

ST JOE CO
Form 10-Q
May 01, 2019
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10 Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2019

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to .

Commission file number: 1 10466

The St. Joe Company

(Exact name of registrant as specified in its charter)

Florida (State or other jurisdiction of incorporation or organization)	59 0432511 (I.R.S. Employer Identification No.)
133 South Watersound Parkway Watersound, Florida (Address of principal executive offices)	32461 (Zip Code)

(850) 231 6400

(Registrant's telephone number, including area code)

Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of Exchange on Which Registered
Common Stock, no par value Securities Registered Pursuant to Section 12(g) of the Act: NONE	JOE	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES NO

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for

such shorter period that the registrant was required to submit such files). YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer
Non-accelerated filer	Smaller reporting company
	Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
YES NO

As of April 29, 2019, there were 60,200,534 shares of common stock, no par value, outstanding.

Table of Contents

THE ST. JOE COMPANY

INDEX

	Page No.
<u>PART I</u>	
<u>Item 1. Financial Statements</u>	3
<u>Condensed Consolidated Balance Sheets - March 31, 2019 and December 31, 2018</u>	3
<u>Condensed Consolidated Statements of Income - Three Months Ended March 31, 2019 and 2018</u>	5
<u>Condensed Consolidated Statements of Comprehensive Income - Three Months Ended March 31, 2019 and 2018</u>	6
<u>Condensed Consolidated Statement of Changes in Stockholders' Equity - Three Months Ended March 31, 2019 and 2018</u>	7
<u>Condensed Consolidated Statements of Cash Flows - Three Months Ended March 31, 2019 and 2018</u>	9
<u>Notes to the Condensed Consolidated Financial Statements</u>	11
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	35
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	56
<u>Item 4. Controls and Procedures</u>	56
<u>PART II</u>	
<u>Item 1. Legal Proceedings</u>	57
<u>Item 1A. Risk Factors</u>	57
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	57
<u>Item 3. Defaults Upon Senior Securities</u>	58
<u>Item 4. Mine Safety Disclosures</u>	58
<u>Item 5. Other Information</u>	58
<u>Item 6. Exhibits</u>	58
<u>SIGNATURES</u>	59

Table of Contents

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

THE ST. JOE COMPANY

CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)

(Unaudited)

	March 31, 2019	December 31, 2018
ASSETS		
Investment in real estate, net	\$ 364,715	\$ 350,994
Cash and cash equivalents	190,821	195,155
Investments - debt securities	9,817	8,958
Investments - equity securities	38,186	36,132
Other assets	52,541	60,308
Property and equipment, net of accumulated depreciation of \$60,874 and \$60,271 at March 31, 2019 and December 31, 2018, respectively	12,749	12,031
Investments held by special purpose entities	207,011	207,384
Total assets	\$ 875,840	\$ 870,962
LIABILITIES AND EQUITY		
Liabilities:		
Debt, net	\$ 77,792	\$ 69,374
Other liabilities	46,369	47,387
Deferred tax liabilities, net	44,522	44,315
Senior Notes held by special purpose entity	176,837	176,775
Total liabilities	345,520	337,851
Commitments and contingencies (Note 18)		
Equity:		
Common stock, no par value; 180,000,000 shares authorized; 60,672,034 issued at March 31, 2019 and December 31, 2018; and 60,200,534 and 60,672,034 outstanding at March 31, 2019 and December 31, 2018, respectively	331,408	331,395
Retained earnings	189,447	187,450
Accumulated other comprehensive loss	(68)	(674)
Treasury stock at cost, 471,500 shares held at March 31, 2019	(7,073)	—
Total stockholders' equity	513,714	518,171
Non-controlling interest	16,606	14,940
Total equity	530,320	533,111
Total liabilities and equity	\$ 875,840	\$ 870,962

See accompanying notes to the condensed consolidated financial statements.

Table of Contents

THE ST. JOE COMPANY

CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)

(Unaudited)

The following presents the portion of the condensed consolidated balances attributable to the Company's consolidated variable interest entities, which, as of March 31, 2019 and December 31, 2018, include the Pier Park North joint venture ("Pier Park North JV"), Pier Park Crossings LLC ("Pier Park Crossings JV"), Windmark JV, LLC ("Windmark JV"), Panama City Timber Finance Company, LLC and Northwest Florida Timber Finance, LLC as discussed in Note 2. Summary of Significant Accounting Policies. Basis of Presentation and Principles of Consolidation. As of March 31, 2019, the consolidated balances attributable to the Company's consolidated variable interest entities also include Origins Crossings, LLC ("Origins Crossings JV"). The following assets may only be used to settle obligations of the consolidated variable interest entities and the following liabilities are only obligations of the variable interest entities and do not have recourse to the general credit of the Company, except for covenants and limited guarantees discussed in Note 10. Debt, Net.

	March 31, 2019	December 31, 2018
ASSETS		
Investment in real estate	\$ 77,557	\$ 70,124
Cash and cash equivalents	4,763	2,113
Other assets	14,139	16,165
Investments held by special purpose entity	207,011	207,384
Total assets	\$ 303,470	\$ 295,786
LIABILITIES		
Debt, net	\$ 66,360	\$ 60,262
Other liabilities	1,861	5,773
Senior Notes held by special purpose entity	176,837	176,775
Total liabilities	\$ 245,058	\$ 242,810

See accompanying notes to the condensed consolidated financial statements.

Table of Contents

THE ST. JOE COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Dollars in thousands except per share amounts)

(Unaudited)

	Three Months Ended	
	March 31,	
	2019	2018
Revenue:		
Real estate revenue	\$ 4,591	\$ 7,702
Hospitality revenue	7,431	7,079
Leasing revenue	3,506	3,418
Timber revenue	495	1,666
Total revenue	16,023	19,865
Expenses:		
Cost of real estate revenue	1,833	4,169
Cost of hospitality revenue	7,065	6,710
Cost of leasing revenue	1,066	1,113
Cost of timber revenue	141	213
Other operating and corporate expenses	5,968	5,946
Depreciation, depletion and amortization	2,111	2,255
Total expenses	18,184	20,406
Operating loss	(2,161)	(541)
Other income (expense):		
Investment income, net	6,046	3,665
Interest expense	(2,942)	(3,025)
Other income, net	1,698	277
Total other income, net	4,802	917
Income before income taxes	2,641	376
Income tax (expense) benefit	(661)	249
Net income	1,980	625
Net loss attributable to non-controlling interest	17	132
Net income attributable to the Company	\$ 1,997	\$ 757
NET INCOME PER SHARE		
Basic and Diluted		
Weighted average shares outstanding	60,321,028	65,476,054
Net income per share attributable to the Company	\$ 0.03	\$ 0.01

See accompanying notes to the condensed consolidated financial statements.

Table of Contents

THE ST. JOE COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Dollars in thousands)

(Unaudited)

	Three Months Ended March 31,	
	2019	2018
Net income:	\$ 1,980	\$ 625
Other comprehensive income (loss):		
Available-for-sale investment items:		
Net unrealized gain (loss) on available-for-sale investments	799	(803)
Net unrealized gain (loss) on restricted investments	11	(9)
Reclassification of net realized loss included in earnings	2	1,078
Reclassification into retained earnings (1)	—	932
Reclassification of other-than-temporary impairment loss included in earnings	—	63
Total before income taxes	812	1,261
Income tax expense (2)	(206)	(632)
Total other comprehensive income, net of tax	606	629
Total comprehensive income, net of tax	\$ 2,586	\$ 1,254

- (1) The reclassification into retained earnings for the three months ended March 31, 2018 relates to the adoption of Accounting Standards Update (“ASU”) 2016 01 Financial Instruments - Overall, as amended (“ASU 2016 01”). The new guidance was effective January 1, 2018, and required equity investments to be measured at fair value with changes in fair value recognized in results of operations rather than the condensed consolidated statements of comprehensive income.
- (2) Income tax expense for the three months ended March 31, 2018 includes \$0.3 million of income tax expense related to the adoption of ASU 2018 02 Income Statement - Reporting Comprehensive Income (“ASU 2018 02”). The new guidance was effective January 1, 2018, and allowed a reclassification from accumulated other comprehensive loss to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act (the “Tax Act”).

See accompanying notes to the condensed consolidated financial statements.

Table of Contents

THE ST. JOE COMPANY

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

(Dollars in thousands)

(Unaudited)

	Common Stock Outstanding Shares	Amount	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Treasury Stock	Non-controlling Interest	Total
at December 31, 2018	60,672,034	\$ 331,395	\$ 187,450	\$ (674)	\$ —	\$ 14,940	\$ 532,111
Contribution							
Non-controlling	—	—	—	—	—	1,683	1,683
Share-based compensation	—	13	—	—	—	—	13
Repurchase of common shares	(471,500)	—	—	—	(7,073)	—	(7,073)
Comprehensive income net of tax	—	—	—	606	—	—	606
Income tax	—	—	1,997	—	—	(17)	1,980
at December 31, 2019	60,200,534	\$ 331,408	\$ 189,447	\$ (68)	\$ (7,073)	\$ 16,606	\$ 530,120

See accompanying notes to the condensed consolidated financial statements.

Table of Contents

THE ST. JOE COMPANY

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

(Dollars in thousands)

(Unaudited)

	Common Stock Outstanding Shares	Amount	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Treasury Stock	Non-cont Interest
Balance at December 31, 2017	65,897,866	\$ 424,694	\$ 154,324	\$ (1,461)	\$ —	\$ 15,027
Additional ownership interest acquired in Artisan Park, LLC	—	297	—	—	—	(297)
Capital contribution from non-controlling interest	—	—	—	—	—	64
Stock based compensation expense	—	28	—	—	—	—
Issuance of common stock for officer compensation, net of tax withholding	9,956	204	—	—	—	—
Repurchase of common shares	(764,825)	—	—	—	(13,695)	—
Adoption of ASU 2014-09 Revenue From Contracts with Customers, as amended, net of tax	—	—	1,140	—	—	—
Adoption of ASU 2016-01 Financial Instruments - Overall, as amended, net of tax	—	—	(696)	696	—	—
Adoption of ASU 2018-02 Income	—	—	313	(313)	—	—

Statement - Reporting Comprehensive Income Other comprehensive income, net of tax	—	—	—	246	—	—
Net income	—	—	757	—	—	(132)
Balance at March 31, 2018	65,142,997	\$ 425,223	\$ 155,838	\$ (832)	\$ (13,695)	\$ 14,662

See accompanying notes to the condensed consolidated financial statements.

Table of Contents

THE ST. JOE COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

(Unaudited)

	Three Months Ended March 31,	
	2019	2018
Cash flows from operating activities:		
Net income	\$ 1,980	\$ 625
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation, depletion and amortization	2,111	2,255
Stock based compensation	13	232
Loss on sale of investments	2	1,078
Unrealized (gain) loss on investments, net	(2,049)	538
Other-than-temporary impairment loss	—	63
Deferred income tax benefit	—	(550)
Cost of real estate sold	1,613	3,943
Expenditures for and acquisition of real estate to be sold	(7,085)	(3,045)
Accretion income and other	(361)	(524)
Loss on disposal of property and equipment	—	7
Gain on land contribution	(1,472)	—
Changes in operating assets and liabilities:		
Other assets	4,645	596
Other liabilities	(1,284)	(2,999)
Income taxes receivable	661	—
Net cash (used in) provided by operating activities	(1,226)	2,219
Cash flows from investing activities:		
Expenditures for operating property	(8,834)	(3,914)
Expenditures for property and equipment	(1,182)	(590)
Proceeds from the disposition of assets	—	5,000
Proceeds from the settlement of insurance claims	5,798	—
Purchases of investments - equity securities	(5)	(10,442)
Purchases of restricted investments	(23)	(20)
Sales of investments - debt securities	—	30,871
Sales of restricted investments	1,138	1,087
Maturities of assets held by special purpose entities	414	415
Net cash (used in) provided by investing activities	(2,694)	22,407
Cash flows from financing activities:		
Capital contribution from non-controlling interest	—	64
Capital contribution to unconsolidated affiliate	(254)	—
Repurchase of common shares	(7,073)	(13,695)
Borrowings on debt	7,279	33
Principal payments for debt	(236)	(215)

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Principal payments under finance lease obligation	(4)	—
Debt issuance costs	(21)	(27)
Net cash used in financing activities	(309)	(13,840)
Net (decrease) increase in cash, cash equivalents and restricted cash	(4,229)	10,786
Cash, cash equivalents and restricted cash at beginning of the period	198,073	192,451
Cash, cash equivalents and restricted cash at end of the period	\$ 193,844	\$ 203,237

See accompanying notes to the condensed consolidated financial statements.

Table of Contents

THE ST. JOE COMPANY

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

(Dollars in thousands)

(Unaudited)

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the condensed consolidated balance sheets that sum to the total of the same such amounts shown in the statements of cash flows.

	Three Months Ended March 31,	
	2019	2018
Cash and cash equivalents	\$ 190,821	\$ 202,585
Restricted cash included in other assets	3,023	652
Total cash, cash equivalents and restricted cash shown in the statement of cash flows	\$ 193,844	\$ 203,237

Restricted cash includes amounts set aside as a requirement of financing for certain of the Company's developments.

	Three Months Ended March 31,	
	2019	2018
Cash paid during the period for:		
Interest	\$ 5,135	\$ 5,128
Income taxes	\$ —	\$ 2,005
Non-cash financing and investment activities:		
Non-cash contribution to equity method investment	\$ (1,730)	\$ —
Increase in capital contribution from non-controlling interest	\$ 1,683	\$ —
Increase in Community Development District debt	\$ 1,371	\$ 15
Increase in expenditures for operating properties and property and equipment financed through accounts payable	\$ 336	\$ 818

See notes to the condensed consolidated financial statements.

Table of Contents

THE ST. JOE COMPANY

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands, unless otherwise stated)

(Unaudited)

1. Nature of Operations

The St. Joe Company together with its consolidated subsidiaries (“St. Joe” or the “Company”) is a Florida real estate development, asset management and operating company with real estate assets and operations concentrated in Northwest Florida. Approximately 90% of the Company’s real estate land holdings are located within fifteen miles of the Gulf of Mexico.

The Company conducts primarily all of its business in the following four reportable operating segments: 1) residential real estate, 2) hospitality, 3) commercial leasing and sales and 4) forestry. Commencing in the fourth quarter of 2018, the Company’s previously titled “resorts and leisure” segment was retitled “hospitality,” with no effect on the condensed consolidated balance sheets, statements of income, statements of comprehensive income or statements of cash flows for the periods presented.

2. Summary of Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

The accompanying unaudited interim condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”) for reporting on Form 10 Q. Accordingly, certain information and footnotes required by United States generally accepted accounting principles (“GAAP”) for complete financial statements are not included herein. The unaudited interim condensed consolidated financial statements include the accounts of the Company and all of its majority-owned and controlled subsidiaries and variable interest entities where the Company deems itself the primary beneficiary. Investments in joint ventures (“JV”) and limited partnerships in which the Company is not the primary beneficiary are accounted for by the equity method. All significant intercompany transactions and balances have been eliminated in consolidation. The December 31, 2018 condensed consolidated balance sheet amounts have been derived from the Company’s December 31, 2018 audited consolidated financial statements. Certain prior period amounts in the accompanying condensed consolidated financial statements have been reclassified to conform to the current year presentation. These reclassifications had no effect on the Company’s previously reported total assets and liabilities, stockholders’ equity or net income. Operating results for the three months ended March 31, 2019 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2019.

A variable interest entity (“VIE”) is an entity in which a controlling financial interest may be achieved through arrangements that do not involve voting interests. A VIE is required to be consolidated by its primary beneficiary, which is the entity that possesses the power to direct the activities of the VIE that most significantly impact the VIE’s economic performance and has the obligation to absorb losses or the right to receive benefits from the VIE that are significant to the entity. The Company consolidates VIEs when it is the primary beneficiary of the VIE, including real estate JVs determined to be VIEs. See Note 9. Real Estate Joint Ventures.

The interim condensed consolidated financial statements reflect all normal recurring adjustments that, in the opinion of management, are necessary for fair presentation of the information contained herein. The interim condensed

consolidated financial statements should be read in conjunction with the consolidated financial statements and notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2018. The Company adheres to the same accounting policies in preparation of its unaudited interim condensed consolidated financial statements as the Company's December 31, 2018 annual financial statements, except for recently adopted accounting pronouncements detailed below. As required under GAAP, interim accounting for certain expenses, including income taxes, are based on full year assumptions. For interim financial reporting purposes, income taxes are recorded based upon estimated annual income tax rates.

Table of Contents

Concentration of Risks and Uncertainties

The Company's real estate investments are concentrated in Northwest Florida in a number of specific development projects. Uncertain economic conditions could have an adverse impact on the Company's real estate values and could cause the Company to sell assets at depressed values in order to pay ongoing obligations.

Financial instruments that potentially subject the Company to a concentration of credit risk consist of cash, cash equivalents, investments, other receivables, investments held by special purpose entity or entities ("SPE"), and investments in retained interests. The Company deposits and invests cash with local and regional financial institutions, and as of March 31, 2019, these balances exceeded the amount of F.D.I.C. insurance provided on such deposits. In addition, as of March 31, 2019 the company had \$7.0 million invested in U.S. Treasury securities, \$2.8 million invested in two issuers of corporate debt securities that are non-investment grade, \$38.2 million invested in five issuers of preferred stock that are non-investment grade and one issuer of preferred stock that is investment grade, as well as investments of \$168.1 million in short term commercial paper from twenty issuers.

Earnings Per Share

Basic and diluted earnings per share are calculated by dividing net income attributable to the Company by the average number of common shares outstanding for the period. For the three months ended March 31, 2019 and 2018, basic and diluted average shares outstanding were the same. There were no outstanding common stock equivalents as of March 31, 2019 or March 31, 2018. Non-vested restricted stock is included in outstanding shares at the time of grant.

Recently Adopted Accounting Pronouncements

Leases

In February 2016, the FASB issued ASU 2016-02, Leases ("ASU 2016-02") that amended the existing accounting standards for lease accounting, including requiring lessees to recognize both finance and operating leases with terms of more than 12 months on the balance sheet. The accounting applied by a lessor is largely unchanged by this amendment. This amendment also required certain quantitative and qualitative disclosures about leasing arrangements. In January 2018, the FASB issued ASU 2018-01, which provided an optional transition practical expedient to not evaluate under the new lease standard, existing or expired land easements that were not previously accounted for as leases. In July 2018, the FASB issued ASU 2018-10 that provided clarifications and improvements to ASU 2016-02. In July 2018, the FASB issued ASU 2018-11 that provided entities with an additional and optional transition method to apply the new standard at the adoption date and recognize a cumulative-effect adjustment to the beginning balance of retained earnings in the period of adoption. In December 2018, the FASB issued ASU 2018-20 that provided an accounting policy election for certain narrow-scope improvements for lessors. In March 2019, the FASB issued ASU 2019-01 that provided clarifications and improvements to ASU 2016-02. During the Company's evaluation of ASU 2016-02, as amended, ("Topic 842") the following practical expedients and accounting policies with respect to Topic 842 have been elected and/or adopted effective January 1, 2019:

- The Company, as lessee and as lessor, will not reassess (i) whether any expired or existing contracts are or contain leases, (ii) lease classification for any expired or existing leases or (iii) initial direct costs for any expired or existing leases.
- The Company, as lessee, will not apply the recognition requirements of Topic 842 to short-term (twelve months or less) leases. Instead, the Company, as lessee, will recognize the lease payments in profit or loss on a straight-line basis over the lease term and variable lease payments in the period in which the obligation for those payments is incurred.
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The Company, as lessor, will not separate nonlease components from lease components and, instead, will account for each separate lease component and the nonlease components associated with that lease as a single component if the nonlease components otherwise would be accounted for under Accounting Standards

Table of Contents

Codification Topic 606, Revenue from Contracts with Customers. The primary reason for this election is related to instances where common area maintenance is, or may be, a component of base rent within a lease agreement. The Company adopted the new guidance, including amendments, as of January 1, 2019 and has elected to implement Topic 842 retrospectively using the cumulative-effect adjustment transition method as of the date of adoption. As a result, prior periods have not been restated. As of the date of adoption a cumulative-effect adjustment was not necessary and the Company recognized an operating lease right-of use assets of \$0.4 million and corresponding operating lease liabilities of \$0.4 million based on the present value of minimum rental payments related to leases for which the Company is the lessee. The operating lease right-of-use assets and corresponding operating lease liabilities are included within other assets and other liabilities, respectively, on the condensed consolidated balance sheets. There were no adjustments related to the leases for which the Company is the lessor. The adoption of this guidance did not materially impact results of operations or cash flows.

Recently Issued Accounting Pronouncements

Financial Instruments - Credit Losses

In June 2016, the FASB issued ASU 2016-13, Financial Instruments – Credit Losses (Topic 326) (“ASU 2016-13”), that requires a financial asset measured at amortized cost to be presented at the net amount expected to be collected and requires that credit losses from available-for-sale debt securities be presented as an allowance for credit loss. In November 2018, the FASB issued ASU 2018-19, which clarifies that impairment of receivables from operating leases should be accounted for using lease guidance. This new guidance will be effective for annual and interim periods beginning after December 15, 2019, with early adoption permitted for annual and interim periods beginning after December 15, 2018. The Company is currently evaluating the impact that the adoption of this guidance will have on its financial condition, results of operations and cash flows.

3. Investment in Real Estate

Real estate by property type and segment includes the following:

	March 31, 2019	December 31, 2018
Development property:		
Residential real estate	\$ 110,819	\$ 105,323
Hospitality	5,429	3,726
Commercial leasing and sales	78,949	73,128
Forestry	2,144	2,144
Corporate	2,557	2,497
Total development property	199,898	186,818
Operating property:		
Residential real estate	7,344	7,344
Hospitality	93,046	93,046

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Commercial leasing and sales	113,189	111,471
Forestry	20,141	19,765
Other	50	50
Total operating property	233,770	231,676
Less: Accumulated depreciation	68,953	67,500
Total operating property, net	164,817	164,176
Investment in real estate, net	\$ 364,715	\$ 350,994

Development property consists of land the Company is developing or intends to develop for sale or future operations and includes direct costs associated with the land, development and construction costs and indirect costs.

Table of Contents

Residential real estate includes residential communities. Hospitality development property consists of the improvement and expansion of existing beach club property, land and construction costs related to two gulf-front vacation rental homes and development costs and improvements for other property. Commercial leasing and sales development property primarily consists of land and development costs for commercial and industrial uses, including the Pier Park Crossings JV, land holdings near the Northwest Florida Beaches International Airport and Port of Port St. Joe. Development property in the hospitality and commercial leasing and sales segments will be reclassified as operating property as it is placed into service.

Operating property includes property that the Company uses for operations and activities. Residential real estate operating property consists primarily of residential utility assets. The hospitality operating property includes the WaterColor Inn, WaterSound Inn, golf courses, a beach club, marinas and certain vacation rental properties. Commercial leasing and sales operating property includes property developed or purchased by the Company and used for retail and commercial rental purposes, including property in the Pier Park North JV, VentureCrossings and Beckrich Office Park, as well as other properties. Forestry operating property includes the Company's timberlands. Operating property may be sold in the future as part of the Company's principal real estate business.

4. Investments

Available-For-Sale Investments

Investments classified as available-for-sale securities were as follows:

	March 31, 2019			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
Investments - debt securities:				
U.S. Treasury securities	\$ 6,978	\$ 1	\$ —	\$ 6,979
Corporate debt securities	2,927	—	(89)	2,838
	9,905	1	(89)	9,817
Restricted investments:				
Short-term bond	2,210	5	—	2,215
Money market fund	113	—	—	113
	2,323	5	—	2,328
	\$ 12,228	\$ 6	\$ (89)	\$ 12,145
	December 31, 2018			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
Investments - debt securities:				
U.S. Treasury securities	\$ 6,936	\$ 1	\$ —	\$ 6,937
Corporate debt securities	2,908	—	(887)	2,021
	9,844	1	(887)	8,958
Restricted investments:				
Short-term bond	3,274	—	(9)	3,265
Money market fund	167	—	—	167
	3,441	—	(9)	3,432

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\$ 13,285 \$ 1 \$ (896) \$ 12,390

During the three months ended March 31, 2019, net realized losses from the sale of available-for-sale securities were less than \$0.1 million, proceeds from the sale of available-for-sale securities were \$1.1 million and purchases of available-for-sale securities were less than \$0.1 million.

14

Table of Contents

During the three months ended March 31, 2018, net realized losses from the sale of available for-sale securities were \$1.1 million, proceeds from the sale of available-for-sale securities were \$32.0 million and purchases of available-for-sale securities were less than \$0.1 million.

The following table provides the available-for-sale investments unrealized loss position and related fair values:

	March 31, 2019			
	Less Than 12 Months Unrealized Fair Value Losses		12 Months or Greater Unrealized Fair Value Losses	
Investments - debt securities:				
Corporate debt securities	\$ —	\$ —	\$ 2,838	\$ 89

	December 31, 2018			
	Less Than 12 Months Unrealized Fair Value Losses		12 Months or Greater Unrealized Fair Value Losses	
Investments - debt securities:				
Corporate debt securities	\$ —	\$ —	\$ 1,843	\$ 887
Restricted investments:				
Short-term bond	—	—	3,265	9
	\$ —	\$ —	\$ 5,108	\$ 896

As of March 31, 2019, the Company had unrealized losses of \$0.1 million related to corporate debt securities. The Company had unrealized losses of \$0.9 million as of December 31, 2018 related to corporate debt securities and restricted investments. As of March 31, 2019 and December 31, 2018, the Company did not intend to sell the investments with a material unrealized loss and it is more likely than not that the Company will not be required to sell any of these securities prior to their anticipated recovery, which could be maturity. During the three months ended March 31, 2018, the Company determined unrealized losses related to its corporate debt securities were other-than-temporarily impaired and recorded an impairment of \$0.1 million for credit-related loss in investment income, net in the Company's condensed consolidated statements of income.

The amortized cost and estimated fair value of investments - debt securities and restricted investments classified as available-for-sale, by contractual maturity are shown in the following table. Actual maturities may differ from contractual maturities since certain borrowers have the right to call or prepay obligations.

	March 31, 2019	
	Amortized Cost	Fair Value
Due in one year or less	\$ 9,905	\$ 9,817
Restricted investments	2,323	2,328
	\$ 12,228	\$ 12,145

Investments - Equity Securities

As of March 31, 2019 and December 31, 2018, investments - equity securities included \$38.2 million and \$36.1 million, respectively, of preferred stock investments recorded at fair value. During the three months ended March 31, 2019 the Company had an unrealized gain on investments - equity securities of \$2.0 million, compared to an unrealized loss on investments – equity securities of \$0.5 million during the three months ended March 31, 2018, which were included within investment income, net on the condensed consolidated statements of income.

Investment Management Agreement

Mr. Bruce R. Berkowitz is the Chairman of the Company’s Board of Directors (the “Board”). He is the Manager of, and controls entities that own and control, Fairholme Holdings, LLC (“Fairholme”), which wholly owns Fairholme

Table of Contents

Capital Management, L.L.C. (“FCM”, an investment advisor registered with the SEC) and the Fairholme Trust Company, L.L.C. (“FTC”, a non-depository trust company regulated by the Florida Office of Financial Regulation). Mr. Berkowitz is the Chief Investment Officer of FCM, and the Chief Executive Officer and a director of FTC. Since April 2013, FCM has provided investment advisory services to the Company directly, or more recently, as the sub-advisor to FTC. Neither FCM nor FTC receives any compensation for services as the Company’s investment advisor. As of March 31, 2019, clients of FCM and FTC beneficially owned approximately 41.47% of the Company’s common stock and Fairholme, including Mr. Berkowitz and clients of FCM and FTC, collectively beneficially owned 44.07% of the Company’s common stock. FCM and its client, The Fairholme Fund, a series of the Fairholme Funds, Inc., may be deemed affiliates of the Company.

Both Mr. Cesar Alvarez and Mr. Howard Frank are members of the Company’s Board and also serve as directors of Fairholme Funds, Inc. Mr. Alvarez is also a director of FTC.

Pursuant to the terms of an Investment Management Agreement, as amended, with the Company (the “Investment Management Agreement”), FTC agreed to supervise and direct the investments of investment accounts established by the Company in accordance with the investment guidelines and restrictions approved by the Investment Committee of the Company’s Board. The investment guidelines are set forth in the Investment Management Agreement and require that, as of the date of any investment: (i) no more than 15% of the investment account may be invested in securities of any one issuer (excluding the U.S. Government), (ii) any investment in any one issuer (excluding the U.S. Government) that exceeds 10% of the investment account, but not 15%, requires the consent of at least two members of the Investment Committee, (iii) 25% of the investment account must be held in cash or cash equivalents, (iv) the investment account is permitted to be invested in common equity securities; however, common stock investments shall be limited to exchange-traded common equities, shall not exceed 5% ownership of a single issuer and, cumulatively, the common stock held in the Company’s investment portfolio shall not exceed \$100.0 million market value, and (v) the aggregate market value of investments in common stock, preferred stock or other equity investments cannot exceed 25% of the market value of the Company’s investment portfolio at the time of purchase.

Table of Contents

5. Financial Instruments and Fair Value Measurements

Fair Value Measurements

The financial instruments measured at fair value on a recurring basis are as follows:

	March 31, 2019			Total Fair Value
	Level 1	Level 2	Level 3	
Cash equivalents:				
Money market funds	\$ 5,711	\$ —	\$ —	\$ 5,711
Commercial paper	168,076	—	—	168,076
	173,787	—	—	173,787
Investments - debt securities:				
U.S. Treasury securities	6,979	—	—	6,979
Corporate debt securities	—	2,838	—	2,838
	6,979	2,838	—	9,817
Investments - equity securities:				
Preferred stock	10,755	27,431	—	38,186
Restricted investments:				
Short-term bond	2,215	—	—	2,215
Money market fund	113	—	—	113
	2,328	—	—	2,328
	\$ 193,849	\$ 30,269	\$ —	\$ 224,118

	December 31, 2018			Total Fair Value
	Level 1	Level 2	Level 3	
Cash equivalents:				
Money market funds	\$ 43,346	\$ —	\$ —	\$ 43,346
Commercial paper	107,586	—	—	107,586
U.S. Treasury securities	29,998	—	—	29,998
	180,930	—	—	180,930
Investments - debt securities:				
U.S. Treasury securities	6,937	—	—	6,937
Corporate debt securities	—	2,021	—	2,021
	6,937	2,021	—	8,958
Investments - equity securities:				
Preferred stock	10,470	25,662	—	36,132
Restricted investments:				

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Short-term bond	3,265	—	—	3,265
Money market fund	167	—	—	167
	3,432	—	—	3,432
	\$ 201,769	\$ 27,683	\$ —	\$ 229,452

Money market funds, commercial paper, U.S. Treasury securities, certain preferred stock investments and short-term bonds are measured based on quoted market prices in an active market and categorized within Level 1 of the fair

Table of Contents

value hierarchy. Money market funds and commercial paper with a maturity date of 90 days or less from the date of purchase are classified as cash equivalents in the Company's condensed consolidated balance sheets.

The Company's corporate debt securities and certain preferred stock investments are not traded on a nationally recognized exchange, but are traded in the U.S. over-the-counter market where there is less trading activity and the investments are measured primarily using pricing data from external pricing services that report prices observed for recently executed market transactions. For these reasons, the Company has determined that corporate debt securities and certain preferred stock investments are categorized as Level 2 financial instruments since their fair values were determined from market inputs in an inactive market.

Restricted investments are included within other assets on the condensed consolidated balance sheets and include certain of the surplus assets that were transferred from the Company's Pension Plan to a suspense account in the Company's 401(k) Plan in December 2014. The Company has retained the risks and rewards of ownership of these assets; therefore, the assets held in the suspense account are included in the Company's condensed consolidated financial statements until they are allocated to participants. As of March 31, 2019 and December 31, 2018, the assets held in the suspense account were invested in Vanguard Money Market Funds, which invest in short-term, high quality securities or short-term U.S. government securities and seek to provide current income and preserve shareholders' principal investment and a Vanguard Short-Term Bond Fund, which invests in money market instruments and short-term high quality bonds, including asset-backed, government, and investment grade corporate securities with an expected maturity of 0-3 years. The Vanguard Money Market Funds and Vanguard Short-Term Bond Fund are measured based on quoted market prices in an active market and categorized within Level 1 of the fair value hierarchy. The Company's Retirement Plan Investment Committee is responsible for investing decisions and allocation decisions of the suspense account. Refer to Note 8. Other Assets.

Fair Value of Financial Instruments

The Company uses the following methods and assumptions in estimating fair value for financial instruments:

- The fair value of the investments held by SPEs - time deposit is based on the present value of future cash flows at the current market rate.
- The fair value of the investments held by SPEs - U.S. Treasury securities are measured based on quoted market prices in an active market.
- The fair value of the senior notes held by SPE is based on the present value of future cash flows at the current market rate.

The carrying amount and fair value, measured on a nonrecurring basis, of the Company's financial instruments were as follows:

	March 31, 2019			December 31, 2018		
	Carrying value	Fair value	Level	Carrying value	Fair value	Level
Assets						
Investments held by SPEs:						
Time deposit	\$ 200,000	\$ 200,000	3	\$ 200,000	\$ 200,000	3
U.S. Treasury securities and cash	\$ 7,011	\$ 6,809	1	\$ 7,384	\$ 7,092	1
Liabilities						
Senior Notes held by SPE	\$ 176,837	\$ 196,106	3	\$ 176,775	\$ 193,293	3

Investments and Senior Notes Held by Special Purpose Entities

In connection with a real estate sale in 2014, the Company received consideration including a \$200.0 million fifteen-year installment note (the “Timber Note”) issued by Panama City Timber Finance Company, LLC. The Company contributed the Timber Note and assigned its rights as a beneficiary under a letter of credit to Northwest Florida Timber Finance, LLC. Northwest Florida Timber Finance, LLC monetized the Timber Note by issuing \$180.0 million aggregate

18

Table of Contents

principal amount of its 4.8% Senior Secured Notes due in 2029 (the “Senior Notes”) at an issue price of 98.5% of face value to third party investors. The investments held by Panama City Timber Finance Company, LLC as of March 31, 2019, consist of a \$200.0 million time deposit that, subsequent to April 2, 2014, pays interest at 4.0% and matures in March 2029, U.S. Treasuries of \$6.6 million and cash of \$0.4 million. The Senior Notes held by Northwest Florida Timber Finance, LLC as of March 31, 2019 consist of \$176.8 million, net of the \$3.2 million discount and debt issuance costs. Panama City Timber Finance Company, LLC and Northwest Florida Timber Finance, LLC are VIEs, which the Company consolidates as the primary beneficiary of each entity.

6. Hurricane Michael

On October 10, 2018, Hurricane Michael made landfall in the Florida Panhandle, which resulted in widespread damage to the area. The majority of the Company’s properties incurred minimal or no damage; however the Company’s Bay Point Marina in Bay County and Port St. Joe Marina in Gulf County, as well as certain timber and commercial leasing assets were impacted. The marinas suffered significant damage requiring long-term restoration and will remain closed during the reconstruction of significant portions of these assets, which is currently underway.

The Company maintains property and business interruption insurance, subject to certain deductibles, and is currently assessing claims under such policies; however, the timing and amount of insurance proceeds are uncertain and may not be sufficient to cover all losses. Timing differences are likely to exist between the impairment losses, capital expenditures made to repair or restore properties and recognition and receipt of insurance proceeds reflected in the Company’s financial statements.

GAAP guidance provides that property damaged by a natural disaster be evaluated for impairment loss in the period the loss occurs, recording an insurance receivable for the lesser of the expected net insurance recovery or the net book value of damaged assets that are planned to be replaced. Insurance recoveries for business interruption, clean-up and demolition costs, post-event costs or property damage in excess of net book value will be recognized in income in the period received or when all contingencies associated with the recoveries are resolved and the insurance companies have committed to a recovery amount. The impairment loss represents the Company’s estimate of property damage. The Company is continuing to make a full assessment of the extent of the impact.

During the fourth quarter of 2018, the Company recorded a loss on disposal of assets related to the net book value of the marinas and certain forestry and commercial leasing assets. During the three months ended March 31, 2019, the Company recognized \$0.3 million of insurance proceeds, included in other income, net on the condensed consolidated statements of income. As of March 31, 2019 and December 31, 2018, accounts receivable, net included \$0.9 million and \$6.7 million, respectively, related to insurance proceeds the Company believes is probable of receipt. The insurance proceeds receivable are included in other assets on the condensed consolidated balance sheets.

During the three months ended March 31, 2019, the Company has incurred costs of \$0.3 million for additional hurricane expenses for repairs, clean-up costs, landscape repairs, demolition costs, professional fees and temporary housing for employees included in other income, net on the condensed consolidated statements of income. No insurance recoveries have been recorded for these costs, however some of these costs may be covered by business interruption or property insurance.

Costs incurred due to business interruption, primarily at the marinas, are currently being evaluated. The Company does not expect revenue at these locations until the properties have been rebuilt, but will incur costs for employee retention and property maintenance. As of March 31, 2019, no insurance proceeds have been recorded related to business interruption insurance.

The Company expects that its results of operations related to the marinas and timber assets will be impacted in the near term.

Subsequent to March 31, 2019, the Company received the \$0.9 million of insurance proceeds receivable as of March 31, 2019 from its insurance carriers for property damage.

19

Table of Contents

7. Leases

Leasing revenue consists of long term rental revenue from retail, office and commercial property, cell towers and other assets, which is recognized as earned, using the straight-line method over the life of each lease.

The components of leasing revenue are as follows:

	Three Months Ended March 31, 2019
Leasing revenue	
Lease payments	\$ 2,680
Variable lease payments	826
Total leasing revenue	\$ 3,506

Minimum future base rental revenue on non-cancelable leases subsequent to March 31, 2019, for the next five years ending December 31 are:

2019	\$ 8,480
2020	10,852
2021	9,788
2022	8,995
2023	7,110
	\$ 45,225

As of March 31, 2019, the Company leased certain office equipment under a finance lease and had operating leases for property and equipment used in hospitality operations with remaining lease terms up to the year 2024. Certain leases include options to purchase, terminate or renew for one or more years, which are included in the lease term used to establish right-of-use assets and lease liabilities when it is reasonably certain that the option will be exercised. Finance lease right-of-use assets are included within property, plant and equipment and operating lease right-of-use assets are included within other assets on the condensed consolidated balance sheets, which represent the Company's right to use an underlying asset during a lease term for leases in excess of one year. Corresponding finance lease liability and operating lease liabilities are included within other liabilities on the condensed consolidated balance sheets and are related to the Company's obligation to make lease payments for leases in excess of one year. Prior to the adoption ASU 2016-02 on January 1, 2019 lease assets and liabilities for operating leases were not recognized. The Company uses its incremental borrowing rate to determine the present value of the lease payments since the rate implicit in each lease is not readily determinable.

Table of Contents

The components of lease expense are as follows:

	Three Months Ended March 31, 2019	
Lease cost		
Finance lease cost:		
Amortization of right-of-use assets	\$	4
Interest on lease liability		1
Operating lease cost		52
Short-term lease cost		64
Total lease cost	\$	121
Other information		
Weighted-average remaining lease term - finance lease (in years)		4.9
Weighted-average remaining lease term - operating leases (in years)		1.9
Weighted-average discount rate - finance lease		5.0 %
Weighted-average discount rate - operating leases		5.0 %

The aggregate payments of finance lease liability subsequent to March 31, 2019, for the years ending December 31 are:

2019	\$ 41
2020	54
2021	54
2022	54
2023	54
Thereafter	10
Total	267
Less imputed interest	(31)
Total finance lease liability	\$ 236

The aggregate payments of operating lease liabilities subsequent to March 31, 2019, for the years ending December 31 are:

2019	\$ 141
2020	145
2021	78
Total	364
Less imputed interest	(20)
Total operating lease liabilities	\$ 344

Table of Contents

8. Other Assets

Other assets consist of the following:

	March 31, 2019	December 31, 2018
Restricted investments	\$ 2,328	\$ 3,432
Accounts receivable, net	7,373	14,061
Homesite sales receivable	2,691	2,977
Claim settlement receivable	2,699	2,679
Notes receivable	1,791	2,265
Income tax receivable	3,253	3,914
Prepaid expenses	6,727	6,751
Straight-line rent	3,534	3,581
Operating lease right-of-use assets	344	—
Investment in unconsolidated joint venture	3,088	1,105
Other assets	6,133	5,069
Retained interest investments	11,645	11,536
Accrued interest receivable for Senior Notes held by SPE	935	2,938
Total other assets	\$ 52,541	\$ 60,308

Restricted Investments

Restricted investments include certain of the surplus assets that were transferred from the Company's Pension Plan to a suspense account in the Company's 401(k) Plan in December 2014. The Company has retained the risks and rewards of ownership of these assets; therefore, the assets held in the suspense account are included in the Company's condensed consolidated financial statements until they are allocated to participants. The Company expenses the fair value of the assets at the time the assets are allocated to participants, which is expected to be allocated up to the next two years. During both the three months ended March 31, 2019 and 2018, the Company recorded an expense of \$1.1 million, for the fair value of the assets, less expenses that were allocated to participants. Any gain or loss on these assets is reflected in the Company's condensed consolidated statements of income and was less than a \$0.1 million loss for the three months ended March 31, 2019 and 2018. Refer to Note 5. Financial Instruments and Fair Value Measurements.

Accounts Receivable, Net

As of March 31, 2019 and December 31, 2018, accounts receivable, net includes \$0.9 million and \$6.7 million of insurance proceeds receivable related to Hurricane Michael that the Company believes are probable of receipt. During the three months ended March 31, 2019, the Company received \$5.8 million of insurance proceeds receivable from its insurance carriers for property damage. See Note 6. Hurricane Michael for additional information.

Homesite Sales Receivable

Homesite sales receivable from contracts with customers include estimated homesite residuals and certain estimated fees that are recognized as revenue at the time of sale to homebuilders, subject to constraints. Any change in circumstances from the estimated amounts will be updated at each reporting period. The receivable will be collected as the homebuilders build the homes and sell to retail consumers, which can occur over multiple years. The following

table presents the changes in homesite sales receivable:

	Balance January 1, 2019	Increases Due To Revenue Recognized for Homesites Sold	Decreases Due to Amounts Received	Balance March 31, 2019
Homesite sales receivable	\$ 2,977	\$ 138	\$ (424)	\$ 2,691

Table of Contents

	Balance January 1, 2018	Increases Due To Revenue Recognized for Homesites Sold	Decreases Due to Amounts Received	Balance March 31, 2018
Homesite sales receivable	\$ 2,585	\$ 629	\$ (450)	\$ 2,764

Claim Settlement Receivable

The remaining settlement amount of \$2.7 million related to the Deepwater Horizon oil spill is due in October 2019.

Notes Receivable

Notes receivable consists of the following:

	March 31, 2019	December 31, 2018
Pier Park Community Development District notes, non-interest bearing, due September 2022	\$ 803	\$ 803
Interest bearing homebuilder note, secured by the real estate sold — 5.5% interest rate, due September 2019	416	749
Interest bearing homebuilder note, secured by the real estate sold — 5.5% interest rate, due June 2019	337	422
Interest bearing homebuilder note, secured by the real estate sold — 6.3% interest rate, due March 2020	135	150
Various mortgage notes, secured by certain real estate, bearing interest at various rates	100	141
Total notes receivable	\$ 1,791	\$ 2,265

The Company evaluates the carrying value of the notes receivable and the need for an allowance for doubtful notes receivable at each reporting date. As of March 31, 2019 and December 31, 2018, there was no allowance for doubtful notes receivable.

Retained Interest Investments

The Company has a beneficial interest in certain bankruptcy-remote qualified SPEs used in the installment sale monetization of certain sales of timberlands in 2007 and 2008. The SPEs' assets are not available to satisfy the Company's liabilities or obligations and the liabilities of the SPEs are not the Company's liabilities or obligations. Therefore, the SPEs' assets and liabilities are not consolidated in the Company's condensed consolidated financial statements as of March 31, 2019 and December 31, 2018. The Company's continuing involvement with the SPEs is the receipt of the net interest payments and the remaining principal of approximately \$16.8 million to be received at the end of the installment notes' fifteen year maturity period, in 2022 through 2024. The Company has a beneficial or retained interest investment related to these SPEs of \$11.6 million and \$11.5 million as of March 31, 2019 and December 31, 2018, respectively, recorded in other assets on the Company's condensed consolidated balance sheets.

9. Real Estate Joint Ventures

The Company enters into real estate JVs, from time to time, for the purpose of developing real estate in which the Company may or may not have a controlling financial interest. GAAP requires consolidation of VIEs in which an enterprise has a controlling financial interest and is the primary beneficiary. A controlling financial interest will have both of the following characteristics: (a) the power to direct the VIE activities that most significantly impact economic performance and (b) the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. The Company examines specific criteria and uses judgment when determining whether the Company is the primary beneficiary and must consolidate a VIE. The Company continues to assess whether it is the primary beneficiary on an ongoing basis.

Table of Contents

Consolidated Real Estate Joint Ventures

Origins Crossings JV

Origins Crossings JV was created in January 2019, when the Company entered into a JV agreement to develop, manage and lease apartments in Watersound, Florida. The JV parties are working together to design, develop and construct a 217 unit apartment community. The community will be located on land near the entrance to the Watersound Origins community that is currently owned by the Company and will be contributed to the JV. As of March 31, 2019, the Company owned a 75.0% equity interest in the consolidated JV. The Company's partners are responsible for the day-to-day activities of the JV. However, the Company has significant involvement in the design of the development and approves all major decisions, including project development, annual budgets and financing. The Company determined Origins Crossings JV is a VIE and that the Company is the VIE's primary beneficiary as of March 31, 2019.

Pier Park Crossings JV

In April 2017, the Company entered into a JV agreement to develop, manage and lease apartments in Panama City Beach, Florida. The JV parties are working together to develop and construct a 240 unit apartment community. The community is located on land in the Pier Park area that was contributed to the JV by the Company. As of March 31, 2019 and December 31, 2018, the Company owned a 75.0% equity interest in the consolidated JV. The Company's partners are responsible for the day-to-day activities of the JV. However, the Company has significant involvement in the design of the development and approves all major decisions, including project development, annual budgets and financing. The Company determined Pier Park Crossings JV is a VIE and that the Company is the VIE's primary beneficiary as of March 31, 2019 and December 31, 2018.

Windmark JV

In December 2016, the Company sold all of its interest in the Windmark Beach project to Windmark JV. As of March 31, 2019 and December 31, 2018, the Company owned a 49.0% equity interest in Windmark JV. A wholly owned subsidiary of the Company is the managing member of Windmark JV and runs its day-to-day operations. Windmark JV owns and its members make major decisions related to the management and development of the Windmark Beach project. The Company determined Windmark JV is a VIE and that the Company is the VIE's primary beneficiary as of March 31, 2019 and December 31, 2018.

Pier Park North JV

During 2012, the Company entered into a JV agreement with a partner to develop a retail center at Pier Park North. As of March 31, 2019 and December 31, 2018, the Company owned a 60.0% equity interest in the consolidated JV. The Company's partner is responsible for the day-to-day activities of the JV. However, the Company has significant involvement in the design of the development and approves all major decisions, including project development, annual budgets and financing. The Company determined the Pier Park North JV is a VIE and that the Company is the VIE's primary beneficiary as of March 31, 2019 and December 31, 2018.

Unconsolidated Joint Ventures

Pier Park TPS, LLC

Pier Park TPS, LLC ("Pier Park TPS JV") was created in April 2018, when the Company entered into a JV agreement to develop and operate a 124 room hotel in Panama City Beach, Florida. The hotel will be located on land in the Pier

Park area that the Company contributed to the JV on January 14, 2019 with a fair value of \$1.7 million. In addition, during the three months ended March 31, 2019, the Company contributed cash of \$0.2 million and mitigation bank credits of \$0.1 million. As of December 31, 2018, the Company had an investment in the JV project of \$1.1 million that was contributed to the JV during the first quarter of 2019. As of March 31, 2019 and December 31, 2018, the investment in the unconsolidated JV was \$3.1 million and \$1.1 million, respectively, which is included in other assets on the condensed consolidated balance sheets. The hotel is currently under construction and the Company did not recognize

Table of Contents

any income or loss on this investment for the three months ended March 31, 2019. As of March 31, 2019 and December 31, 2018, the Company owned a 50.0% equity interest in the JV. The Company's partner is responsible for the day-to-day activities of the JV. The Company has determined that Pier Park TPS JV is a VIE, but that the Company is not the primary beneficiary since it does not have the power to direct the activities that most significantly impact the economic performance of the JV. The Company's investment in Pier Park TPS JV is accounted for using the equity method. See Note 18. Commitments and Contingencies for additional information related to debt guaranteed by the Company.

Summarized financial information for Pier Park TPS JV is as follows:

	March 31, 2019	December 31, 2018
BALANCE SHEETS:		
Investment in real estate	\$ 4,614	\$ 285
Cash and cash equivalents	2,369	64
Total assets	\$ 6,983	\$ 349
Other liabilities	\$ 805	\$ 3
Equity	6,178	346
Total liabilities and equity	\$ 6,983	\$ 349

10. Debt, Net

Debt consists of the following:

	March 31, 2019			December 31, 2018		
	Principal	Unamortized Discount and Debt Issuance Costs	Net	Principal	Unamortized Discount and Debt Issuance Costs	Net
PPN JV Loan, due November 2025, bearing interest at 4.1%	\$ 46,199	\$ 429	\$ 45,770	\$ 46,423	\$ 446	\$ 45,977
Pier Park Crossings JV Loan, insured by HUD, due June 2060, bearing interest at 4.0%	21,697	1,107	20,590	15,399	1,114	14,285
Community Development District debt, secured by certain real estate or other collateral, due May 2023 through May 2039, bearing interest at 3.6% to 6.0%	7,695	—	7,695	6,324	—	6,324
Pier Park Outparcel Construction Loan, due March 2027, bearing interest at	1,574	16	1,558	1,585	16	1,569

LIBOR plus 1.7% (effective rate of 4.2% at March 31, 2019)						
WaterColor Crossings Construction Loan, due February 2029, bearing interest at LIBOR plus 1.7% (effective rate of 4.2% at March 31, 2019)	1,478	25	1,453	1,245	26	1,219
Beach Homes Loan, due May 2029, bearing interest at LIBOR plus 1.7% (effective rate of 4.2% at March 31, 2019)	747	21	726	—	—	—
Total debt	\$ 79,390	\$ 1,598	\$ 77,792	\$ 70,976	\$ 1,602	\$ 69,374

In October 2015, the Pier Park North JV entered into a \$48.2 million loan (the “PPN JV Loan”), secured by a first lien on, and security interest in, a majority of the Pier Park North JV’s property. In connection with the PPN JV Loan, the Company entered into a limited guarantee in favor of the lender, based on its percentage ownership of the JV. In

Table of Contents

addition, the guarantee can become full recourse in the case of any fraud or intentional misrepresentation by the Pier Park North JV; any voluntary transfer or encumbrance of the property in violation of the due-on-sale clause in the security instrument; upon commencement of voluntary bankruptcy or insolvency proceedings and upon breach of covenants in the security instrument.

In May 2018, the Pier Park Crossings JV entered into a \$36.6 million loan, insured by the U.S. Department of Housing and Urban Development (“HUD”), to finance the construction of apartments in Panama City Beach, Florida (the “PPC JV Loan”). The PPC JV Loan provides for interest only payments during the first twenty-four months and monthly principal and interest payments thereafter through maturity in June 2060. The PPC JV Loan may not be prepaid prior to July 1, 2020. From July 1, 2020 through June 30, 2030, a prepayment premium is due to the lender of 1.0% - 10.0% of any prepaid principal. The PPC JV Loan is secured by the Pier Park Crossings JV’s real property and the assignment of rents and leases.

Community Development District (“CDD”) bonds financed the construction of infrastructure improvements at some of the Company’s communities. The principal and interest payments on the bonds are paid by assessments on the properties benefited by the improvements financed by the bonds. The Company has recorded a liability for CDD debt that is associated with platted property, which is the point at which it becomes fixed or determinable. Additionally, the Company has recorded a liability for the portion of the CDD debt that is associated with unplatted property if it is probable and reasonably estimable that the Company will ultimately be responsible for repayment. The Company’s total CDD debt assigned to property it owns was \$19.9 million as of each March 31, 2019 and December 31, 2018. The Company pays interest on this total outstanding CDD debt.

In March 2017, a wholly owned subsidiary of the Company entered into a \$1.6 million construction loan to finance the construction of a commercial leasing property located in Panama City Beach, Florida (the “Pier Park Outparcel Construction Loan”). The Pier Park Outparcel Construction Loan provides for monthly principal and interest payments with a final balloon payment at maturity. The Pier Park Outparcel Construction Loan is secured by the real property, assignment of rents and the security interest in the rents and personal property.

In February 2018, a wholly owned subsidiary of the Company entered into a \$1.9 million construction loan to finance the construction of a commercial leasing property located in Santa Rosa Beach, Florida (the “WaterColor Crossings Construction Loan”). The WaterColor Crossings Construction Loan provides for interest only payments during the first twelve months and monthly principal and interest payments thereafter with a final balloon payment at maturity. The WaterColor Crossings Construction Loan is secured by the real property, assignment of rents and the security interest in the rents and personal property. In connection with the WaterColor Crossings Construction Loan, the Company executed a guarantee in favor of the lender to guarantee the payment and performance of the borrower under the WaterColor Crossings Construction Loan.

In May 2018, a wholly owned subsidiary of the Company entered into a \$1.7 million construction loan to finance the construction of two beach homes located in Panama City Beach, Florida (the “Beach Homes Loan”). The Beach Homes Loan provides for interest only payments during the first twelve months and monthly principal and interest payments thereafter with a final balloon payment at maturity. The Beach Homes Loan is secured by the real property, assignment of rents and the security interest in the rents and personal property. In connection with the Beach Homes Loan, the Company executed a guarantee in favor of the lender to guarantee the payment and performance of the borrower under the Beach Homes Loan.

Table of Contents

The aggregate maturities of debt subsequent to March 31, 2019, for the years ending December 31 are:

	March 31, 2019
2019	\$ 1,457
2020	