

BLUEWATER BAY

Synopsis of events from 1976 – 2020

By Raimund Herden, Developer since inception

THE BEGINNING

I came to this area for the first time in May 1975 by invitation of one of our US business partners who proposed to buy a large tract of land, owned by Barnett Bank in Pensacola. I was given detailed projections which were extremely favorable and a conceptual development plan. If we would acquire this land our US partner would act as general partner/developer. Back in Europe I presented what I had seen and heard to my two partners, both US investment bankers in London. Since the projections looked so good and appeared like a “slam dunk” we decided to go ahead and established the Bluewater Development Company. We never before had offered our European customers an investment without a fix return. Therefore, in this case we guaranteed our investors an interest of 7,5% p.a. plus 80% of the expected profit after the original investment and the accrued interests had been paid.

The conceptual development plan was signed by an engineer named David Weaver. Once we decided to go forward with the acquisition, we contacted Mr. Weaver and asked him whether he was interested to be our project manager. He agreed and became our first employee. In April 1976 Mr. Weaver had arranged our first planning meeting. In this meeting Mr. Weaver indicated to me that the projections which were the basis of our decision, were completely unrealistic, both regarding the time frame and even more regarding the projected costs. I also learned that we did not buy the land from Barnett Bank but from “The Cadence Corporation”, a 100% subsidiary of our business partner who had proposed this acquisition. They probably had skimmed off a good chunk of the acquisition price. No wonder that this company was not interested anymore to be the general partner and developer and before long they disappeared, forcing me and my two partners to establish “EMCA - Europco Management Company of America” in Atlanta. EMCA became the new general partner and I personally had to change my involvement from investor to developer.

Soon after I visited several resort communities in Hilton Head Island and on Florida’s East- and Westcoast to learn what has to be done and what has to be avoided. To be successful we had to focus on permanent year-round residents and build a family oriented and an environment friendly community. Consequently, we decided to sell only one out of six lots to an investor. Some time later we hired Jerry Zivan as Chief Executive Officer. We had worked with him in previous years for many real estate transactions while he was an associate in a prestigious Atlanta law firm. At the time of his hiring, I was not aware that he was employed by the same company from which we bought the land. He actually signed the closing documents as Vice President for The Cadence Corporation. Nevertheless, he became and was together with Mr. Weaver a major contributor to our success.

THE DEVELOPMENT CONCEPT

Unlike many other developments, Bluewater Bay was designed primarily for permanent living; about 95% of homeowners live here year-round. The Bluewater Bay life-style symbolizes natural beauty, serenity and excellence which residents enjoy as much as guests. Bluewater Bay is one of the very few developments of this size in the entire Southeast that never changed hands, and where the original developer was still involved until the final project.

Status of Bluewater Bay as of 2020

- Complete infrastructure with only underground utilities
- 19 man-made lakes, wildlife sanctuaries and greenbelt areas
- A total of 30 subdivisions, including 4 gated communities
- 212 streets (over 70 miles), more than 85% are cul-de-sacs, designed for safe and family friendly living
- Over 10,000 year-round residents and more than 3,000 homes, mostly single-family residences
- Golf course, tennis, pools, playgrounds, fitness centers, 120-slip marina and dry storage facility for 200 boats
- Shopping, grocery store, pharmacies, 20 restaurants, 4 banks, 3 gas stations/convenient stores, professional offices
- 2 senior living communities, nursing home, 3 kindergarten/pre-schools, elementary school for 800 children
- Medical services, Hotel, sheriffs’ sub-station, 4 churches
- Total tax base over \$ 1 billion
- \$120,000 average household income as compared with Okaloosa County average of \$65,000
- 350 registered businesses that employ 2,500 employees
- 300+ newspaper and magazine articles written about Bluewater Bay

CHANGE OF OWNERSHIP

In 1992 we entered into an agreement with a group of private investors to sell about 60% of the golf course as well as resort related assets including an all service 120-slip marina, restaurant/office building at the marina plus adjacent land, miniature golf, tennis center with 12 rubico courts and 9 laykold courts (rated by TENNIS MAGAZINE as one of the United States best resort tennis facilities), a leisure service division with more than 1,000 members that managed the four swim- and recreation centers, one of which included a heated pool open all year and another which offered an eight lane racing pool with clubhouse (located in Parkwood Estates), a soccer and baseball field (located in the Woodlands), a management rental program consisting of 140 one-, two- and three-bedroom privately owned furnished homes of various types available for rent on a nightly, weekly or monthly basis, 70 unfurnished apartments and homes available for lease for 6 months or longer and approx. 30 homes which were not offered for rent, but were managed on a caretaker basis for the convenience of non-resident owners. As part of its rental management program, Bluewater Bay maintained a housekeeping department, telephone switchboard answering service and a maintenance division. All of these assets and services complemented each other and combined they were very profitable.

Within a few months, the new majority owners changed the management philosophy more towards resort guests and away from members and residents. Consequently, they changed the name of the company to Bluewater Bay **Resort**. Notwithstanding the fact that a controlling majority can change any policy at their discretion, we did not agree with many of their decisions and pleaded to either be bought out, or that we would buy back their holdings. A few months later we were bought out.

THE NEW OWNER – BLUEWATER BAY RESORT

Bluewater Bay Resort continued their strategy for some time, obviously without avail. Then they reversed it completely by selling most of the valuable and profitable resort amenities one after the other, some considerably under market value: The marina, including the Marina building, the leisure service division, the soccer and baseball field, the tennis facility, etc. Instead of investing some of the sales proceeds into the remaining assets, they let the golf course, cart paths and bridges, as well as the Clubhouse, slowly deteriorate. The same happened to the golf villas. It is no surprise that Bluewater Bay Resort lost many frequent visitors who did not return, and many members joined other local golf clubs where they could play on courses which were in better conditions.

The management never involved the golf members and/or residents in any decision-making process. On June 4, 2007, a letter was sent by the Men's Golf Association to the new owners and signed by the acting president and eight previous presidents. In this letter the members expressed their concern about the condition of the golf course, the golf clubhouse, and other items. It was intended as constructive criticism and as an attempt to initiate a dialog with the Management. – This letter was never answered, and nothing changed. Market conditions for golf courses may have changed, but in case of Bluewater Bay Resort, self-inflicted damages as a result of mismanagement have even more contributed to the decline.

THE BLUEWATER BAY GOLF COURSE

In accordance with our concept for the overall development, we planned our golf course as a type of country club with members being the main focus. Our original clubhouse was the focal point for many activities and social events. The yearly highlight was the "International Invitational Golf Tournament", a 3-day event which took place in October and brought more than 1,000 International guests from all over the world to our community. Ten years after opening the first 18 holes (Bay/Lake) in 1981, the Bluewater Bay Golf Course was in immaculate conditions and considered the best golf course in our area. GOLFWEEK rated it as one of the top 30 courses out of more than 1,000 courses in Florida. By that time we had over 300 members, even though the number of residents was 40% lower than today.

In this context it is noteworthy that in late 2000 Bluewater Bay Resort had a legitimate offer to buy all Bluewater Bay Resort's assets for \$ 10,250,000. This offer was based on projections for 2000 provided by Bluewater Bay Resort. The projected net-income for the golf course operations alone exceeded \$ 750,000. This transaction never came to fruition, but it seems rather strange that an apparently profitable golf operation reversed its success in a very short period. It is also noteworthy that most of the golf courses in our area are still doing well including the Blackstone golf course still is doing well although it has only very few residents. Even the Foxwoods Country Club in Crestview has been revived recently.

FIRST ANNOUNCEMENT TO CLOSE 9 HOLES

On September 20, 2012, the residents of Bluewater Bay were informed by Steve Hall, an attorney representing Bluewater Bay Resort about the intentions to redesign the Magnolia golf course and create 3 housing development parcels. The sale of these parcels would provide capital allowing the Resort to catch up on deferred maintenance items on the 3 other courses, provide marketing dollars and help fund the ongoing operation of the golf courses. A financially strong Resort would help assure golf's future at Bluewater Bay. The intended redesign never happened, and the entire golf course was

closed. In April 2013 some acreage was sold to Randy Wise Homes. Over the next months the abandoned course fell into despair and became an eyesore. At this time, as the sole developer of Magnolia Plantation, I was drawn into the controversy, and I felt compelled to take the side of the residents and filed a lawsuit against Bluewater Bay Resort. I was very disappointed that Jerry Zivan who had always been a great asset in our development progress, took the other side. Obviously because he saw an opportunity for himself.

Sometime later Mr. Zivan arranged a meeting in his office with the owners, Randy Wise, myself and Jerry White as representative of the Magnolia Plantation HOA. He opened the meeting with the statement that he was neutral and only acting as a mediator. But at the end he unintentionally showed his true colors by saying to me “what if **WE** will maintain the abandoned fairways, would you then withdraw your lawsuit?” After leaving the meeting, I still remember Jerry White saying “What a snake!”

THE SECRET TO SUCCESS

In spite of the very unfortunate start, originated by misleading and wrong information, we were finally able to complete our American Dream, and finish Bluewater Bay successfully. The main reason for our success was a great development concept, exceptional marketing and the fact that most of the large developments were financed with European capital, either by individuals or through partnerships. The first major project was Marina Cove Village, with more than 130 homes. Other European investments included all 100 units of the Royal Oak patio homes on Bay Drive, the entire Glen Eagles neighborhood between fairway 1 and 2 of the Bay Course, Sunset Beach (Bluewater Bay’s most exclusive subdivision), St. Andrews Village, the Glenlake development, and Magnolia Plantation, the final and largest community.

European financed projects also include the Visitors and Information Center (now Bluewater Orthopedics), all of Merchant’s Walk, the gas station and dry cleaner on Range Road, the Winn Dixie shopping center, and most of the other commercial buildings on State Road 20, including the \$20+ million senior independent living community (American House). The first 18-hole golf course (Bay/Lake), the clubhouse and driving range were also financed by a European partnership. I was personally involved in many of these enterprises as an investor and/or general partner.

BLUEWATER BAY DEVELOPMENT ENTERPRISE

This enterprise was established between some owners, Randy Wise Homes and Jerry Zivan (as I was informed without paying anything for his share). One cannot expect that the owners care for Bluewater Bay. They understandingly want as much money as possible back from their investment. Same applies to Randy Wise, who is a competent builder and good person. However, for Mr. Zivan it is very different. He was for many years the chief executive officer of the Bluewater Bay Development Company.

Therefore, he should foremost care for the residents and/or golf members. But he disappointed me again by changing “Bluewater Bay first” to “Jerry Zivan first“. By the way, Bluewater Bay Development Enterprise acted exactly like Bluewater Bay Resort before. Instead of engaging in a dialog with residents and/or golf members, they made their decisions without any input from the affected people.

CLOSING REMARKS

After more than 40 years I left Bluewater Bay at the end of 2020 for good to return to my home country Germany. While I always enjoyed the privilege to develop this beautiful area, there have been certain recent developments to which I cannot agree with. For example: The way the closing of the golf course was justified, the unsightly townhomes constructed close to the clubhouse on Bluewater Boulevard, and the latest plans of Bluewater Bay Development Venture.

I have always put my heart and soul into Bluewater Bay. I was never on the payroll of the Bluewater Bay Development Company, instead I continuously put up my own capital and took big risks. Fortunately it ended like the title of Shakespeare’s play “All’s well that ends well“.

May God bless Bluewater Bay and all its residents!