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## Syd Kitson: The man behind the Babcock Ranch deal



Developer Sid Kitson is the man behind the planned community on Babcock Ranch. Over 19,000 homes are planned on 17,000 acres of the property, another 73,000 acres of land will be preserved. The ranch operations of cattle and sod production, logging and tenant farming will continue to be operated by Kitson's company and eventually turned over to the state. Photographed Feb. 27 at Cypress Lodge - Fred Babcock's former hunting lodge on the ranch property. STAFF PHOTO / JASON MCKIBBEN

Syd Kitson, with the help of some deep-pocketed investors, paid \$700 million for the 92,000 acres of Babcock Ranch, a property five times the size of Manhattan Island.

That figure, something that Kitson has never revealed publicly, for the first time puts into perspective the \$350 million that Florida taxpayers paid for the lion's share of the property: 73,000 acres of cypress swamps, wetlands and other environmentally sensitive land.

It was three years ago -- in an equal partnership with New York investment bank Morgan Stanley and with Kitson backed by money from the Washington State Investment Board -- that the buyers satisfied the 42 members of the ranch's

founding family and walked away with the huge property.

The Babcocks had more lucrative offers on the table, but it was "Kitson's vision of doing this right merged with the family's interest to maintain proper stewardship of the land," said L. Grant "Jack" Peoples, a retired partner with the law firm White and Case, who, in conjunction with Punta Gorda's Farr, Farr, Emerich, Hackett and Carr law firm, represented the Babcocks in the sale.

Now Kitson -- despite a flagging economy, sagging housing market and his recent exit from the Murdock Village project -- hopes to soon start building infrastructure at Babcock Ranch and to begin residential development within three years.

The 17,000-acre property set aside for development is expected to eventually hold 19,500 homes. If all its villages are built, Babcock will be larger than the 7,000-home Thomas Ranch near North Port and the 18,000 homes approved for Lakewood Ranch in Manatee and Sarasota counties.

Confirming the \$700 million price tag was Eva Armstrong, former director of the Florida Division for State Lands, who had negotiated with the Babcock family for years and who later negotiated with

Kitson.

Armstrong, now an environmental consultant, said that besides the preservation plan, the Babcock clan wanted protection from double taxation. Kitson was able to accomplish that through a complex stock sale.

### **Big, big tax implications**

Babcock Ranch was been held in a "C" corporation, which meant if the land were sold directly, an onerous double taxation would occur because the base purchase cost in 1914 was so low compared to the modern value.

After the deal with Kitson and his well-heeled partners, the family all paid at least a 15 percent tax on the sale of their family stock because the proceeds were treated as stock dividends.

Kitson had brought other big pieces of leverage to the table.

There was the Washington State Investment Board, with \$85 billion under management for public employees and other public pools of capital. The board is a major partner in Kitson's company. The actual purchase of Babcock was a 50/50 partnership with Morgan Stanley, with hundreds of millions available from Wall Street for capital expenditures.

Kitson also courted and won over support from a host of environmental groups, including the Nature Conservancy, the Trust for Public Land, the Florida Wildlife Federation, Audubon of Florida, 1,000 Friends of Florida, Defenders of Wildlife and the Florida Recreation and Park Association.

But it might have been Kitson's interpersonal skills -- honed in college football, in professional sports under some storied coaches and through years of work in the real estate industry -- that played the leading role in getting the deal done, observers said.

Richard Cuda, the Babcock family leader, came together with Kitson in a meeting of the minds about what could and should be done with the ranch, Peeples said.

"Cuda saw Kitson had the right mind set and, more importantly, could get it done," Peeples said.

Cuda, who had married Fred Babcock's eldest daughter, Ellen, agreed with that appraisal, saying Kitson "sort of grew on us and we became more confident he had the right attitude to get the deal done with the state and the counties. Also, we were impressed with the backing he had from Morgan Stanley."

"He had the leadership skills to convince all parties involved," echoed Armstrong, the former state lands manager. "It was a massive undertaking and in the end they trusted Kitson to deliver."

### **Thinking big**

Kitson tends to think big.

Today, at 49, slim and dapper -- still 6-foot-4 but 60 pounds lighter than his 285-pound NFL playing

weight -- Kitson is the chairman and chief executive of Kitson & Partners, a real estate company based in West Palm Beach. It specializes in master-planned communities, commercial properties and golf courses.

Kitson enrolled at Wake Forest University in Winston-Salem, N.C., during the late 1970s. There on the gridiron, he discovered that he was good at blocking opponents, a skill in business he maintains to this day. His football talents helped him lead Wake Forest to the 1979 Citrus Bowl in Orlando.

After graduating in 1980, he joined the Green Bay Packers, playing under quarterback-turned-coach Bart Starr from 1980 to 1985. Kitson played one more season with the Dallas Cowboys under the legendary Tom Landry before retiring.

He began his real estate career by founding a company that, from 1986 to 1992, developed and sold residential communities, commercial properties, retail stores, medical offices and senior housing units. Kitson worked his way up from small deals to larger ones with personal assets and investor money. Some of that came from his NFL earnings.

Kitson then helped create the residential development division of Gale & Wentworth, based Florham Park, N.J. He became its president and chief operating officer in 1996. From 1996-99, Kitson oversaw the development of master-planned communities like Cherry Valley in Montgomery Township, N.J., and Ibis Golf & Country Club in West Palm Beach.

Kitson founded Kitson & Partners with Richard Brockway in 2000, a company that now owns about 1.6 million square feet of retail space and one that is developing another 8.6 million square feet of retail, office and industrial space around the state.

### **Fast-track deal**

Straddling the border between Charlotte and Lee counties, Babcock Ranch had been one of the largest remaining undeveloped tracts of privately owned land in Florida.

It was long considered a priority acquisition by Florida, but the vision of preservation appeared to have reached an end when the state and the Babcock family dropped negotiations in spring 2005. But Kitson was able to complete his negotiations with the family by July 2005.

A little more than a year later, the deal with the state closed, ensuring a wildlife corridor stretching from Lake Okeechobee to the Gulf.

The existing business operations -- cattle ranching, sod farming, ecotours, rock mining and timber cultivation -- will continue under Kitson's management for up to 10 years.

The \$350 million that Kitson got from the state is what made his vision for a 17,000-acre master-planned community of homes, schools, businesses and retail economically feasible.

To help bring it to fruition, Kitson has hired Tom Danahy, who had been president of LWR Communities during the past nine years, to be president of Babcock Ranch. Kitson conducted a national search, but felt that Danahy's experience developing mammoth Lakewood Ranch made him an ideal

choice.

The \$700 million paid by Kitson and his partners was many, many multiples of what Edward V. Babcock, a Pittsburgh lumber magnate and avid hunter, paid in 1914 for a huge chunk of Southwest Florida called the Crescent Ranch B.

Babcock's son, Fred C. Babcock, took over the property in the 1930s, and is credited with establishing a tradition of cattle ranching and stewardship. He began the systematic replenishment of the property's forests, the rooting out of exotics and the development of alligator, ostrich and "beefalo" farming.

Fred Babcock first turned some of his family's holdings over to the state, entering into a deal in the 1940s with what later became the Florida Fish and Wildlife Conservation Commission for 19,200 acres that would become the Fred C. Babcock-Cecil M. Webb Wildlife Management Area.

Fred Babcock managed the ranch until his death in 1997 at 83. He and Kitson never met, but the developer likes to think Babcock would have been pleased with the fate of his family property.

Punta Gorda attorney Earl "Drayton" Farr Jr., who, like his father, represented Fred Babcock for decades, does not think that is a stretch. "Syd has been 100 percent with the Babcocks," he said. "I know they have great respect for him and what he is doing with the land."

Kitson also seems pleased that his deal came together despite some serious doubts.

"There were too many players, too many things that had to happen just right, and too little time," Kitson said. "When you look at all the pieces that had to come together in this deal, you just have to believe that Babcock Ranch was meant to be saved."

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