appointed seasoned real estate veteran Peter S. Rummell as the company's new CEO. In his new position at St. Joe, Rummell was clearly given a rare real estate platform, considering the company owned 1.1 million acres of land — located mostly in northwestern Florida — and had \$500 million in cash and securities, with no debt. Plus,

Rummell had autonomy and a mandate simply to develop the company's land holdings in whatever ways he thought would improve earnings.

Rummell said in an April 1998 *Fortune* magazine article: "I don't know of anyone who has been given an almost \$3 billion market capitalization, \$500 million in cash, no debt, and almost six million feet of built and leased inventory, and been told to go make something happen."

Well, Rummell made it happen, and today, the company once associated with paper, railroads and timber, is perhaps best known as one of Florida's leading developers of master-planned communities.

Who: The St. Joe Company
What: One of Florida's largest real estate operating companies and the state's largest private landowner with approximately 850,000 acres under control, concentrated primarily in Northwest Florida.
Based: Jacksonville (www.joe.com)
2005 Revenues: \$938.2 million
Did you know: St. Joe Towns & Resorts, the company's real estate development arm formerly known as Arvida, has completed more than 60 planned communities in Florida, Georgia, Texas, California, and the Carolinas in its 50-plus year history, comprising more than 40,000 homes and 30 golf courses. The company, incorporated in 1936 as St. Joe Paper Co., is publicly traded on the New York Stock Exchange (NYSE: Joe).

A pure golf experience generously laid out on a 1023-acre tract planned for just 102 residences, Camp Creek is truly in harmony with the natural environment; and, as such, golfers get to play amid dramatic long-range gulf views, dunescapes, native grasses and cypress-filled wetlands. Highly rated by numerous golf publications, St. Joe officials are now prepared to take Camp Creek to the next level with the impending privatization of the par-72, 7159-yard facility. According to Stephen Hilliard, St. Joe's managing director of resorts and clubs for Walton County, Camp Creek is scheduled to be converted no later than this September. When the process is completed, the course will remain accessible to resort guests at WaterColor and WaterSound.

"It's a fabulous benefit for people who stay at our resorts," says Hilliard, referring to Camp Creek. "Now we have the ability to do more with the golf course and protect the experience of our members. It's also a way for us to appeal to a different segment from a real estate perspective. But we can still give resort guests the amenity. It's the best of both worlds."

Jack Wolfe, regional vice president/general manager for Walton County, says the intent behind the soon-to-be private Camp Creek is making it "(PGA) Tour quality."

"This is a golfer's golf facility, not a country club," adds Wolfe, who was responsible for developing two of Walt Disney World's championship courses designed by Pete Dye and Fazio. "Whether you're a 2 handicap or 20 (handicap), we're going to enrich you through the depths of golf."

"We plan on having everything from USGA golf officials out to teach you the rules to showing you how to grip your clubs."

Part of the recipe also calls for expansion of the existing 3000-square-foot clubhouse to a new facility somewhere between 7000-10,000 square feet.

Interestingly, the Camp Creek development, which calls for golf cottages and a private residence club, was entitled to have a second 18-hole course, but Wolfe says those plans have been scratched for now.

"We didn't have much demand for a second golf course there," notes Wolfe, who oversees St. Joe's real estate development in Walton County. "So we'll open it up for more real estate if we can. Most areas candidly have more golf than demand right now. We'll go further north with our golf and try to keep a balance."



Above: St. Joe's SouthWood is rapidly gaining reputation as a trendsetting community.



Left: The mighty guardian oak of SouthWood's par-four 14th hole.

A perfect example of that balance is SouthWood Golf Club, a 3200-acre development recently picked by one statewide magazine as one of

the "Five New Urban Communities to Watch." Located in historic Tallahassee, SouthWood is a mixed-use community "where residents can live, learn, work and play," according to St. Joe. Built around a traditional commercial center that St. Joe calls Town Center, SouthWood has more than 1000 acres of community-wide interconnected green space, including a 123-acre Central Park, 12 miles of walking trails and bike paths, and the four-year-old semi-private course designed by Gene Bates and Fred Couples.

Another large-scale master-planned community with first-class golf is Victoria Park, the 1859-acre development about 45 minutes north of Orlando in the quaint college town of DeLand. Planned for as many as 4200 residential units and 854,000 square feet of commercial space, St. Joe has already sold more than 1000 townhomes and single-family homes prices from the mid-\$200,000s to more than \$1 million.

Meanwhile, just as St. Joe is putting the brakes on a second championship course at Camp Creek, the company is moving ahead with plans to grow golf at WaterSound, the 1402-acre low-density development just north of Camp Creek on U.S. Highway 98. According to Wolfe, the community's family-friendly 6-hole Walker Course, designed by Davis Love III with multiple tee boxes, is scheduled to open this July with another nine holes already under design by Love. Sometime in the future, Wolfe says, St. Joe might even add another

The home hole at Victoria Hills Golf Club in DeLand merges beauty and ball-striking.



Victoria Hills exemplifies St. Joe's commitment to quality of life.

9-hole layout, "giving us a regulation 18-hole course and the Walker Course."

The first phase of residential development at the Walker Course was scheduled to be made available this June with no more than 100 lots released total this year. Wolfe says prices will probably

start in the \$175,000-\$200,000 range. To no surprise, St. Joe, which greatly values open space corridors, will leave most of the golf course frontage reserved as open space "so the whole community can enjoy the beauty of the course," according to Wolfe.

It's a real estate philosophy contradictory to what most developers would do. Then again, while many developers would have leveled the great dunes that dot much of St. Joe's developments along the Gulf of Mexico, St. Joe protected them.

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"Joe is a very value-driven company," points out Wolfe, who previously worked under St. Joe chairman/CEO Peter Rummell at Disney Development. "We're not a cost-oriented developer. We're a quality-oriented developer."

"It starts with having a vision for what you're trying to do. In Northwest Florida, we studied a lot of what was here and really understood the area ... we go to great lengths to identify what our sensitivities are, and we address these sensitivities. We want to be leaders and not resort to the minimum standards."

In other words, this one-time paper company doesn't want to be an "ordinary Joe" when it comes to real estate. ❖

Scott Kauffman is the country's foremost writer on golf course real estate, having covered the industry for eight years, including nearly six years as a full-time staff writer for the Golfweek Group.