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Southern Baja resort project falls victim to financial woes

Government agency asks to take over struggling development

By **Sandra Dibble**, *Union-Tribune Staff Writer*
2:00 a.m. June 18, 2009

Like other tourist-oriented real estate projects on the Baja California peninsula, the planned 6,000-unit Loreto Bay development has struggled under daunting market conditions.

With fewer than 800 units sold, the Mexican development company TSD Loreto Partners this month announced the suspension of construction and operations. Last week, the golf course and 155-room hotel were shuttered. But yesterday, Mexico's tourism development agency, Fonatur, said it was asking for custody of both facilities so they could reopen while a buyer is sought for the project.

"The golf course is an important attraction in Loreto, and its loss would be a great blow, from which this tourist destination would not easily recover," Narciso Agúndez, governor of Baja California Sur, said in a statement Sunday after meeting in Mexico City with Fonatur Director Miguel Gómez Mont.

Heavily marketed to U.S. and Canadian baby boomers, the Villages of Loreto Bay was launched in 2002 by an Arizona company as a series of environmentally friendly seaside communities. For Fonatur, Loreto Bay was to be the cornerstone of a major tourist destination planned since the 1970s in this picturesque desert community about 750 miles from San Diego.

Supporters of the Fonatur plan said it would bring much-needed development to Loreto, a town of 15,000 founded in 1697 as a Jesuit mission. For all its beauty and rich history, the town offered few economic opportunities to local residents, they said.

But critics said the region lacks the water resources for a proposal that they said would bring in up to 220,000 residents. What no one foresaw was the drastic drop in demand for vacation homes as the U.S. and Canadian economies suffered and credit grew tighter.

A 2005 study commissioned by the San Diego-based International Community Foundation stated that desalination is the only apparent option if Loreto were to grow beyond 30,000 people. But desalination, it warned, could potentially damage ecosystems in the Loreto Bay National Marine Park.

In a four-sentence announcement sent to Loreto Bay homeowners June 6, TSD Loreto Partners, whose major lender is Citigroup Property Investors, stated that "due to the challenging situation in the international real estate and financial markets, all operating and construction activities for Loreto Bay will be suspended."

Though several potential buyers have visited the project in recent months, the project "has been unable to secure a buyer or new investor," the statement said.

In the statement released Sunday, Agúndez pledged support for Loreto Bay, saying "Loretanos are not alone in their effort to make Loreto develop through tourism."

Agúndez announced that the Mexican airline Aeroméxico next month will resume a San Diego-Loreto-Mexico City flight suspended in 2006, though Aeroméxico did not confirm the flights yesterday.



A pedestrian walked along the seawall in Loreto, Mexico. At least one development in the town of 15,000 has faltered under daunting market conditions. (Charlie Neuman / 2005 Union-Tribune file photo) -



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Agúndez said the suspension of operations at the project has led to the layoff of 400 workers. Because many are from mainland Mexico, that poses a potential "social problem" for the local community, said Ramón Romero Amador, the municipality's secretary general.

In a telephone interview, he said the government has secured funds to send workers back to their home communities.

Still, he added, "there is much optimism and hope, and we believe that this project will continue."

Pascal Pellegrino, president of Loreto's Hotel Association, said he supported the government's actions. The development, he said, "needs to be sold soon, so that it doesn't remain as an unfinished project"

Pellegrino said Loreto needs growth, "but we must keep it on a human dimension. We want projects developed with the standards of conservation that are applied around the world"

Brian Durnian, a Napa Valley real estate agent, purchased a three-bedroom, two-bath adobe at Loreto Bay with his brother. With construction on the \$400,000 property finished three years ago, Durnian said he was not worried.

Durnian said that like many buyers, he was drawn to the region because it offered a slower pace than Cabo San Lucas, at the peninsula's southern tip. "This is more planned growth. I love it down there."

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1LashLaRue Today 01:50 PM

I love Loreto and have been a visitor there on many occasions since Xmas 1973 when the paved road first opened. I was sorely tempted by my young, voluptuous temptress to invest in this swindle and/or in Trump's rosarito beach boondoggle. Thank god my innate investor BS detector was finally able to overcome my still at times dominant libido. Cheers!

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WTF_Over Today 10:08 AM

Ahhhhhhhhhhhhhhhh.....Bajaaaa aaaaaaaaa aaaa aaaaaaa aaaa. The land of broken dreams.

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DittoHeadsRTrators Today 08:47 AM

The Mexican government does not regulate the developers, thus the consumer's investment is at great risk. A good example is Donald Trump and his resort south of T.J. They took tens of millions in down payments and deposits only to send letters to the consumers stating they decided not to build it and their money has been spent, mostly in commissions and fees.

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CarloSD Today 12:31 PM

America is a much safer place to invest. You could give your money to Bernard Madoff, Michael Kelly, Enron, Lehman Brothers, Eddie Bauer, GM, Chrysler, Mervyns, Circuit City, Washington Mutual. So many safe options!

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GRINGONMEX 11 minutes ago

BRAVO CARLO...AMERICANS ARE SOOOOOO HONEST. I'll bet there were American interests in this project also.

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DittoHeadsRTraitors Today 12:43 PM

In the US, the down payment or deposit goes to escrow. Developers cannot use for construction or commissions and fees. If the project goes bust, you get your money back.

The examples you gave are mainly stocks, which is legalized gambling.

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1LashLaRue Today 01:42 PM

Finally a UT poster with some savvy. I would add that the American cretins are heavily invested in all manner of Mejiro boondoggles witness the Trump fiasco in Rosarito. Caveat emptor esp. when gringos are involved!

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gs92110 Today 08:26 AM

With thousands being gunned down, murdered in old Mexico, the time has come for tourist/visitors to make another choice than travel to/in Mexico!

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gs92110 Today 08:26 AM

If Mexico doesn't stop the wide spread violence/murder, their tourist industry will greatly diminish!

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fbrr2000 Today 08:24 AM

People think Americans are not heading to Mexico because of the violence. I believe that Babyboomers are broke and they will have to keep working just to keep afloat. For the rest of Americans they can't afford the gas and tacos it take to go to Tijuana.

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fbrr2000 Today 08:20 AM

People think American Tourists are not heading to Mexico because of the violence, but I believe the main reason is that Babyboomers are broke and they will have to keep working just to stay afloat. Americans are broke and they can't afford any lavish getaways other than a quick trip to Tijuana to visit relatives.

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