

The Branigar Organization and The Galena Territory

By Richard Burke, Branigar President and CEO, 1978 to 1986

The Company

Branigar, The Galena Territory's developer, was founded as a family-owned real estate development company in Chicago, Illinois, in 1918. Over the years, it developed approximately 80 residential communities, mostly in Chicago's western suburbs.

About these Chicago suburban projects: they tended to be built on cleared farm fields; their amenities were modest, mostly greenways; they were all sufficiently close for prospects to "drive out on a Sunday afternoon" to visit; and they all reflected Branigar's founding philosophy:

"Let us always strive to protect and preserve natural splendor for generations to come, and develop homesites of lasting and increasing value, quality and beauty. To be successful, a land company must care about people, families and their way of life." (Harvey Branigar, Sr. 1874-1953)

"Where others were uprooting trees, (my father) was planting them." (Harvey Branigar, Jr. 1913-1993)

In 1969, Branigar became a wholly owned subsidiary of Union Camp Corporation. Union Camp was ranked in the top half of the country's 500-largest industrial corporations and was consistently recognized as one of the best managed paper companies in the nation.

The acquisition strengthened Branigar greatly, allowing it to undertake larger, more complicated projects, most notably The Galena Territory and The Landings on Skidaway Island, a 4,500-acre primary and retirement housing community near Savannah, Georgia.

Branigar's Vision

The basis for starting projects like The Galena Territory was the phenomenal growth of the second home industry during the 1960's and 70's.

But from inception, The Galena Territory was envisioned as a recreational, second-home development significantly more up-scale than any of several previous second home lake projects undertaken by The Branigar Organization.

From this vision flowed a series of important decisions related to the project's physical development and financial characteristics. For example, Galena's master plan professionally balanced environmental sensitivity with lot yield objectives. Detailed attention was paid to the design and construction of homeowner buildings. The quality and comprehensiveness of the amenity package greatly exceeded those of prior projects. While at 6,800 acres, the sheer physical size of The Galena Territory dwarfed previous lake projects.

In line with this unique quality direction, it was always recognized that The Galena Territory would require a similarly unique marketing approach. With lot prices initially averaging \$13,000 and with minimum housing costs exceeding \$40,000, it was imperative to adopt a style of marketing that appealed to higher income consumers - - an audience known to be resistant to the mass-marketing, "free-offer" techniques that had successfully sold other lake communities and had been used at The Galena Territory prior to 1976, when I joined The Branigar Organization as Vice President - Marketing.

Additionally, it was anticipated that "build-out" would be significantly more important at The Territory than it had been at previous projects since the scale of The Territory's amenity package required a sizable population base to be financially viable.

Accordingly, The Galena Territory's planning documents consistently alluded to the development of some form of "attraction" that would: (1) give The Territory a unique superiority edge in the minds of people looking for property; (2) encourage those not actively seeking land to sample the benefits of ownership while concurrently supporting the amenity package; and (3) deliver qualified prospects at reduced marketing costs.

But by 1975, with the Territory now two years old, that "attraction" had yet to be settled on. The information center, riding center, and the original owners' club were up and running, the lake was nearing completion and land was being cleared for the golf course. But feasibility studies were just beginning to consider Eagle Ridge Inn as the much-needed "attraction."

Meanwhile, in the late 1970's, the second home industry collapsed

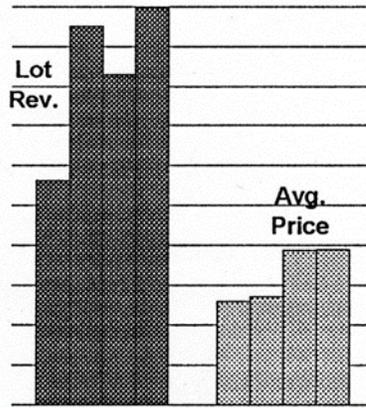
In building The Territory, Branigar expected to benefit from the surging demand for second home lot communities, as it had at each of the lake communities it had built prior to The Galena Territory, including Apple Canyon Lake. During the late 1970's and early 80's, however, the second home lot industry virtually collapsed. (*And in essence, it was replaced by the timeshare industry.*) Consumers who had previously rationalized purchasing recreational lots through unquestioned confidence in the investment potential of *all* real estate, were quickly disillusioned by gasoline shortages, spiraling inflation, two recessions and the frank realization that constructing a second home on their lot was unaffordable, while selling that lot, even at a loss, was extremely difficult.

Given this profound industry change, most second home lot communities went out of business. Among the survivors were those whose climate or location made them viable retirement

The Galena Territory

- ◆ **Problem:**
Illinois Not Wisconsin;
No Power Boating;
Blue Collar TV Media;
Product “Un-affordable.”

- ◆ **Solution:**
High Quality Golf Resort;
More SF Housing;
High Density Product;
Target Affluent Buyer.



communities; those that were located near major natural amenities (oceans, mountains, etc.); and those that, lacking both retirement potential and major natural attractions, offered an artificially created, successful resort.

Eagle Ridge Inn Saves the Territory

The Galena Territory fell into the third category, and it was the success of Eagle Ridge Resort that sustained purchaser interest and supported a viable housing construction, sales and rental operation through sell-out of the remaining lots.

I wrote the recommendation to construct Eagle Ridge Inn in July of 1977, a year after joining the company, and it was promptly approved by Branigar’s Board of Directors and by Union Camp.

Eagle Ridge Inn essentially saved The Galena Territory:

1. It yielded a positive cash flow from its own operations;
2. It enabled us to eventually sell the complete amenity package and recover the sizable investment it had required to build it;
3. It supported needed increases in lot pricing;
4. It enabled us to sell a greater number of cluster and multi-family lots;
5. It enabled us to substantially reduce our selling costs and importantly;
6. It has provided a continuing stream of prospects for “resale” properties throughout the years after Branigar completed the project and discontinued its substantial “prospect generating” marketing programs. This last has remained a major benefit to existing owners.

Housing in The Territory ... a slow start and a boost from the Inn

Branigar was never in the “home building” business, except a few times at The Landings to illustrate a style of architecture that was mandated.

But as noted earlier, homes, with people living in them, were vital to the support of The Territory's extensive and expensive amenities. It was for this reason that Branigar started building vacation homes there right from its opening.

The earliest homes were all "modular" houses, pre-built by their manufacturers and "assembled" on site - - exclusively in the areas of the community where central water was available, but septic tanks were needed for sewage. The first was a "pedestal house" manufactured by Bartoli & Brady, which we named "The Ridgetopper." A much greater variety of homes - - from small to very large and expensive - - was offered by a firm called "Acorn Deck House Company" and Branigar built a number of these homes throughout The Territory.



But demand was small and no spec builders rushed in to add to our stock of offerings.

The reason was clear and concerning: analysis of our buyers revealed that a sizable number still fell below our financial target, with 52% earning less than \$25,000 per year and 39% living in primary homes with values equal to or less than the minimum cost of a Territory home.

Enter Eagle Ridge Inn, which attracted a more affluent buyer and which offered a robust home rental opportunity.

Homes were made possible by the construction of a central water and sewage facility that served a roughly 650-acre area around the Inn and golf courses and which we referred to as the Resort Village. Without central sewer we could not have built cluster units or townhouses or any type of attached or multi-story homes.



The first cottages to be built were the Settlement Cottages and while specifically designed for



The Galena Territory, their character drew heavily from Colonial Williamsburg where I had spent my first year in the

Army at Fort Eustis.



Rental Homes in Colonial Williamsburg

The inspiration for the Aspen Cottages was a family ski trip that I took to Aspen. The goal was to replicate the size and success of the Settlement Cottages, but with a fresh front exterior look.

Over time, Branigar built a diversity of choices: Eagle Ridge Townhomes, Settlement Cottages, Aspen Cottages, Farmstead Houses, Spring Creek Golf Villas, and Long Bay Point Lakehomes. Both the Settlement Cottages and the Farmstead Homes went on to win national Merit Awards from Builder Magazine. While all these housing types offered a variety of sizes, the essential fact was that they began with units as small as 800 sq. ft., thus reducing cost and increasing affordability!

The strategy worked, and by 1986, when I turned over the helm of The Branigar Organization, the company was out of the home building business as property owners and local builders moved in to energize a construction boom, with 111 construction permits being issued that year.

At a recent reunion of Branigar employees, I described The Galena Territory as being “like the child you always worried about who goes on to accomplish great things as an adult.” The Territory: 6800 acres, 3300 lots, population of 3600 people. Eagle Ridge Inn: 4-Star rating, 80 rooms; 390 homes in the rental program. And 63 holes of golf, rated among the top 100 public courses by Golf Digest. Hard not to be proud of all that.